

# Deloitte



**Transparency report of  
Deloitte Audit OOD**  
2017

# Content

1. The Deloitte network and the legal and structural arrangements in the network	1
2. Legal, ownership and governance structure of Deloitte Audit OOD	4
3. Description of the management structure of the Company	4
4. Internal quality control system	4
5. Date of the last quality assurance review	6
6. List of public-interest entities audited by the Company during the last financial year	7
7. Independence confirmation	7
8. Continuing education	7
9. Financial information for the year ended on December 31, 2017	8
10. Partner remuneration	8
11. Rotation policy of key audit partners and staff	8
12. Licensing requirement for statutory compliance	8

<b>Appendix 1</b> - List of the public-interest entities audited by "Deloitte Audit" OOD during the last financial year ended December 31, 2017	12
---	----

# Transparency report of Deloitte Audit OOD

for the year ending 31 December 2017

## **Introduction**

As an audit firm that carries out statutory audits of the annual accounts of public interest entities, Deloitte Audit OOD (hereinafter the "Company" and/or "Deloitte Audit") is publishing this annual transparency report in compliance with Article 62 of the Independent Financial Audit Act ("IFAA") (Promulgated SG No. 10195/293.11.2016, effective 3.12.2016).

All information provided in this report relates to the situation of the Company on December 31, 2017, except if indicated otherwise.

## **1. The Deloitte network and the legal and structural arrangements in the network**

### **About Deloitte**

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax and legal services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited ("DTTL") a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and DTTL member firms are separate and distinct legal entities, which cannot obligate the other entities. DTTL and each DTTL member firm are only liable for their own acts or omissions, and not those of each other. Each of the member firms operates under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu", or other related names. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice and other factors, and may secure the provision of professional services in their territories through subsidiaries, affiliates and/or other entities.

See [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

### **About Deloitte Central Europe**

Deloitte Central Europe ("DCE") is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu Limited. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

Audit firms operating as a member of Deloitte network – disclosure in accordance with Article 13.2 (b) (ii)-(iv) of the EU Audit Regulation EC) 537/2014 and Art. 62, par. 2, point. 1, letters “b”, “c” and “d” of the Independent Financial Audit Act:

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
<b>Austria</b>	Centro-Audit Wirtschaftsprüfungsgesellschaft mbH
	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH
	Deloitte Tax Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
	F.X. Priester GesmbH
	Kapferer Frei und Partner Wirtschaftsprüfungs- und Steuerberatungs GmbH
	MPD Wirtschaftsprüfungs-GmbH & Co KG
<b>Belgium</b>	Deloitte Bedrijfsrevisoren - Reviseurs d'Entreprises
<b>Bulgaria</b>	Deloitte Audit OOD
<b>Croatia</b>	Deloitte d.o.o.
<b>Cyprus</b>	Deloitte Limited
<b>Czech Republic</b>	Deloitte Audit s.r.o.
<b>Denmark</b>	Deloitte Statsautoriseret Revisionspartnerselskab
<b>Estonia</b>	Deloitte Audit Eesti AS
<b>Finland</b>	Deloitte Oy
<b>France</b>	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Anne-Marie Torres Commissaires aux comptes
	Audalian Commissaire
	Audit Aquitaine Commissariat aux comptes SARL
	BEAS
	Cabinet FPM
	Cisane
	COGES
	Constantin Associés
	Constantin Entreprises
	Consultants Auditeurs Associés
	Davec SAS
	Durand & Associés
	ECA Audit
	Fiduciaire Expertise Commissariat et Développement
	IE IDF HAC (Holding Audit Consulting)
	In Extenso
	In Extenso Alsace Participations
	In Extenso Audit
In Extenso Bretagne	
In Extenso Centre Est	
In Extenso Centre Ouest	
In Extenso Charente	
In Extenso Dordogne	
In Extenso Eure	
In Extenso IDF Audit	
In Extenso IDF EX&Com Audit	

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
	In Extenso IDF Harl Lefort et Associés
	In Extenso Ile de France
	In Extenso Mont Blanc
	In Extenso Nord Audit
	In Extenso Nord de France
	In Extenso Orne
	In Extenso Picardie Ile de France
	In Extenso Provence
	In Extenso Rhône Alpes
	In Extenso Rhône Alpes Distribution
	In Extenso SECAG
	In Extenso Strasbourg Nord SA
	Jacques Serra et Associés
	Laurens Michel Audit
	MFG Audit
	Opus 3.14 Audit et Conseil
	Pierre-Henri Scacchi et Associés
	Revi Conseil
	SEREF
	Serge Kubryk
	Société d'expertise comptable d'Organisation et de Gestion
	Sterenn
<b>Germany</b>	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
<b>Gibraltar</b>	Deloitte Limited
<b>Greece</b>	Deloitte Certified Public Accountants SA
<b>Hungary</b>	Deloitte Auditing and Consulting Ltd.
<b>Iceland</b>	Deloitte ehf.
<b>Ireland</b>	Deloitte
<b>Italy</b>	Deloitte & Touche S.p.A.
<b>Latvia</b>	Deloitte Audits Latvia SIA
<b>Lithuania</b>	Deloitte Lietuva, UAB
<b>Luxembourg</b>	Deloitte Audit
<b>Malta</b>	Deloitte Audit Limited
<b>Netherlands</b>	Deloitte Accountants B.V.
<b>Norway</b>	Deloitte AS
<b>Poland</b>	Deloitte Polska spółka z ograniczoną odpowiedzialnością Sp. k.
<b>Portugal</b>	Deloitte & Associados, SROC S.A.
<b>Romania</b>	Deloitte Audit S.R.L.
<b>Slovakia</b>	Deloitte Audit s.r.o.
<b>Slovenia</b>	Deloitte Revizija d.o.o.
<b>Spain</b>	Deloitte, S.L.
<b>Sweden</b>	Deloitte AB
<b>United Kingdom</b>	Deloitte LLP
	Deloitte NI Limited

Total turnover achieved by network's audit (resulting from the statutory audit of annual and consolidated financial statements in accordance with Article 13.(2) (b)(iv) EU Audit Regulation and Art. 62, par. 2, point. 1, letters "b", "c" and "d" of the Independent Financial Audit Act)  
€ 1,967 million<sup>1</sup>

<sup>1</sup> Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member States provide statutory audit services as well as other audit, assurance and non-audit services. While we have endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2017, except for a limited number of instances where a Deloitte audit firm has a different financial year end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year.

Where currency other than Euros is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2016 to 31 May 2017.



## 2. Legal, ownership and governance structure of Deloitte Audit OOD

### Legal and ownership structure

Deloitte Audit OOD is a Bulgarian limited liability company, registered with UIC 121145199 at the Trade Register under the Registry Agency, with its registered seat and management address at 103 "Alexander Stambolijski " Blvd., 1303 Sofia, Bulgaria. The Company's main scope of activity is: independent financial audit of financial statements of enterprises, consultations and other services related to the independent financial audit, bookkeeping and drawing out annual, interim and other financial reports in compliance with the Accountancy Act and implementation of auditing and accounting software, as well as other activities that are not prohibited by the law.

The Company does not have registered branches in the country and/or abroad.

The Company has a registered capital of BGN 5,000 /five thousand Bulgarian leva/ which is divided in 500 shares, each amounting to BGN 10 /ten Bulgarian leva/, distributed between its shareholders as follows:

- 248 shares representing 49.6% of the share capital belong to Deloitte Central Europe Holdings Limited, a company incorporated under the laws of Cyprus;
- 126 shares representing 25.2% of the share capital belong to Ms. Sylvia Peneva, a registered auditor.
- 126 shares representing 25.2% of the share capital belong to Mr. Assen Dimov, a registered auditor.

### Governance Structure

The managing bodies of the Company are:

- General Meeting of the Shareholders; and
- Statutory Managers.

## 3. Description of the management structure of the Company

The Company is managed and represented by the following three statutory managers, all registered auditors:

- Ms Sylvia Georgieva Peneva;
- Mr Assen Georgiev Dimov; and
- Ms Desislava Dinkova Peneva.

The Statutory Managers represent and manage the Company jointly and separately and only jointly by any of the two statutory managers in the following cases: a) opening and closing of Company's bank accounts in Bulgaria and abroad; b) issuance of promissory note, bill of exchange and endorsement thereof; c) signing of loan agreements; d) guarantee of third parties obligations.

## 4. Internal quality control system

For the purposes of this and following sections of the report, the term "partner" is used in the meaning of grade in accordance with the Company's internal governance structure. The Company maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority, which the Company has agreed to adhere to.

The Company focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. The Company policies and procedures addressing leadership responsibilities for the system of quality control within the audit firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring.

This internal quality control system has two monitoring systems:

- The engagement quality control review; and
- The practice review.



## **Engagement quality control review**

Statutory audit reports on the annual accounts or consolidated accounts relating to a public interest entity, among others, are subject to an engagement quality control review by a partner with sufficient and appropriate experience and professional qualifications, prior to issuance of the report. The engagement quality control reviewer may be assigned to the Company from within DCE to work under the Company responsibility, but is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed, and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

For engagements that have been identified as having a higher risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner may be assigned to the Company from within DCE to work under the Company responsibility, but is independent of the engagement. Normally, this partner possesses specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

The auditor's report may only be issued if the reviewer is satisfied that the audit engagement team has made appropriate judgments and conclusions, and has complied with the International Standards on Auditing and other relevant rules and regulations.

## **Practice review**

The Company is subject to a quality assurance review, or "practice review", as it is commonly referred to, at intervals not to exceed three years.

Normally, the performance of every engagement partner is assessed during the three-year cycle, and at least one engagement for each partner is selected to achieve this goal. Consideration is also given to assessing the performance of directors, particularly those directors who are a candidate for partner nomination.

The Company is responsible for the practice review. DCE provides guidance and oversight regarding the practice review plan and procedures. The general coordination and administration of the practice review program is the responsibility of the practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "external partner") every year. The external partner who is assigned this responsibility works closely with the practice review director in overseeing the planning and performance of the practice review.

## **Types of Engagements Reviewed**

The engagements selected for review include public interest entities and a number of high-risk engagements, as well as other national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders). Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control or deteriorating financial condition) are also selected. All major industries served are considered.





### **Scope of Practice Reviews**

The assignment of reviewers is based on skill level, industry knowledge, and experience on transnational engagements.

The reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements,
- Assess the adequacy of implementation of the audit approach, including compliance with the Company's policies and procedures contained in the policy manuals,
- Monitor compliance with applicable local laws; and
- Assess the overall quality of service provided to clients.

The overall risk management and quality control policies and procedures of practice offices within the Company are also reviewed, including the following:

- Risk management program, including client and engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Consultation with Company's experts
- Consultation with outside experts
- Engagement quality control reviews

The findings and recommendations resulting from the practice reviews are included in a Company's audit quality plan and presented to the Company's and DCE leadership. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted. The Company addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations, where applicable.

In addition, the Company communicates to the relevant partner and other appropriate personnel deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. The Company also communicates the results of the practice review and ongoing consideration and evaluation of its system of quality control to its partners and other appropriate individuals.

### **Management Statement**

The Management of the Company are satisfied that the internal control system as described above is effective in providing reasonable assurance that the Company and its personnel comply with applicable professional standards and regulatory and legal requirements and that audit reports issued are appropriate in the circumstances.

### **5. Date of the last quality assurance review**

The last quality control inspection by the Commission for Public Oversight of Statutory Auditors ("CPOSA") was performed in the period November – December 2017 and the final report of the inspection was issued on December 20, 2017.



## **6. List of public-interest entities audited by the Company during the last financial year**

Enclosed as an Appendix 1 to this report.

## **7. Independence confirmation**

The Company implemented written independence policies and procedures, which include the performing of certain independence compliance checks on an annual basis.

- Each professional should sign an individual independence confirmation each year. In addition, similar independence confirmations are obtained from new professionals and professionals leaving the Company.
- All managerial personnel and above should enter their financial interests to a global independence monitoring system. Each person's portfolio is checked against an electronic list of audit clients to check whether this ownership is allowed under the relevant independence rules;
- All professionals should complete an e-learning on independence rules; and
- Client and engagement acceptance processes are used to verify that independence is not impaired.

In addition to the continuous monitoring of compliance with independence policies, independence inspection and testing procedures are performed annually on a sample of professionals and senior officers.

An internal confirmation of independence compliance by professionals of the Company was performed as of May 31, 2017 and an internal independence compliance testing and inspection for selected professionals was finalized by November 30, 2017.

## **8. Continuing education**

All registered auditors in the Company maintain their continuous professional qualification through a mixture of internal courses as well as educational courses organized by the Bulgarian Institute of Chartered Accountants pursuant to Article 30 of the Independent Financial Audit Act. The Company complies with these legal requirements.

Continuing education is a key policy of the Company, as this is an important means of developing knowledge and maintaining and improving the quality of our services. A learning intranet provides a starting point, including technical training, management and interpersonal skills, business economics and industry-specific courses.

The continuing education program is comprised of both within Deloitte network agreed training sessions as well as external training, among others, organized by the Bulgarian Institute of Certified Public Accountants. Certain courses are mandatory and others are optional, such that each auditor or trainee auditor can personalise their learning programme.

During the first years, most training is comprised of mandatory courses on technical topics including Deloitte methodologies and processes but afterwards the optional part increases given that individual needs become more diverse. An individual learning programme is required as from approximately four years' experience.

More experienced auditors are expected to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group. There is also the possibility to follow longer term education, such as MBA programmes. There is also a system of accreditation whereby a training course needs to be completed before an auditor may perform certain tasks.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential within the Company.

## 9. Financial information for the year ended on December 31, 2017

The amounts of revenues in the table are stated in thousands Bulgarian leva (BGN'000).

Revenue from services for statutory audit of annual separate and consolidated financial statements of public interest entities and of entities which are part of a group the parent company of which is a public interest entity	3,595
Revenue from services for statutory audit of annual separate and consolidated financial statements of other entities	3,833
Revenue from permitted services other than audit provided to the audited entities, allocated as follows:	
• Revenue from permitted services other than audit provided to audited public interest entity and to entities which are part of a group the parent company of which is a public interest entity	1,476
• Revenue from permitted services other than audit provided to audited entities other than public interest entities	658
Revenue from services, other than audit, provided to other entities	1,962
<b>Total revenue for 2017</b>	<b>11,524</b>

## 10. Partner remuneration

Partners are evaluated on a yearly basis and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Partner evaluation take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.

## 11. Rotation policy of key audit partners and staff

The Company maintains policies and procedures requiring rotation of key audit partners and staff. These differ for a public interest entity as defined in § 1, item 22 of the Supplementary Provisions of the Accounting Act (Promulgated, SG No. 95/8.12.2015, effective 1.01.2016, as amended from time to time) (the "EU PIE") or entities defined as a public interest entity by the Company ("other PIE"). Individuals responsible for carrying out a statutory audit should not serve an EU PIE for more than four consecutive years in the position of a key audit partner. They shall not participate again in the statutory audit of the audited EU PIE entity before three years have elapsed following cessation of such service. In case of other PIE, individuals responsible for carrying out a statutory audit should not serve other PIE for more than seven consecutive years in the position of a key audit partner. They shall not participate again in the statutory audit of the audited other PIE entity before two years have elapsed following cessation of such service. During the cooling-off period of three or two years, the key audit partner should not participate in the audit of the audited entity, perform the engagement quality control review, consult with the engagement team or the audited entity regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the statutory audit.

While it is the primary responsibility of the individuals serving as key audit partners to ensure they comply with the rotation requirements, the Company implemented a monitoring process that includes among other analysis of client portfolios and individuals assigned in various roles to statutory audits and considering appropriate competence, capability, workload and availability of statutory auditors so as to enable these individuals to adequately discharge their responsibilities as key audit partners.

## 12. Licensing requirement for statutory compliance

According to the Bulgarian Independent Financial Audit Act registered auditors (individuals) and audit entities shall receive an individual number after their registration in the register of registered statutory auditors established and maintained by the Bulgarian Institute of the Certified Public Accountants. Deloitte Audit OOD is included in the register of registered auditors under No 33.



**Sylvia Peneva**  
**Statutory Manager and**  
**Country Managing Partner**  
**for Bulgaria**

Deloitte Central Europe is a regional organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu Limited. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region's leading professional services firms, providing services through nearly 6,000 people in 44 offices in 18 countries..

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional advisor. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018 For information, contact Deloitte Bulgaria.

# Appendix

# Appendix No 1

List of the public-interest entities audited by “Deloitte Audit” OOD during the last financial year ended December 31, 2017

Agroenergy ADSIP  
Agroenergy Invest ADSIP  
Advance Terrafund ADSIP  
Alcomet AD  
Asenovgrad Tabac AD (in liquidation)  
DSK Bank EAD  
BNP - BNPP Personal Finance  
Bulgartabac Holding AD  
Bulgarian Telecommunication Company EAD  
Deven AD  
Voluntary pension fund DSK-Rodina  
Voluntary pension fund under professional schemes DSK-Rodina  
Energo Pro Varna EOOD  
Energo Pro Energy Services EOOD  
Energo Pro Prodajbi AD  
Energo Pro Sever AD (former Energo Pro Mreji AD)  
Belovo Paper Mill AD  
JZD OZK-Insurance AD  
ZD OZOK Ins AD  
ERG Capital - 3 ADSIP  
Easy Asset Management AD  
Monbat AD  
Neochim AD  
NURTS Bulgaria EAD  
UBB-MetLife Life Insurance Company AD  
United Bulgarian Bank AD  
Pension insurance company DSK-Rodina AD  
Professional pension fund DSK-Rodina  
Texim Bank AD  
Tokuda Bank AD  
UniCredit Bulbank AD  
UniCredit Consumer Financing EAD  
Universal pension fund DSK-Rodina  
FEEI ADSIP  
Haskovo Tabac AD (in liquidation)  
Central Cooperative Bank AD  
Shumen Tabac AD (in liquidation)