

**Deloitte.**

# SIA Deloitte Audits Latvia Transparency Report



**Transparency Report**  
March 2016

SIA Deloitte Audits Latvia

Licence No 43

Transparency Report

For the year ended 31 December 2015

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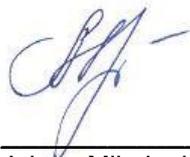
# Transparency Report

As an audit firm that carries out statutory audits of the annual accounts of financial institutions and commercial companies whose transferable securities are admitted to trading on the regulated market of Member States, SIA Deloitte Audits Latvia (hereinafter: "Audit Firm") is publishing this annual transparency report in compliance with the Law On Sworn Auditors.

We believe that in the current environment of complex capital markets and economic uncertainties, it is critical that we continue to embrace the responsibilities that come with the privilege of being auditors of financial institutions and public companies. Transparency is an increasingly central element in demonstrating audit quality, and we fully support disclosure that provides investors, audit committees, regulators, and other market participants' information that will help them understand our commitment to audit quality.

This report provides information on matters directly related to audit quality, such as governance, independence, and the Deloitte network, as well as specific information about the quality controls in our audit practice.

All information provided in this report relates to the situation of the Audit Firm on 31 December 2015, except if indicated otherwise.



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Jelena Mihejenkova  
Board Member  
SIA Deloitte Audits Latvia

31 March 2016

# 1. Legal Structure and Ownership

## Description of the legal structure and ownership

The Audit Firm operates as a limited liability company and is owned by:

- Deloitte Latvia SIA – 49.50%

(Deloitte Latvia SIA is fully owned by Deloitte Central Europe Holdings Limited);

- Inguna Stasa – 50.50 %.

## A description of the network and the legal and structural arrangements in the network

### *Deloitte Network*

“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, and tax 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,” “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.

Please 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 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.

In Latvia, the services are provided by SIA Deloitte Latvia, SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as “Deloitte Latvia”) which are affiliates of Deloitte Central Europe Holdings Limited.

## 2. Description of Audit Firm Management

### **Description of the structure of the management of Audit Firm**

The Audit Firm is managed by three board members - Inguna Stasa, sworn auditor, licence No 145, Jelena Mihejenkova, sworn auditor, licence No 166, and audit partner Roberts Stugis. The board members and partner work separately and have the right to represent the Audit Firm with full power.

The Audit Firm acts in accordance with the Law On Sworn Auditors.



# 3. Internal quality control system

The Audit Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority and it is set out in the Deloitte Policy Manual (Audit), which is the central repository for DTTL policies and which the Audit Firm has agreed to adhere to. The Audit Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. This manual includes 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 Reviews

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 by a partner or a manager with sufficient and appropriate experience and professional qualifications, prior to issuance of the report. The engagement quality control reviewer 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 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 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 audit 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 applicable standards and regulations.

## Practice Review

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

Normally, the performance of every audit 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 managers, particularly those managers who are candidates for partner nomination.

The Audit Firm is responsible for the practice review. DTTL and DCE provide guidance and oversight regarding the practice review plans 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 "concurring partner") every year. The concurring partner who is assigned this responsibility works closely with the practice review director in overseeing and challenging the planning and performance of the practice review.

## Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. 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 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 Audit Firm's policies and procedures contained in the policy manuals
- Monitor compliance with applicable local laws
- Assess the overall quality of service provided to clients

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

- Risk management program, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development

- Public filings in other countries
- Information technology specialist reviews
- Assignment of professional staff to audit engagements
- Consultation with Firm experts
- Consultation with outside experts
- Engagement quality control reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report and management letter to the Audit Firm's and DCE leadership. The purpose of the management letter is to provide suggestions for improvement in response to findings noted. The Audit Firm addresses findings in the practice review management letter by drawing up a detailed action plan setting out the action.

In addition, the Audit Firm communicates deficiencies noted as a result of the practice review (if any) and recommendations for appropriate remedial action to the relevant partner and other appropriate personnel. The Audit Firm 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 within the Firm.

## 4. The date when the last independent quality assurance review took place

The latest practice review performed by Latvian Certified Auditors Association has been conducted in summer 2014.

## 5. Independence confirmation

DCE maintains written independence policies and procedures, which include the performing of certain independence compliance checks on an annual basis and which are applicable to the Audit Firm as part of DCE.

- Each professional should sign an individual independence confirmation each year. In addition, similar independence confirmations are obtained from new employees and employees leaving the Audit Firm.
- 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 procedures 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 employees of the Audit Firm was performed as of 31 May 2015 and an internal independence compliance testing and inspection for selected employees was finalized by 30 November 2015.

## 6. Continuing education

All registered auditors in the Audit Firm maintain their continuous professional qualification through a mixture of internal courses as well as educational courses.

Continuing education is a key policy of the Audit Firm, 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 Deloitte-organized training sessions as well as external training. Certain courses are mandatory and others are optional, such that each auditor or trainee auditors can personalize their learning program.

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 program is required as from approximately four year's 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 programs. 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 Audit Firm.

# 7. Audit Clients

**List of financial institutions and commercial companies whose transferable securities are admitted to trading on the regulated market of Member States, for which the audit firm carries out statutory audits during the year ended 31 December 2015**

## *Financial institutions*

- JSC Swedbank
- JSC Swedbank atklatais pensiju fonds
- JSC Swedbank ieguldījumu parvaldes sabiedrība
- JSC Norvik Banka
- JSC Norvik ieguldījumu parvaldes sabiedrība
- IJSC Baltijas Apdrošināšanas nams
- LIJSC Balva
- JSC VIA SMS Group
- JSC Danske Bank A/S Latvia Branch

## *Commercial companies whose transferable securities are admitted to trading on the regulated market of Member States*

- JSC Valmieras stikla skiedra
- JSC Ditton pievadkezu rupnīca
- JSC Rīga Shipyard

## 8. Financial Information

Financial information showing the importance of the audit firm, such as the total turnover divided into fees from the statutory audit of separate and consolidated accounts, and fees charged for other assurance services and tax advisory services

<b>The breakdown of SIA Deloitte Audits Latvia's 2015 unaudited net sales (‘000 EUR):</b>	
Audit services	3,421
Other services	17
<b>Total net sales</b>	<b>3,438</b>

### **Partners and sworn auditors 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.

Sworn auditors remuneration is based on a fixed salary arrangement and annual bonus based on the achievement of goals set each year.

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Deloitte provides audit, tax, consulting, financial advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 225,000 professionals are committed to becoming the standard of excellence.

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