



SIA Deloitte Audits Latvia

Transparency Report

April 2017

Introduction

Introduction	3
1. The Deloitte network	4
2. Legal, ownership and governance structure	5
3. Description of the management structure	6
4. Internal quality control system	7
5. The independent quality assurance review date	10
6. List of public-interest entities audited during the last financial year	11
7. Independence confirmation	12
8. Continuing education	13
9. Financial information	14
10. Partner remuneration	15
11. Licensing requirement for statutory compliance	16

Introduction

As an audit firm that carries out statutory audits of the annual accounts of public-interest entities, SIA Deloitte Audits Latvia (hereinafter: "Company") is publishing this annual transparency report in compliance with the Law on Audit Services.

All information provided in this report relates to the situation of the Company on 31 December 2016, except if indicated otherwise.



Inguna Staša
Board Member
SIA Deloitte Audits Latvia
28 April 2017

1. The Deloitte network

About Deloitte

About Deloitte Central Europe

"Deloitte" is the brand under which tens of thousands of Deloitte Central Europe ("DCE") is a regional dedicated professionals in independent firms throughout organisation of entities organised under the umbrella of the world collaborate to provide audit, consulting, Deloitte Central Europe Holdings Limited, the member financial advisory, risk management, tax and legal firm in Central Europe of Deloitte Touche Tohmatsu services to selected clients. These firms are members of Limited. Services are provided by the subsidiaries and Deloitte Touche Tohmatsu Limited ("DTTL") a UK private affiliates of Deloitte Central Europe Holdings Limited, company limited by guarantee. Each member firm which are separate and independent legal entities.

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 for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

2. Legal, ownership and governance structure

SIA Deloitte Audits Latvia is registered in Commercial register of the Republic of Latvia under the registration number 40003606960, with the registered office in 4a Grēdu Str., Riga LV1019, Latvia.

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%

3. Description of the management structure

The Company is represented by the Management Board, which consists of three members - Inguna Stasa, sworn auditor, licence No 145, Jelena Mihejenkova, sworn auditor, licence No 166, and Roberts Stugis, sworn auditor, licence No 203.

The board members have the right to represent the Company with full power.

4. Internal quality control system

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 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 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 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 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 "concurring partner") every year. The concurring 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 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 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 audit firm and its personnel comply with applicable professional standards and regulatory and legal requirements and that audit reports issued are appropriate in the circumstances.

5. The independent quality assurance review date

The last independent quality assurance review was conducted by Latvian Association of Sworn Auditors in year 2014. The Company received rating "A" which is the highest possible rating.

6. List of public-interest entities audited during the last financial year

Public interest entities / Latvia

Company

JSC Valmieras stikla skiedra

JSC Grindeks

JSC VIA SMS Group

JSC Baltijas Apdrošināšanas nams

JSC Swedbank Latvia

JSC Swedbank atklatais pensiju fonds

JSC Swedbank Ieguldījumu pārvaldes sabiedrība

JSC EuVECA Livonia Partners

7. Independence confirmation

DCE maintains written independence policies and inspection for selected employees was finalized by procedures, which include the performing of certain independence compliance checks on an annual basis and which are applicable to the Company as a 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 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 employees of the Company was performed as of 31 May 2016 and an internal independence compliance testing

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. They 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.

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. 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.

The continuing education program is comprised of both Deloitte-organised training sessions as well as external training. 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

9. Financial information

**The breakdown of SIA Deloitte Audits Latvia's
2016 audited net sales ('000 EUR):**

Service type	'000 EUR
Audit services	3 085
Other services	21
Total net sales	3 106

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. Licensing requirement for statutory compliance

Deloitte Audits Latvia - Licence No 43

Roberts Stugis – Licence No 203

Jelena Mihejenkova– Licence No 166

Inguna Stasa – Licence No 145

Elina Sedlina – Licence No 179

Kitija Kepite – Licence No 182



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/lv/about for a more detailed description of DTTL and its member firms.

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. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 130 national and specialized expatriate professionals.

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. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.