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SIA Deloitte Audits Latvia
Transparency Report



Transparency Report
March 2014

SIA Deloitte Audits Latvia

Licence No 43

Transparency Report

For the year ended 31 December 2013

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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 Touche Tohmatsu 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 2013, except if indicated otherwise.



Inguna Staša
Board Member
SIA Deloitte Audits Latvia

28 March 2014

1. Legal Structure and Ownership

1.1. 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 %.

1.2. 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 firm 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.

Please see 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.

The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region’s leading professional services firms, providing services through more than 3,900 people in 34 offices in 17 countries.

Deloitte in Latvia

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 100 national and specialized expatriate professionals

2. Structure of Audit Firm Management

2.1. 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 partners work separately and have the right to represent and administer the Audit Firm with full powers.

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



3. Overview of Quality Control Procedures

Deloitte Audits Latvia SIA provides audit and related assurance services through its engagements with clients. When taken as a whole, this overview provides a summary of the Firm's quality control policies and procedures related to those engagements, and is organized into the following sections:

- Leadership responsibilities for the system of quality control
- Ethical requirements
- Human resources
- Client and engagement acceptance and continuance
- Engagement performance
- Monitoring

3.1. Leadership responsibilities for the system of quality control

The Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority. The Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. While the Firm's leadership assumes ultimate responsibility for the system of quality control, the partner assigned with operational responsibility for the Firm's quality control system has sufficient and appropriate experience and ability as well as the necessary authority to assume that operational responsibility.

3.2. Ethical requirements

Ethics

The Firm maintains policies and procedures that are designed to provide reasonable assurance that the Firm and its partners, professional staff, and support staff comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by the Firm are the DTTL policies and procedures which incorporate the requirements and guidance set out in Parts A and B of the Code of Ethics for Professional Accountants ("Code") issued by the International Ethics Standards Board for Accountants (IESBA), a standard-setting body of the International Federation of Accountants (IFAC).

The Firm has appointed an Ethics Officer who is an experienced partner other than the Chief Executive Officer or Managing Partner (collectively referred to as "CEO") of the Firm, who has direct access to the CEO and the Firm's governing body. In addition, the Firm has developed and implemented its own code of conduct that describes, in some detail, critical professional behavior that reflects local customs, regulations, and legal requirements.

The Firm provides communication channels through which partners, professional, and support staff can consult on and report ethical issues and situations. The Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems.

The Firm requires all partners, professional staff, and support staff to confirm annually that they have read and understood the code of conduct and understand that it is their responsibility to comply with the code.

Independence

The Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable independence standards. These policies and procedures are based on the Code, and are enhanced, as appropriate, to reflect local standards or DTTL policies that may be more restrictive.

The Firm's system of quality controls related to independence includes the following:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance system, the Global Independence Monitoring System and Confirmations
- Business relationship assessments and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- "Tone-at-the-top" culture relating to independence

Independence Policies and Procedures

The Firm's independence policies and procedures cover the Firm, and the Firm's partners, professional, and support staff, and certain relatives thereof, where applicable. These policies and procedures are, in some instances, more restrictive than the independence standards in the Code and contain specific independence requirements that are applicable when the Firm is to maintain independence with respect to an audit client ("restricted entity") and the client's affiliates.

Policies require that the Firm, and its partners and professional staff, determine, among other things, whether an entity is a restricted entity before the Firm, a partner or professional staff member (including, their spouse, spousal equivalent, and dependents) engage in certain transactions with the entity. The Firm, partners and managerial personnel enter their financial interests and brokerage accounts into a tracking system (the "Global Independence Monitoring System" or "GIMS"). GIMS enables an electronic review of financial interests and brokerage accounts to help identify if independence restrictions may affect the ability to hold such items. The Firm annually obtains confirmations from its partners, professional staff and support staff that such individuals are in personal compliance with the Firm's independence policies.

The Firm's independence policies and procedures are made available electronically to the Firm's partners, professional staff and support staff. Updates to these policies and procedures are also made and communicated electronically to the Firm's partners, professional staff and support staff. Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of communications showing changes to entities that are internationally restricted.

Policies and procedures are in place at the engagement level to require the audit engagement partner to consider independence matters during the course of an audit engagement and to address the completeness of communications with the audit committee or those charged with governance, where required.

Deloitte Entity Search and Compliance System (DESC) system, the Global Independence Monitoring System (GIMS), and Confirmations

There are three related aspects of the Firm's systems and controls related to the Firm's independence and the personal independence of its professionals: DESC, GIMS, and the confirmation process. These three aspects support each other in that (1) partners and professional staff search DESC, (which includes a database of internationally restricted entities) and/or GIMS (which has a database of financial interests and brokerage accounts), to identify if an entity or its financial interests or brokerage accounts are restricted before acquisition; (2) partners and managerial personnel record their financial interests and brokerage accounts in their portfolios in GIMS; and (3) the Firm periodically confirms to DTTL its compliance and the compliance of its partners, professional staff and support staff with the Firm's independence policies.

Deloitte Entity Search and Compliance (DESC) system

DESC is operated by DTTL on behalf of the DTTL member firms. Each DTTL member firm reports the names of its clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other entities that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams or the DTTL member firms. Updates to DESC's entity information are made daily based upon these processes. The Firm's partners and professional staff access DESC on-line.

DESC also has features that are used to request and document approvals related to providing services to an entity.

Global Independence Monitoring System (GIMS) for financial interests and brokerage accounts

Each DTTL member firm also identifies and reports the publicly-available securities and brokerage accounts that are associated with an international restricted entity. Such securities and brokerage accounts are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL member firms, and each DTTL member firm administers the related monitoring processes related to its partners and professional staff. Partners and professional staff search DESC for an entity, and/or GIMS for a security or brokerage account, before acquiring a financial interest or establishing a brokerage account, to determine if restrictions apply that affect them. This includes investments for or on behalf of a spouse, spousal equivalent, and dependent. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

GIMS assists partners and managerial personnel by identifying situations which may not comply with the Firm's policies so that the item may either be reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions which aid the individual to determine whether the item is permitted in the particular circumstances or not. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely actions can be taken. The Firm monitors and follows-up on such notices until the individual resolves the item.

Confirmations

The Firm annually obtains confirmations from its partners, professional staff and support staff. Annually, the Firm reports to DTTL that the Firm has taken appropriate steps to obtain sufficient evidence that it and its partners, professional staff and support staff comply with applicable

independence requirements, including that the Firm itself is independent of restricted entities.

Consultation Network

The Firm communicates with its partners and employees regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, the Firm consults with DTTL's independence group and other member firms when the Firm determines that additional input or advice is needed under the circumstances.

Business relationship assessments and monitoring

The Firm has a business relationships assessment and monitoring process. The objective of such process is to ensure that any business relationship entered into with a restricted entity or its management or substantial stockholders does not impair independence with respect to that restricted entity.

Independence Learning

The Firm provides partners and professional staff with learning opportunities to enable them to understand and apply the independence policies. An orientation session is held for all new hires and compulsory e-learning or classroom training is held annually for principals and professional staff.

Monitoring of Independence Systems and Controls Relating to Personal Independence, and Engagement and Practice Reviews

Inspection of Personal Independence

On a periodic basis, the Firm inspects for compliance with the Firm's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by partners and professional staff relating to independence matters and the information contained in GIMS are accurate and complete.

Inspection of Firm's Compliance

The Firm is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed. See further details of engagement and practice reviews in the Monitoring section below.

Disciplinary Measures and Actions

The Firm has disciplinary procedures in place to address non-compliance with the Firm's independence policies and procedures. These disciplinary procedures are designed to provide an appropriate response to breaches of such policies and procedures by partners, professional staff and support staff.

Assignment of Responsibility for Independence Systems and Controls

The Firm has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the Firm, including the implementation and maintenance of the Firm's business processes related

to: (1) independence consultations, (2) independence learning programs, (3) restricted-entity information in DESC, (4) use and monitoring of the features of DESC, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Firm's Director of Independence, Firm management, and DTTL's independence group.

DTTL has assigned a senior leader and a DTTL independence team member who provide access to timely and accurate information designed to facilitate the independence function at the Firm level.

"Tone-at-the-Top" Culture Relating to Independence

Firm leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the Firm. Strategies and procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the Firm entering into a financial or business relationship with a third party. The Firm has policies and procedures in place to identify potential conflicts of interest in connection with the Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (DCCS) is designed to support the Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business or financial relationships. For each new engagement or relationship opportunity, DCCS captures the principal parties to the engagement, the scope of work, engagement team, and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in DCCS there is an automated search of DESC to identify any potential audit/attest relationships. DCCS also provides an automated means of cross-border conflict checking. Overall DCCS provides a record of existing engagement, business, and financial relationships which is automatically searched when proposing for new engagements or relationships.

3.3. Human resources

Hiring

The Firm has established policies and procedures designed to provide reasonable assurance that it has sufficient partners and professional staff with the competencies, capabilities, and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
- Enable the Firm to issue reports that are appropriate in the circumstances.

Advancement

The Firm's policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected for advancement have the qualifications necessary to fulfill the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

- Various professional staff levels within the Firm and descriptions of the related competencies required to perform effectively at each level have been established.
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to the Firm's professional staff.
- Procedures for periodic performance evaluation have been established.
- A counseling program to assist professional staff in identifying realistic career paths and developing action plans to help realize professional goals has been established.

Professional Development

The purpose of the Firm's professional development program is to help partners and professional staff maintain and enhance their professional competence. To supplement on-the-job development, the Firm provides formal continuing professional development programs in relevant subject areas.

Deloitte has developed a Global Competency Model, which is used to express the areas of personal capability for principals and professional staff. The Model has two main components: technical competencies which are function specific, and shared competencies which are common across the functions. The Global Competency Model is a combination of knowledge, skills, and behaviours that are necessary to perform the various roles within the firm and forms the basis of our continuing professional development programme.

All partners and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities, and professional requirements. However, the Firm establishes minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the Firm offers structured, formal learning programs such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies,

functionally-specific technical competencies, and competencies in areas of specialization).

3.4. Client and engagement acceptance and continuance

The Firm has rigorous policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk, regardless of the proposed services to be rendered.

These policies and procedures are designed to provide the Firm with reasonable assurance that it will only accept engagements where it:

- Is competent to perform the engagement and has the capabilities, including time and resources, to do so
- Can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations.
- Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity.

Engagement risk classification associated with accepting an engagement is assessed as "normal," "greater than normal," or "much greater than normal" and is completed prior to the commencement of work. The engagement risk assessment process includes approval by the recommending partner and concurrence by at least one other Firm partner that the Firm may accept the client and the engagement. In addition, the decision to accept appointment is approved by the Firm's Risk Leaders if engagement risk is assessed as "greater than normal" or "much greater than normal."

On international engagements, engagement acceptance and continuance procedures are performed at the member firm level. The Firm does not assume the acceptability of a client and/or the engagement merely because it has been referred from another member firm.

In assessing acceptability of an engagement, we consider client and professional service risks, which generally include the following factors:

- Management characteristics and integrity
- Organization and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties
- Prior knowledge and experience

The Firm's engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address engagement-specific risks. The engagement risk assessment begins during the engagement acceptance/continuation process, and is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted. On an annual basis,

engagements in process for more than one year are evaluated to determine if the Firm should continue the engagement. Factors discussed above are revisited to ascertain whether the relationship should continue. In addition, any time an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), continuation of the relationship is reevaluated. Decisions of engagement continuance are concurred by one other partner.

3.5. Engagement performance

Assignment of Professional Staff to Audit Engagements

The Firm assigns responsibility for each audit engagement to an audit engagement leader. The identity and role of that audit engagement leader is communicated to key individuals of the client's management team and those charged with governance at the client.

The Firm also has policies and procedures in place so that partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

An engagement team ordinarily includes one or more of each of the following: audit engagement leader, audit manager, field senior, and staff. However, the engagement team will be developed based on the size, nature, and complexity of the entity's operations. Every audit engagement team is under the control and supervision of the audit engagement leader to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit manager assigned to the engagement is responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team.

The audit engagement leader considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies, and time to perform the audit engagement. Factors considered in this determination include, among others:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest
- The qualifications and experience of professional staff

The engagement team will also call upon other professional staff operating within different departments of the firm to assist in the proper performance of an audit engagement, most notably staff within the firm's technical accounting department, tax department, and information technology and

valuation specialists as the need arises. In certain cases the firm will also obtain input from specialists within the DTTL Network.

Audit Approach

The firm utilizes a proprietary tool known as AuditSystem/2 which includes the audit approach, common documentation, and enabling software technology. The audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The Firm has further supplemented these requirements and guidance to reflect local requirements, as applicable. The common documentation and the enabling software technology are tools that enhance the consistent implementation of the audit approach and promote effectiveness and efficiency.

The following are the main elements of the audit approach:

Understanding of the entity and its environment

An understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. The Firm's audit teams develop this understanding and assess financial statement risks in a number of ways, including analyzing financial information to identify trends and unusual balances; holding in-depth discussions with management and those charged with governance; considering the inherent nature of each financial statement component and the risks associated with that component; evaluating the reliability of internal control; assessing the extent to which technology is used in the financial reporting process; and, if applicable, reviewing internal audit findings.

As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Testing the operating effectiveness of controls

The engagement team obtains an understanding of the entity's internal control in each audit engagement. For certain engagements, when required by local auditing standards or when included as a component of the financial statement audit procedures, engagement teams may also test the operating effectiveness of the entity's internal control in preventing or detecting and correcting material misstatements.

Audit procedures

Engagement teams develop the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole. Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. The audit approach allows partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Use of Experts

While the audit engagement leader retains responsibility for all aspects of the engagement, there are instances when the engagement team utilizes an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities, and objectivity.

In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement team considers:

- The source data used;
- The assumptions and methods used and, if appropriate, their consistency with those used in the prior period; and
- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures.

Engagement Documentation

The Firm maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of: (1) 60 days from the date of the report; or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility, and retrievability of archived documentation.

Engagement Team Reviews

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services, with limited exceptions. The review is performed by a partner or a manager who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations. 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. Appropriate experience and knowledge includes experience and knowledge of the entity's industry, economic environment, and accounting principles. For all public interest entities and all high risk engagements, the review is performed by a partner with sufficient and appropriate experience and professional qualifications to act as an engagement partner on these types of audits.

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.

Special Reviews

For engagements that have been identified as having much greater than normal engagement 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.

Consultation Network & Differences of Opinions

The Firm has established a consultation network to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialized knowledge.

To facilitate the technical consultation process, the Firm has an accounting and auditing consultation structure. A National Professional Practice Director with specialized technical skills and experience is supported by subject matter resources in various areas, for example, such as regulatory filing requirements; technical auditing requirements; and complex accounting matters, etc.

The Firm maintains policies and procedures for the resolution of differences of opinion among partners and others who are assigned to the engagement team, including those who are in a consultative capacity.

3.6. Monitoring

Annual Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Firm is subject to a quality assurance review, or "practice review" as it is commonly referred to, at intervals not to exceed three years. Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle.

The annual practice review program is designed to cover a number of practice offices each year. Every practice office is subject to a practice review at

intervals not to exceed three years. Normally, the performance of every audit partner / leader is assessed during the three-year cycle, and at least one engagement for each member firm 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 Firm is responsible for the practice review. DTTL provides 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 Firm's practice review director, in conjunction with the regional 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 Firm's practice review director and the regional 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 by the Firm or practice office are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within our Firm. 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 policies and procedures contained in the Firm's 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 our 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 last practise review of Deloitte Latvia by external principal and supporting team drawn from various other DTTL Member Firms was performed during June 2011.

The Firm is a registered audit firm with the Latvian Association of Certified Auditors (LACA) LACA is responsible for certification, monitoring of activities, quality control over the audit services, initiating disciplinary cases, reviewing, investigation and stating the disciplinary action. The supervision over LACA at the state level is performed by the Ministry of Finance.

As such Firm is also open to oversight and practice inspection visits by the Quality Committee of LACA, on a minimum three year cycle. LACA performed a quality assurance review at SIA Deloitte Audits Latvia on October 2011 covering the years 2008 – 2010. The Audit Firm received rating "A". The next practice review by the LACA is expected to be conducted during 2014.

Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report and management letter to the Firm's CEO. The purpose of the management letter is to provide suggestions for improvement in response to findings noted. The Firm addresses findings in the practice review management letter by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations contained in the practice review management letter, where applicable.

In addition, the Firm communicates deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. The Firm also communicates on an annual basis 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.

3.7. Complaints and Allegations

The Firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the Firm failed to comply with professional standards, and regulatory and legal requirements, and allegations of noncompliance with the Firm's system of quality control.

4. Audit Clients

4.1. 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 2013

Financial institutions

- AS Swedbanka
- AS Swedbank atklatais pensiju fonds
- AS Swedbank ieguldījumu parvaldes sabiedrība
- AS Norvik Banka
- AS Norvik ieguldījumu parvaldes sabiedrība
- AS IPS Norvik Alternative Investments
- AS UniCredit Finance
- AAS Baltijas Apdrošināšanas nams
- AAS Balva

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

- AS Valmieras stikla skiedra
- AS Nordeka
- AS Grindeks
- AS Ditton pievadkezu rūpnīca

5. Financial Information

5.1. 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

The breakdown of SIA Deloitte Audits Latvia's 2013 unaudited net sales ('000 LVL):

Audit services	1,822
Other services	41
Total net sales	1,863

Information concerning the basis for the remuneration of partners and sworn auditors

The remuneration of each partner in the audit firm comprises two elements – role compensation and performance compensation – both of which are related to the contributions made in their respective roles. Their role compensation is dependent on the scope and impact of their responsibilities. Their performance compensation is related to the achievement of goals set each year.

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

Partners and Sworn Auditors are evaluated annually and their role and performance compensation is adjusted upwards or downwards on the basis of their past and planned contributions.

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