

# *Transparency report*

PricewaterhouseCoopers SIA

For the financial year  
ended 30 June 2016





*PwC provides industry-focused assurance, advisory and tax* **enhance value for clients** *and their stakeholders.*

More than **208,000** talents in **776** offices in **157 countries.**

*PwC Latvia employs a team of over **140** professionals, including Latvian certified auditors and holders of internationally recognised **ACCA, CFA, CISA** and **CIA** qualifications.*

**165** years' experience worldwide.

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# *Introduction*

## **Message from Country Managing Partner**



**Zlata  
Elksniņa-Zaščirinska**  
PwC Chair of the Board  
Country Managing Partner

PwC operates already 23 years in Latvia and the capacity of our 165-year old network, consisting of 208 thousand people around the globe has powered the global presence also in Latvia. Recently PwC network expanded with two more firms – a law firm PwC Legal (in 2014) and PricewaterhouseCoopers Information Technology Services SIA (2016) which will be focused on IT, cybersecurity and data analytic services. Both entities, like PricewaterhouseCoopers SIA, are part of the global PwC network.

We recognise the great honour and responsibility, bearing the brand PwC named as the most powerful in the world among other business-to-business companies and will continue the way we deliver our services - by focusing on ethics, integrity and trust.

Last year PwC provided audit, tax, accounting, compliance, business, IT and financial consulting services to local and international companies operating in a broad spectrum of industries.

Our goal for the future is to sustain and grow a responsible, profitable business, that is guided by a clear purpose – to build trust in society and solve important problems. By continually innovating and making investments and growth decisions that are aligned with our values, we will pursue this ambition.

I see that PwC team is committed to professionalism, independence, objectivity and transparency, at all times. This is the reason, why I want to express my gratitude to all our people for their passion and dedication in delivering the PwC quality and values to our clients and organisations.

A handwritten signature in black ink that reads "Zlata".

This report is published in accordance with the requirements of Article 33.1 of the Republic of Latvia Law on Certified Auditors and Article 40 of the European Union 43rd Directive on Statutory audits of annual accounts and consolidated accounts (the Audit Directive).

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# *Legal Structure, Ownership and Network Arrangements*

## **Legal Structure, Ownership and Network Arrangements**

PricewaterhouseCoopers SIA (PwC) is a private limited company owned (100%) by PricewaterhouseCoopers Konyvvizsgalo Kft. registered in Hungary. This entity is ultimately owned by the partners of PricewaterhouseCoopers in our Central and Eastern European firms.

PwC is a member of PricewaterhouseCoopers International Limited, ("PwC International") a company limited by guarantee and registered in the Great Britain. PwC International provides an international network structure for PwC member firms. PwC International does not provide services to clients. PwC International's primary activities are to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence standards.

Member firms of PwC International do not act as agents of PwC International in providing services to clients or otherwise, and PwC International does not

act as the agent of its member firms. PwC International has no right or ability to control any member firm's exercise of professional judgement. PwC International does not have any liability for the acts or omissions of any member firm.

PwC cooperates with other Central and Eastern European member firms to provide services to local and mutual international clients operating in our region. This cooperation is organised through a regional management team which, in addition to ensuring the adherence of these regional firms to the policies and procedures of PwC International, enables resource sharing, the enforcement of risk management policies and quality standards. Each national member firm also has its own management structure in place, in accordance with relevant legal and operational requirements. This legal structure and network arrangement gives each member firm the flexibility and autonomy to respond quickly and effectively to conditions in its local market. It also reflects the fact that regulatory authorities in most countries grant the right to practise as auditors to nationally based firms in which locally qualified professional auditors

(or in the European Union a combination of auditors and or EU audit firms) have at least a majority ownership and control. When a member firm becomes a member of PricewaterhouseCoopers International and joins the global network, it acquires the right to use the PricewaterhouseCoopers name and gains ready access to the network's shared resources, methodologies, knowledge and expertise. In return each firm commits to abide by a set of common policies and maintain quality standards which are approved by the Board of PwC International.

The global network of PricewaterhouseCoopers creates a platform on which member firms share knowledge, skills and resources in order to deliver services of a consistently high standard to clients across the world. In every country our firms are supported by shared methodologies, knowledge bases, technology and by access to highly specialist expertise and thought leadership. Each PwC member firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics, business conduct and independence.

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# *Governance*



## Governance

### **Members of the Leadership Team as of September 30, 2016**



#### **Zlata Elksniņa-Zaščirinska**

Country Managing Partner  
Chairman of the Board

#### **Ilandra Lejiņa**

Partner  
Member of the Board

#### **Ilze Rauza**

Tax director  
Member of the Board

#### **Lolita Čapkeviča**

Assurance director  
Member of the Board

#### **Jana Smirnova**

Assurance director  
Member of the Board

Within the Central and Eastern European grouping of PricewaterhouseCoopers member firms which includes 28 national territories, a matrix system of management is operated. Each partner votes in a 4 yearly election of a Chief Executive who appoints a Management Board, comprising of a mixture of territory Chief Executives and Operational leaders from functional and business lines. This Board is responsible for setting broad business objectives and ensuring compliance with PricewaterhouseCoopers International policies. Across geographical lines the policy and business objectives of each principal business line (assurance, taxation, legal and advisory) are set by the business line management team.

PwC SIA is managed by a Management board which consists of 5 Board Members of which 4 are Latvian Certified Auditors. The Board is responsible for management of the company and its legal representation.

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*Internal Quality Control  
System and Statement  
of Effectiveness*



## ***Internal Quality Control System and Statement of Effectiveness***

As a member firm of PricewaterhouseCoopers International we are obliged to abide by the common risk and quality standards approved by the organisation. These requirements are supplemented by local legal requirements and where applicable third country audit quality standards if we are required to report on an entity from such a country.

Our detailed quality control procedures are set out in our PwC Audit Guide and in PwC Risk Management policies and guidance.. The following summarises the key policies, attitudes, behaviours and actions which ensure that we maintain a consistently high level of audit quality.

## **Top 3**

*things why people and organisations choose cooperate with PwC*



***high quality and technically strong expertise***



***focuses on creating and maintaining long term trusted relationships***



***provide support or solutions that reduce risks that can impact the client company***

## Quality Control Standards

What is the primary reason you would recommend PwC services?

*“Because of expertise - PwC brings together a team that demonstrates high quality and technically strong expertise and stands for client’s interests.”*

*Chief accountant of the bank about PwC Assurance services*

PwC International member firms are required by internal risk and quality policies and National Auditing Regulations to enforce a system of quality controls over our auditing practices.

Our quality control system is in full compliance with the International Auditing and Assurance Standards Board (“IAASB”) requirements which have also been approved for use in the Republic of Latvia. This quality control system is embedded as part of our day to day activities.

International Standard on Quality Control 1 (ISQC 1), issued by IAASB applies to all audit member firms carrying out audits and reviews of historic financial information in accordance with International Standards on Auditing.

This standard sets out the required elements of the quality control system which should operate in an audit firm.

### ***The requirements cover:***

- *Leadership responsibilities for quality within the firm;*
- *Ethical Requirements;*
- *Procedures for acceptance and continuance of client relationships and specific engagements;*
- *Human Resources;*
- *Engagement Performance;*
- *Monitoring.*

PwC addresses these requirements as follows:

### ***Leadership Responsibilities for Quality within the Firm***

**Tone from the Top:** Our regional and Latvian leadership is committed to taking all actions required to ensure that PricewaterhouseCoopers continues to stand for quality, independence, objectivity and ethical behaviour. The firm’s leadership

regularly sends communications to partners that include an emphasis on the importance of “standing firm on quality”. The same messages are contained in regular leadership communications to all staff members. Equally important is leadership’s regular communications that alert our partners and staff about new standards and related guidance to assist them in providing high-quality service to our clients. Communications from the top take every relevant opportunity to emphasize the importance of maintaining quality standards on a daily basis. Our leadership team demonstrates by its behaviours that it firmly believes in our quality assurance objectives and systems. This is evidenced by the appointment of partners responsible for independence, risk management and audit quality who report to a regional or country Territory Senior Partner and/or Assurance Leader. These partners are individuals of experience and stature who consult and if necessary instruct client service partners on risk and quality matters.

### ***Ethical requirements***

#### ***Integrity and objectivity***

We take pride in the fact that our services add value by helping to improve transparency, trust and consistency of business processes. In order to succeed, we must grow and develop, both as individuals and business. Our core values of Excellence, Teamwork and Leadership help us to achieve this growth. We conduct our business within the framework of applicable professional standards, laws, and regulations together with PwC policies and standards. This objective incorporates, *inter alia*, full compliance with the IESBA (International Ethics Standards Board for Accountants) Code of



Ethics for Professional Accountants. However, we also acknowledge that these standards, laws, and policies do not govern all types of behaviour. As a result, we also have a PwC Code of Conduct which is applicable and issued to all PwC people and firms. This Code is based on our values and takes them to the next level – demonstrating our values in action. The Code defines how we should behave and conduct business in a wide range of settings and situations. It also contains a “framework for ethical decision making” to assist partners and staff in deciding on the right course of action in addressing ethical dilemmas they can come across. Partners and staff are expected to not only live by the Code values in their careers with PwC but to also help others at PwC do the same.

CEE has a fully integrated Ethics & Business Conduct network. Supervision over ethical matters in CEE is carried out by the regional Ethics and Business Conduct Leader. Each country has a local Ethics and Business Conduct Team responsible for promoting ethics locally. This

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**What is the primary reason you would recommend PwC services?**

*“Because of Business Impact - PwC accomplished the objectives of the project which directly added value to our organisation.”*

*“Strategist in Educational Institution funded by Government”*

includes, but is not limited to, communication and training to local country partners and staff.

Each PwC office has access to the detailed supplementary guidance to our Code of Conduct. This includes guidance on such matters as the receipt of gifts from clients, close personal relationships and how staff should proceed if they become aware of an unethical behaviour by any partner or employee.

CEE has a region-wide tool accessible to all partners and staff to enable the sending of anonymous queries to a selected Ethics & Business Conduct Team. Individuals from outside of PwC, including our clients' personnel, can submit a query, including in an anonymous manner, by using a global PwC communications tool available from <http://pwc.com>. When potential non-compliance with our Code of Conduct is reported or otherwise suspected, steps are taken to investigate, and where appropriate, remedy the situation. Partners and staff are encouraged to report and

express their concerns in a fair, honest and respectfull manner. PwC is committed to protecting individuals against retaliation.

Partners and staff at PwC are responsible for addressing issues that are brought to their attention. The CEE Complaints and Allegations Policy sets the protocols for investigating the issues reported. All amendments needed to the firm's systems or policies, identified during the course of an ethical investigation are addressed.

The reputation and success of PricewaterhouseCoopers SIA depends on the professionalism and integrity of each and every partner and employee.

All PwC International Member Firms, partners and professional staff are required to comply with PwC International ethical standards. Those standards demand that our people act with integrity, objectivity, competence and due care; and that they respect confidentiality and behave in a professional manner. Our ethical standards comply fully with the IESBA code of ethics (adopted by the Latvian Association of Certified Auditors for the use in Latvia) and are a cornerstone of the PricewaterhouseCoopers "Code of Conduct". The code is issued to all partners and staff members on joining the firm. Among other things the code contains a "framework for ethical decision making" which our people are required to use as a basis for determining their professional behaviour. They are expected to live by the values expressed in the Code in the course of their careers with PwC. Supervision over ethical matters in CEE is carried out the regional Ethics and Business Conduct Leader, Large country Business Conduct Leaders (partners) and Business Conduct Officers (non-partners) in small countries are responsible

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What is the primary reason you would recommend PwC services?

*"Because of Communication - People in PwC I work with, listens and actively responds to our needs."*

*Director of the Construction Company about PwC Legal services*

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**92 %**

of our clients would recommend PwC to their peers, colleagues and business partners.

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for promoting ethics locally. Each office has access to the detailed ethical policies which supplement our Code of Conduct. These policies include guidance on such matters as the receipt of gifts from clients, close personal relationships and how staff should proceed if they become aware of an unethical behaviour by any partner or employee. Partners and staff may submit anonymous queries to any Business Conduct Leader about ethical issues. The anonymous communication channel can be accessed from the PricewaterhouseCoopers website. It also enables third parties to submit allegations of unethical behaviour by PwC partners and staff to Business Conduct Leaders.

Business Conduct Leaders are obliged to investigate all complaints and allegations and to ensure appropriate measures are taken to prevent any reprisals against those reporting breaches of ethical conduct. Also, it is a good practice that they follow up on any remediation to policies or procedures should a need for such amendments be identified during the course of an ethical investigation. The PricewaterhouseCoopers website contains in the Code of Conduct section a link which enables third parties to submit information about potential breaches of ethical behaviour by the firm's employees and partners to the Business Conduct leader.

### **Independence**

PwC has adopted the PwC Global Independence policy, complemented where necessary by more restrictive local professional and regulatory rules. The PwC Global Independence Policy is based upon and is consistent with the IESBA Code of Ethics for Professional Accountants PwC SIA strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests , scope of service matters, fee arrangements and

What is the primary reason you would recommend PwC services?

*"Business Impact - PwC accomplishes the objectives of the project which directly add value to your business."*

*Financial director of the Public company*

# 92%

The people I work with are willing to help each other, even if it means doing something outside their usual activities.

relationships with third parties. The PwC Global Independence Policy is being amended to capture and reflect on changes to the independence rules pursuant to the implementation of the EU audit legislation (The Directive and The Regulation).

Further information on the procedures we enforce to maintain our independence is set out in the "Independence Practices of PricewaterhouseCoopers SIA" section of this report.

## ***Client Acceptance and Retention***

PwC has implemented a process to identify acceptable clients supported by the propriety PwC International decision support system for client acceptance and retention ("Acceptance and Continuance – "A&C")

The system involves a determination by the engagement team, business management, industry experts and risk management professionals of whether the risks related to an existing client or a potential client are manageable, and whether or not we should be associated with the particular company, its management and shareholders. Among the issues that we consider during the course of the A&C process are:

- *The reputation of the company and its management;*
- *The effectiveness of its Board;*
- *The background and experience of the company financial reporting personnel;*
- *Any incentives or inclinations for management to manipulate reported results;*
- *Any significant transactions structured to achieve revenue recognition;*

- *Any unusually aggressive or creative accounting;*
- *Any transactions which are complex, unusual or difficult to evaluate;*
- *Any estimates that involve uncertainty or subjective judgments;*
- *Any transactions with related parties that are not part of the consolidated group;*
- *Any indications that the company might be in financial difficulty;*
- *The expertise necessary to carry out a particular engagement.*

A&C is a powerful enabler, but the real backbone of our client acceptance and continuance process is the significant time invested by our risk management and other senior partners. As discussed more fully in the Engagement Performance section below, our risk management partners are senior partners with stature and independence who provide key input into the decision to accept or continue a client relationship.

Upon acceptance or retention of the client, the results of these assessments are incorporated into our audit process, impacting for example the scope of work and assignment of resources. We decline to propose, accept, or retain work when the risks are considered not to be manageable, when the company will not agree on the scope of the work required or the fee arrangement is otherwise unacceptable.

## ***Human Resources***

**Hiring:** We maintain stringent hiring standards for both entry-level and experienced recruits, which include assessment not only of each individual's academic and work records, but also interviews, background checks, and references. We also assess the quality of



those people we hire from colleges and universities, ensuring that we focus our recruiting efforts on those institutions that have a track record of graduating high-quality people who do well in our profession.

**Professional Development:** Training is an on-going process. Training starts when a person is hired and continues throughout his or her career. Our people participate in a variety of regional and local training courses and are also trained continuously on the job. Both the broad core competencies in accounting, auditing ethics and independence and the specialized areas in which they work (a specific industry) are addressed. Our partners also receive continuous training, development and education and they are an integral part of the on-the-job training of our staff. A key partner responsibility is to work with all staff members; coaching, reviewing, training, sharing experience and setting an example for the professionals on their teams. The Firm has established an environment in which our people are personally responsible for their own development over the course of their careers and, to that end, we have developed broad course offerings and tools to help our people tailor a personalized training curriculum to match their roles and responsibilities with the unique aspects of the clients they serve. In addition to attendance at self-elected training, partners and staff are required to participate in mandatory courses which the firm considers to be fundamental to their ability to perform their jobs within the appropriate technical and ethical frameworks. The Firm also ensures compliance with professional standards on the periodic amount and type of continuing professional education required. Our learning and education programs are continually updated to ensure that they provide our people with the development, skills and experiences they need as client service professionals.

Engagement index in FY16

**86%**

(7% more than last year).

**95%**

admit that colleagues show friendliness in our interaction with people irrespective of our level or seniority.

**Supervision and direction:** Each engagement leader is responsible, in consultation with others as necessary, for ensuring that partners and staff assigned to the engagement have the professional competence and experience required in the circumstances. Further, on the engagement they are ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

**Advancement:** Partner and staff performance is evaluated annually through a review process that includes peers, subordinates and superiors. Partners and client service staff are recognized and rewarded for performing as good, well-rounded accountants and auditors. Our performance evaluation and compensation processes have been aligned to address the rules prohibiting a partner from being compensated or evaluated on the basis of their success in selling non assurance services to their own audit clients. We also encourage, recognize and reward teamwork. Staff are provided with formal performance feedback for each project where they spend 80 or more hours. All staff are formally evaluated at least annually with input from partners and superiors with whom they have worked on an engagement. Additionally, our audit methodology provides built-in opportunities for informal feedback and coaching throughout an engagement. Our methodology is designed to ensure both a quality work product and the continued development of our people. All of this leads into an annual assessment of how well each of our people has performed relative to our values, the goals each has set for the year and their peers. Our staff move up in their careers only when they are ready for the next level of responsibility.

## Engagement Performance

### Consistent Global Audit

**Methodology:** All PwC firms, use an audit methodology and process for all audit engagements to ensure uniformity and consistency in approach. The methodology is enhanced as necessary to respond to the changing environment. All partners and staff receive on-going training in this methodology. Our methodology is sufficiently flexible to allow the incorporation of any additional procedures which may be required by local regulations.

### Comprehensive Policies

**and Procedures:** We have comprehensive policies and procedures governing our accounting and auditing practice that are constantly updated to reflect new professional developments and our local operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that we provide to our professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible to our people remotely at any time.

### Engagement-Specific Quality

**Controls:** There are a number of other quality control procedures that are performed specifically with respect to a particular engagement. For example, on all of our publicly listed clients and a wide range of certain other high profile or higher risk clients we appoint an independent quality review partner (“QRP”) who discusses all significant issues with the engagement partner

## **What is the primary reason you would recommend PwC services?**



### **Relationship**

*focuses on creating and maintaining long term trusted relationships*

and who is responsible for independently assessing the audit plan, its execution, the resolution of significant issues, the financial statements and disclosures and the appropriateness of the Firm's report. Specific criteria are set forth in our policies to ensure that the assigned QRP has the appropriate level of experience and industry expertise to perform that role.

Our policies require consultations with firm-wide technical experts and industry specialists for specified transactions and circumstances that may involve the application of significant judgment. Our "consultative culture", which is discussed further below, means that our engagement teams regularly have consultations with such experts and others beyond those that are formally required. Engagement partners and ORPs on each public interest entity audit client are rotated to address any potential familiarity issues without sacrificing institutional knowledge about the client.

Furthermore, the PwC Global Methodology is built on the principle that work performed by each member of the engagement team is reviewed by another member of the team, of at least equal competence to consider whether the work has been performed as intended, competently, and to ensure that the correct conclusions have been drawn.



### **Expertise**

*PwC brings together a team that demonstrates high quality and technically strong expertise and stands for client's interests.*



### **Risk mitigation**

*provide support or solutions that reduce possible risks that can impacting you or your company*



### **Business Impact**

*accomplish the objectives of the project which directly add value to your business*



### **Commitment**

*be proactive in identifying solutions to your business needs*

**Accounting and Auditing Resources:** Consultation is a key element of quality control in our Firm. Our Accounting Technical group is staffed by partners and staff who are experts in accounting

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# 96%

of our people say that the leaders they work with are committed to providing high quality services to external clients.

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and auditing. If an engagement partner disagrees with the advice provided by our technical experts, we have a formal process for continuing the discussion within our chain-of-command until the matter is resolved with due regard for the view of such technical experts.

With the wider introduction of International Financial Reporting Standards as adopted by the EU (IFRS) we have set up a system to ensure that our clients' financial statements are evaluated by our audit teams in a way that is consistent and in accordance with the full intent of the Standards.

The key element of the system is the review work carried out independently by our regional Accounting Consulting Services team ("ACS") which is geographically located throughout CEE/CIS.

Depending on the complexity and risk associated with particular industry sectors, client size and listed/non-listed status, ACS will carry out a review of clients' IFRS statements. The financial statements of listed financial services clients for example will be reviewed by a specialist team with a final review being carried out by one of our ACS partners. All IFRS financial statements that are used in the capital market transactions would also be subject to a mandatory review. Other IFRS accounts are reviewed on rotational / sample basis. During the review the audit team will be required to explain the justifications for the IFRS treatments and disclosures in the financial statement and discuss with the client and its governing bodies instances where treatments and disclosures are assessed by the ACS team as being non-compliant with the standards. In addition, audit teams are required to formally consult with ACS consultant and ACS partner

number of defined accounting matters that are assessed as higher risk for misapplication by clients.

### ***Risk and Quality Function:***

Our Firm's risk management, consulting and policy resources are a central function, comprising both full and part time personnel, internally referred to as Risk and Quality ("R&Q") The R&Q includes the following key functions: Risk Management, Independence, Accounting Consulting Services, Regulatory, Audit Services, Learning and Development, Ethics and Business Conduct, Quality Monitoring. Each function is led by a partner assisted by other experienced personnel. These partners are also assisted by other partners from other larger PwC practices when the need arises.

The Risk management function uses, promotes and applies the global PwC risk management policies, guidance and procedures approved within PwC global network, which are enhanced and tailored to local needs. A key responsibility of the risk management partners is to be an integral part of the client acceptance and retention process, responsible for assessing risk on both a qualitative and quantitative basis. In addition, risk management partners are required to be integrally involved with engagement teams, where necessary, for consultations on issues and judgments, such as going concern considerations.

We have developed formal protocols setting out the circumstances under which engagement teams must consult with the R&Q function. This group of independent and experienced partners is focused on quality, prompting changes to policy and procedures when and as appropriate.

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# 96%

approve that they have opportunities to connect with partners and/or leaders on their teams regarding matters affecting them.

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## Monitoring

We have a formal pre and post-issuance quality-monitoring program, which is run as part of a PwC global program. This comprehensive programme consists of Engagement Compliance Reviews ("ECR's") and Quality Management Reviews ("QMR's") and also Audit Quality Assessment ("AQA") comprising hot and cold reviews. The program includes inspection of a partner's and other non-partner's with delegated signing rights work and all aspects of our quality control system to ensure that our quality controls are functioning properly and to provide reasonable assurance that we comply with all applicable professional standards and our own Firm policies and procedures. This program is managed and supervised by R&Q. Engagement reviews are conducted by experienced partners, directors and senior managers with appropriate industry experience who are not connected either with the office that performs the audit or the audit itself. Members of each review team receive the necessary training and guidance to perform their role. Each partner must be reviewed at least once in five years, and twice in six years for higher profile clients. . More timely reviews are performed when there is a possibility of increased risk. Our inspection process also involves periodic testing of the effectiveness of our quality management system in all ISQC1 functional areas. Annual testing of compliance of the Firm's policies and procedures in each of the

component areas of ISQC1, covering the regional and territory (on rotation basis) controls and monitoring procedures is in place.

Quality monitoring is an integral part of our continuous improvement program. We constantly evaluate inputs from formal programs such as this and a variety of informal sources in an on-going effort to improve our policies, procedures and the consistency of the quality of our work. The findings resulting from quality reviews are communicated to partners and staff via newsletters and webcasts. Every instance of failure to meet performance standards is treated seriously - the partner responsible is counselled to improve performance and the work of the partner is reviewed in the following year. Poor technical, risk management, independence or ethical performance would result in a negative adjustment to the partner's compensation; in some cases the partner is no longer permitted to sign audit opinions in the Firms' name and in serious cases the partner is requested to leave the Firm. Quality Improvement Plans needs to be prepared based on results of any of the quality reviews.

The Management Board of PwC SIA believes that the quality control environment described above is in compliance with all applicable regulations and that it provides a reasonable basis for believing that statutory audits carried out by PwC SIA consistently meet the required quality standards.



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## ***Last Quality Assurance Review in Compliance with Article 29 of the EU 43rd Audit Directive***

### ***Management's Statement on the effectiveness of internal quality control system functioning***

The last quality assurance review carried out in compliance with the EU Audit Directive was carried out by the Latvian Association of Certified Auditors in October 2015.

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*Independence  
Processes at  
PricewaterhouseCoopers  
SIA*

# ***Independence Processes at PricewaterhouseCoopers SIA***

## ***Independence, Integrity and Objectivity***

The Regional Independence Leader with the support of the country Partners Responsible for Independence monitor compliance with strict regulatory, professional, and PwC independence requirements related to financial interests in services to and business relationships with assurance clients (audit and non-audit assurance clients). The Firm has implemented an independence compliance program monitoring system and controls with the following key elements:

- *Written independence policies and procedures;*
- *An automated interest tracking system and global restricted entity list;*
- *On-going independence training;*
- *Self-assessment/ confirmation process that is done by all partners and staff on annual basis*
- *Internal monitoring of our system of independence*

*and the related controls including annual testing of partner and directors independence;*

- *Responsibility for independence and our system and controls vested in senior management;*
- *An appropriate “tone at the top” and culture relating to independence;*
- *Prompt reporting of personnel employment negotiations with clients;*
- *Reporting by personnel of perceived and real independence violations;*
- *Disciplinary policies and processes;*
- *Controls over business relationships, non-audit relationships with audit clients and fee arrangements.*

This program requires that partners and staff examine and document any concerns over the firm's independence either in relation to the acceptance

of a new client or a particular engagement. Before any non-assurance engagement is accepted from an audit client, an enquiry is made with the respective audit partner as to the permissibility of providing such services to that client. The assignment can only be accepted once the respective audit partner confirms that the proposed engagement is consistent with the applicable independence requirements. An important aspect of our independence culture is the central support provided to partners and staff in respect of independence relating to personal matters, non-audit services, fee arrangements or other types of relationships.

Should a client not accept clear accounting guidance, audit results on material issues or behave in an unethical manner, the firm will support the engagement partner in making the appropriate reporting decision even if that may result in disengaging from or not accepting an assignment.

## ***Management's statement concerning independence practices***

The Management Board of PwC (n) declares that the procedures for ensuring independence are consistent with applicable regulations. The last internal independence review was carried out on a region-wide basis on PricewaterhouseCoopers CEE and took place in July 2014.

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*Continuing Education of  
Statutory Auditors*



## ***Continuing Education of Statutory Auditors***

As referred to in the section above on audit quality our Statutory Auditors are fully involved in the firm's continuing education programme.

The Management Board of PwC SIA declares that, as referred to in the section above on audit quality, our Statutory Auditors are fully involved in the firm's continuing education programme. Our auditos have complied with mandatory annual CPE requirements of LZRA.

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# *Corporate Responsibility*



## **Corporate Responsibility**

We believe that PwC helps to solve global problems by taking corporate responsibility steps and doing what's right in terms of providing quality services, employing diverse talents, engaging the community, and improving the environment. We believe that we can be a catalyst of change and use our skills, expertise and voting power to build relationships, work with others and influence events with the aim of improving the community and the environment.

We tailor our skills, expertise and activities to the desires and needs of our clients to create long-term value.

We plan to continue as part of a responsible business that brings positive change to the world.

### **We help other companies be sustainable**

PwC has identified five main areas in terms of how the world and society are changing, including Latvia, creating opportunities and challenges as well as emphasising the need to act ethically and responsibly and to aim at creating a sustainable business.

- 1. Demographic developments**
- 2. Changes in the distribution of economic forces**
- 3. Urbanisation**
- 4. Climate change and resource depletion**
- 5. Technology advance**

## Our approach

Through corporate responsibility we address social, environmental and economic problems by implementing our values and culture, taking crucial decisions and acting responsibly and transparently, thereby reinforcing good practice in our company and, creating a healthy and responsible environment for our staff, businesses and the community.

## Our projects

We use four principles for implementing our corporate responsibility strategy in Latvia and globally. PwC Latvia takes an active part in socially responsible events and supports financial aid projects relating to the engagement, health and welfare of all our stakeholders. Our 23 years' experience in Latvia, our corporate responsibility initiatives and our own active participation in

outsourced projects demonstrate the importance of long-term collaboration.

Our network of firms has the unique opportunity of being a worldwide leader and developing our skills and expertise to improve the situation in the industry, the community and the country, and to make the ethical and responsible way of doing business popular within the business community.

We believe that a joint effort will achieve a greater change.



### **1. Go Beyond – a social project aimed at the development of leadership skills among youth**

Since 2015 PwC is Go Beyond partner in Latvia. PwC helps youth acquire the management and professional skills offering expertise and knowledge as well as rooms for seminars according to program's needs. Our Advisory Director represents PwC Student Project in evaluation commission by acting as one of the jury as well as delivering a seminar for students of project management.

### **2. Green Technology Incubator cleantech business ideas competition Climate Launch Pad**

The project GTI was looking for the best ideas in Europe to tackle climate changes issues. Our Advisory Director represented PwC's project in evaluation commission with the participation of the jury's work. PwC Consulting department provided 24 hours of advice to the best-ranked projects.

### **3. Peteris Avens charity fund "Paaudze"**

The Fund aims to protect children's health, provide scholarships in science and organise cultural initiatives. PwC's Tax Department help with tax and legal advice to Dobele Music School in relation to the reconstruction project that will provide students with contemporary learning tools, adequate learning conditions and will help to develop the institution as local musical cultural center.

We support the National Blood Donor Centre annually by holding Donors Day in our office and encouraging our staff to give blood. Christmas is also a special time for us when representatives of various companies visit large families on low incomes in Latgale to regale them with a variety of activities, performances and presents financed by corporate (including PwC) donations, plus gifts made by company employees individually. This year we visited the animal shelter Ulubele and took part in the Earth Hour, the Big Cleanup, and the planting of trees in Birzgale. Our company supports 2 hours of voluntary work for each employee on a monthly basis.

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*Financial Information  
for the year ended  
30 June 2016*



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## *Financial Information for the year ended 30 June 2016*

	(unaudited)
	thousands of EUR
<b>Total turnover</b>	6,467
Of which in respect of:	
<b>Statutory Audit</b>	2,707
<b>Other non-audit services</b>	3,760

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*List of Public Interest  
Entities audited by  
PricewaterhouseCoopers  
SIA in the Financial Year  
Ended 30 June 2016*

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# **List of Public Interest Entities audited by PricewaterhouseCoopers SIA in the Financial Year Ended 30 June 2016**

## **PwC Assurance clients, which are public interest entities (PIE):**

### **PIE definition according to the Certified Auditors law:**

**public interest entity or PIE** – financial institutions (a credit institution, an investment management company, a manager of alternative investment funds, an insurance company, a branch of a non-member country's insurer, a reinsurance company, a branch of a non-member country's reinsurer, a private pension fund providing financial, insurance or reinsurance services) and companies, whose transferable securities are included in the regulated market of the member states.

- AS SEB banka
- AS Pasta banka
- AS Reģionālā investīciju banka
- AS Rigensis banka
- AS Latvijas Komercbanka (in the process of liquidation)
- AAS "SEB Dzīvības apdrošināšana"
- Ieguldījumu pārvaldes akciju sabiedrība "Nordea Pensions Latvia"
- Ieguldījumu pārvaldes akciju sabiedrība "SEB Wealth Management"
- Ieguldījumu pārvaldes akciju sabiedrība "INVL Asset Management"
- AS "Nordea Latvijas atklātais pensiju fonds"
- AS "INVL atklātais pensiju fonds"
- AS "SEB atklātais pensiju fonds"
- AS "Latvijas Gāze"
- AS "Latvijas Balzams"
- AS "Latvijas Jūras medicīnas centrs"
- AS "Reverta"

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# *Basis for Partners Remuneration*

## **Basis for Partners Remuneration**

Partners are remunerated out of the profits of the firm and are personally responsible for funding pensions and other benefits such as medical care. The partner evaluation and compensation process is fully compliant with independence ramifications of the IESBA Code of Ethics for Professional Accountants which disallow a partner to be assessed or rewarded for selling non-assurance services to own audit clients. A partner's remuneration is allocated by the Regional Management Board after evaluating each partner's contribution to the firm during the year and following the completion of the annual audits for the national firms. The allocations made by the Management Board are reviewed and approved by the Partner Council. Each partner's remuneration comprises of three interrelated profit dependent components:

- *Responsibility Income - reflecting the partner's sustained contribution and responsibilities;*
- *Performance Income - reflecting how a partner and the teams he works with perform in a given year; and*
- *Equity Unit Income which represents a share in the profits after the allocation of the first two elements.*

Equity units are allocated to partners on the basis of a matrix which primarily takes account of the partner's current role within the firm. Performance income is determined by assessing a partner's achievements against an individually tailored balanced scorecard of objectives based on the partner's role within the firm. These objectives include the realisation of the firm's audit quality standards and absolute adherence to our integrity and independence regulation.

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*Basis for Remuneration  
of Certified Auditors*



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## ***Basis for Remuneration of Certified Auditors***

Remuneration of Certified Auditors whose grade is below Partner (i.e., manager, senior manager, director) is different from the remuneration of the certified auditor – Partner. Non-partners receive fixed salary, based on their role in the Firm and are entitled to an annual bonus subject to achieving budget and performance goals.

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# *Declaration*

## Declaration

*To the best knowledge and belief of PwC SIA the information contained in this report is correct and is compliant with the requirements of the European Union 43rd (Audit) Directive and with the requirements of Article 33.1 of the Republic of Latvia Law on Certified Auditors as at the date of publication of this document.*



**Zlata Elksniņa-Zaščirinska**  
Chairperson of the Board  
PricewaterhouseCoopers SIA  
30 September 2016

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*We help organisations  
to work smarter and  
grow faster*