

BACKGROUND NOTE ON ACTION PLANS

Action Plans are developed by IFAC members and associates to address policy matters identified through their responses to the IFAC Compliance Self-Assessment Questionnaires. They form part of a continuous process within the IFAC Member Body Compliance Program to support the ongoing development and improvement of the accountancy profession around the world.

Action Plans are prepared by members and associates for their own use based on the national frameworks, priorities, processes and challenges specific to each jurisdiction. As such, they will vary in their objectives, content and level of detail, consistent with their differing national environments and stages of development, and will be subject to periodic review and update.

Refer to responses to the Part 1 Assessment of the Regulatory and Standard-Setting Framework Questionnaire and Part 2 SMO Self-Assessment Questionnaire for background information on each member and associate their environment and existing processes. These responses may be viewed at: http://www.ifac.org/ComplianceAssessment/published_surveys.php

Use of Information

Please refer to the Disclaimer published on the Compliance Program website.

ACTION PLAN

IFAC Member/Associate:	Latvian Association of Certified Auditors (LACA)
Approved by Governing Body:	LACA Board
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GLOSSARY:

AAC	Audit Advisory Council
CPD	Continuous Professional Development
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IES	International Education Standards
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Auditing Standards
LACA	Latvian Association of certified auditors
QA	Quality Assurance
SME	Small and Medium Enterprises

Action Plan Subject: SMO 1 and Quality Assurance (QA)
Action Plan Objective: Implementation of the Quality Assurance Review Program

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Latvian Association of certified auditors (LACA) has established a quality control system and guidance based on the International Standard on Quality Control 1 in 2005. LACA's internal processes have been updated (in 2009) to change the review cycle for listed entities from 5 years to 3 years.</p> <p>Based on the requirements of the European Union (EU) 8th Directive being transposed into the laws of the Republic of Latvia a public oversight body - Audit Advisory Council was created responsible for facilitating improvement of the quality of audit services. The Council is composed of the various key stakeholders overseeing the financial sphere of Latvia and LACA is also one of the members.</p> <p>At the moment, there is a shared-regulation of Quality Assurance (QA) as LACA continues to manage the QA process and the Ministry of Finance (the institution responsible for the governmental supervision of LACA) oversees all major decisions with respect to QA, discipline, and education processes.</p> <p>LACA has also been actively participating in the process of monitoring and implementation of new EU legislative acts in respect of financial reporting and statutory audit in Latvia. LACA has been frequently asked for opinion on new legislative initiatives and the state policy in the area of financial reporting. LACA initiates public discussions of professional issues on a regular basis and also suggests needs for improvements in regulations when such appear necessary.</p> <p>For more detailed information regarding LACA's Quality Review system, please visit the website (www.lzra.lv).</p>					
<p><i>Continue Audit Quality Reviews</i></p>					
1.	July 2008	<p>Revise a period of audit quality reviews for those audit firms, which are auditing public interest entities from five to three years.</p> <p>To lobby the changes to be approved by the Ministry of Finance</p>	<p>Revised rules effective from 2010 - Completed</p>	<p>Svetlana Koļesņikova, Head of Quality Committee</p>	<p>Quality Committee</p>

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<i>Maintaining Ongoing Processes</i>					
2.	September 2005	Update internal procedures in relation to the audit quality review. Those updates are taking place when necessary, i.e., changes in legislation/standards or improvement needs in the existing procedures and instructions.	Ongoing	Svetlana Koļesņikova, Head of Quality Committee	Quality Committee, Executive Director
3.	August 2008	Work in close cooperation with the Audit Advisory Council (AAC) and Ministry of Finance to develop the future structure of the QA in Latvia	Ongoing	Svetlana Koļesņikova, Head of Quality Committee	Quality Committee, Executive Director
<i>Review of LACA's Compliance Information</i>					
4.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 1 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	Quality Committee, Executive Director

Action Plan Subject: SMO 2 and International Education Standards

Action Plan Objective: Continuous Effort to Ensure all Requirements of IES are incorporated in LACA Professional Accountancy Education System.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background</i></p> <p>LACA uses its best endeavors to satisfy the requirements set out in the IESs, particularly those relating to LACA members, certified auditors. In September 2007, LACA has approved as mandatory its Education Standards based on the IESs. The translated and approved International Education Standards have been placed on the members' area of LACA's website www.lzra.lv.</p> <p>Education Standards have been discussed and presented to the LACA members at the general meeting.</p> <p>LACA has in place an annual reporting and monitoring system for the actual education activities undertaken (in hours and subjects). LACA has also implemented control mechanism over members' compliance with continuous professional development requirements.</p>					
<p><i>Continue to Ensure Compliance with SMO 2 Requirements</i></p>					
5.	1997	Follow all the new pronouncements issued by the International Accounting Education Standards Board, make translations and all necessary amendments, as well as to inform the Board and the LACA members accordingly.	Ongoing	Iveta Rutkovska, Head of Education Committee	Education Committee
6.	1997	Continue working on necessary education courses in order to provide relevant high quality education programs.	Ongoing	Iveta Rutkovska, Head of Education Committee/ Education Centre	Education Committee/ Education Centre

#	Start Date	Actions	Completion Date	Responsibility	Resource
7.	1997	Execute controls over continuous professional development procedures followed by members of LACA	Ongoing	Iveta Rutkovska, Head of Education Committee/ Education Centre	Education Committee/ Education Centre
8.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 2 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	Education Committee, Executive Director

Action Plan Subject: SMO 3 and International Standards, Related Practice Statements and Other Papers Issued by the IAASB
Action Plan Objective: Continuous Effort to Maintain an Ongoing Convergence Process with IAASB

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background</i>					
<p>The Audit Law requires use of International Standards on Auditing (ISAs) in Latvia as approved by LACA, hence the important role of LACA with regards to the ISAs adoption and implementation process. LACA is also authorized to translate ISAs and publish them in Latvian language. ISA's published in 2008 translated and approved by the Board (except changes related to Clarity project) as mandatory from September 2009. Translation of Clarity ISAs has been completed and approved for compulsory use in statutory audits in respect of financial statements ending 31 December 2011 and later. Comprehensive Clarity ISA training (delivered within the framework of World Bank's technical assistance project) has been made available to certified auditors and their assistants in 2011. There are regular training courses on various ISAs available to the public and certified auditors as well. The Education Centre provides education courses on ISAs as well as updates on a regular basis.</p>					
<i>Activities to Adopt Clarity ISAs</i>					
9.	October 2009	Coordinate the training program on the Clarity ISAs: <ul style="list-style-type: none"> • To discuss with the Board and the Education Centre. • To allocate the tutors to particular training courses • To evaluate feedback and ensure follow-up if deemed necessary based on attendants responses 	December 2011 Revised Completion Date	Iveta Rutkovska, Head of Education Committee	Education Centre, outsourced qualified tutors and professional experts involved in review of ISA's in Latvian
10.	1995	Conduct training courses on the updated and translated ISAs	Ongoing	Iveta Rutkovska, Head of Education Committee	Education Centre, outsourced qualified tutors and professional

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					experts involved in review of ISA's in Latvian
11.	2008	Follow-up on the ISA translation and review process in the EU, including changes within Clarity project.	Ongoing	Maruta Zorgenfreija, Board member of LACA, Anita Mihejeva, Executive Director	Outsourced to professional translators and reviewers
12.	2005	Review the proposed standards (exposure drafts) for possible issues and communicate the drafts to the LACA members for comment; in terms of timing this activity depends upon future availability of resources.	Ongoing	Maruta Zorgenfreija, Board Member, Anita Mihejeva Executive Director	To investigate possible sources of financing, such as government and grants of international institutions.
13.	2010-2011	Participate in execution of Swiss Federal Council financed project—in cooperation with the Ministry of Finance—on strengthening profession, including development of comprehensive computerised audit tools and programs incorporating requirements of ISAs	December 2011	Lolita Čapkeviča, President of LACA, Anita Mihejeva Executive Director	Dedicated members of the Board, technical experts – members of LACA
14.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Action Plan Subject: SMO4 and the International Ethics Standards Board for Accountants (IESBA) Code of Ethics

Action Plan Objective: Ongoing Convergence with Requirements of SMO 4. Further Improvement and Maintenance of Processes for Ongoing Compliance with the IESBA Code of Ethics

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background</i>					
<p>LACA has implemented convergence with the IESBA's Code of Ethics by adopting the Code and making modifications where necessary to comply with EU directives. The IESBA Code of Ethics requirements have been translated, approved and become mandatory for Latvian certified auditors since 2007. Up-to-date Latvian translation of IESBA Code of Ethics is available in the members area of LACA website www.lzra.lv. The actual effective version of the IESBA Code of Ethics has been adopted as binding for members of LACA starting from 1 September 2011.</p> <p>To ensure effective implementation of the Code, LACA endeavors to ensure that its education and the Continuous Professional Development (CPD) program includes courses on the revised IESBA's Code.</p>					
<i>Maintaining Ongoing Processes</i>					
15.	2007	Conduct training courses on the IESBA Code requirements on a regular basis.	Ongoing	Kristīne Potapoviča, Head of Ethics Committee Education Center	Ethics Committee
16.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 4 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Action Plan Subject: SMO 5 and International Public Sector Accounting Standards (IPSAS) and other International Public Sector Accounting Standards Board (IPSASB) Guidance

Action plan Objective: Ongoing Convergence with Requirements of SMO 5.

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<i>Background</i>					
Development of legislative acts in the public sector is driven by the State Treasury under the supervision of Ministry of Finance. Latvian public sector accounting is based on the accruals principle and is similar in major concepts to IPSAS. LACA intends to continue working with the designated agencies to promote IPSAS's implementation in Latvia.					
<i>Further Process Improvement and Maintenance</i>					
17.	2004	Promote IPSAS fundamentals to the State Treasury (under the Ministry of Finance) and the State Audit Office.	Ongoing	Lolita Čapkeviča, LACA President LACA Board	LACA Centre Education
18.	2004	Participate in improvements of the existing public sector accounting legislation, to comment on draft new legislation in public sector accounting area	Ongoing	Lolita Čapkeviča, LACA President LACA Board	LACA Centre Education
19.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 5 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Action Plan Subject: SMO6 Investigation and Discipline

Action Plan Objective: Ongoing Convergence with Requirements of SMO 6. Development and Maintenance of the LACA Investigation and Discipline System

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background</i>					
<p>The requirements of the 8th Directive have been implemented in the Latvian legislation. The governmental oversight of LACA is performed by the Ministry of Finance whereby the public oversight responsibility lies with Audit Advisory Council (AAC) established by the Cabinet of Ministers.</p> <p>LACA's investigation and discipline mechanism is generally in line with SMO 6. Where some differences exist, LACA plans to modify and expand its mechanism once AAC is fully operational. Introduction of the AAC may impact LACA's role and responsibilities in this area.</p>					
<i>Maintaining Ongoing Processes</i>					
	2008	Enhance the mechanisms for investigations and disciplinary actions to keep up with developments in professional environment	Ongoing	Ieva Liepiņa, Board Member of LACA Anita Mihejeva – Executive Director	Ethics Committee Quality Committee
	July 2008	Continue ongoing discussions with the Ministry of Finance in order to implement legislative amendments.	Ongoing	Lolita Čapkeviča President	LACA Board Executive Director
	2009	Coordinate and implement further amendments as soon as requested by the public oversight body.	Ongoing	Lolita Čapkeviča President	LACA Board Executive Director
	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

#	Start Date	Actions	Completion Date	Responsibility	Resource
		sections relevant to SMO 6 as necessary. Once updated inform IFAC			

Action Plan Subject: SMO7 and International Financial Reporting Standards (IFRSs)

Action Plan Objective: Ongoing Convergence with Requirements of SMO 7. Further Improvement and Maintenance of Processes for Ongoing Compliance with IFRS

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The Latvian Accounting Board is responsible for preparing and issuing Latvian Accounting Standards (LAS) – a set of IFRS based standards, modified to exclude contradictions with Latvian law and to enclose more comprehensive illustrative material, suitable for Small and Medium Enterprises (SMEs). LAS are to be used as best practice guidelines in financial reporting, however, are not mandatory (since July 2011). Wider (voluntary) use of IFRS as the only reporting framework for larger companies could be implemented once the State Revenue Service carries out the assessment of the tax consequences of applying IFRS.</p> <p>LACA, as a member of the Council, uses its best endeavors to promote the requirements of SMO7 and wider introduction of IFRS based financial reporting in Latvia.</p>					
<i>Maintaining Ongoing Activities</i>					
20.	Since 2005	Represent LACA on the Accounting Board and participate in issue of Latvian Accounting Standards.	Ongoing	Maruta Zorgenfreija, LACA Member of the Board	Lolita Čapkeviča

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21.	October 2009	Deliver up-to-date comprehensive 160 hrs training course on IFRSs with extensive study materials in Latvian which has been recognized by the Ministry of Education as a qualifying professional training.	Ongoing Annually	Iveta Rutkovska Member of the Board of LACA Marita Deksnė Director of Education Centre	Outsourced, qualified tutors
22.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated inform IFAC	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director