



The Association of Accountants of the Republic of Latvia

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November 5, 2021

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Attestation of Ongoing SMO Compliance

IFAC Statements of Membership Obligations (SMOs) require IFAC Members and Associates to support the adoption and implementation of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a quality assurance (QA) review and investigation and disciplinary (I&D) systems.

The Association of Accountants of the Republic of Latvia has developed an Action Plan to demonstrate how it fulfills the requirements of the SMOs (revised in 2012). We have reviewed the information contained within the SMO Action Plan and affirm that the Association of Accountants of the Republic of Latvia continues to undertake these and other relevant actions to maintain ongoing compliance and fulfillment of the membership obligations.

On behalf of the leadership of the Association of Accountants of the Republic of Latvia, I endorse the publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

_____, Chairman of the Board

The Association of Accountants of the Republic of Latvia

5 November 2021

BACKGROUND NOTE ON ACTION PLANS

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

Use of Information

Please refer to the [Disclaimer](#) published on the IFAC website.

ACTION PLAN















IFAC Associate:	The Association of Accountants of the Republic of Latvia (AARL)
Approved by Governing Body:	AARL Board
Original Publication:	December 2013
Last Update:	November 2021
Next Update:	November 2024

¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

IFAC's Summary Assessment: IFAC staff will complete this section at the conclusion of each SMO Action Plan review and update process. PAOs are encouraged to take staff's recommendation into consideration as part of future strategic planning conversations at the PAO.

For more information on [IFAC Member Compliance Program](#) and the legends used to describe the status of adoption of international standards, best practices, and fulfillment of SMO requirements, please refer to the Status of Adoption [methodology](#) and SMO Fulfillment [methodology](#).

FOR IFAC COMPLETION	AARL Level of Responsibility for Adoption	Adoption Status as of 2021	Level of SMO Fulfillment as of 2021
QA / SMO 1	No Direct	 Adopted	 Sustain
IES / SMO 2	Shared	 Partially Adopted	 Review & Improve
ISA / SMO 3	No Direct	 Adopted	 Sustain
IESBA / SMO 4	Shared	 Adopted	 Sustain
IPSAS / SMO 5	No Direct	 Partially Adopted	 Sustain
I&D / SMO 6	Shared	 Partially Adopted	 Execute
IFRS / SMO 7	No Direct	 Adopted	 Sustain

GLOSSARY

AAC	Audit Advisory Council
AARL	Association of Accountants of the Republic of Latvia
APSF	Accountancy Profession Strategic Forum
CPD	Continuing Professional Development
EC	European Commission
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IESs	International Education Standards
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRSs	International Financial Reporting Standards
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities
IPD	Initial Professional Development
IPSASs	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISAs	International Standards on Auditing
ISAR	International Standards of Accounting and Reporting
ISQC 1	International Standard on Quality Control
I&D	Investigation and Discipline
LACA	Latvian Association of Certified Auditors
MoF	Ministry of Finance of the Republic of Latvia
PIEs	Public-interest entities
SOMs	Statements of Membership Obligation
QA	Quality Assurance
UNCTAD	United Nations Conference of Trade and Development

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Develop methodology for QA for accountancy services for members acting in public practice; support LACA and MoF in the implementation of the QA system and assist AARL's members in understanding the requirements of the SMO 1 as they pertain to accountants in business

Background

AARL as an organization uniting mostly professional accountants in business does not have direct responsibility over this SMO, which rests primarily with the Latvian Association of Certified Auditors (LACA, full Member of IFAC) and the Ministry of Finance of the Republic of Latvia (MoF).

The Law on Audit Services (<https://likumi.lv/doc.php?id=20946>) (the law changed its name with the amendments to the Law on Sworn Auditors as of January 1, 2017 due to the adoption of the Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) and the Regulations No. 136 issued on March 7, 2017 by the Cabinet of Ministers of the Republic of Latvia “Regulations on inspection of the compliance with the requirements for the audit services quality control and qualification requirements of authorized representatives” set legal foundation for the establishment and implementation of the mandatory QA review system for audits of financial statements in Latvia.

The MoF, in cooperation with LACA, ensures audit services quality control based on risk approach (inspection of the compliance with the requirements for the audit services quality control) in order to comply with the requirements of the laws and regulations, the ISAs recognised in Latvia and the International Standards on Auditing of public sector recognised in Latvia, the norms of the professional code of ethics, independence and objectivity in the provision of audit services. The MoF ensures audit services quality control for those commercial companies of sworn auditors and those sworn auditors who have provided audit services to PIEs during the last three years since the last audit services quality control performed for them.

LACA ensures an inspection of the audit services quality control for commercial companies of sworn auditors and sworn auditors and informs the MoF regarding the results thereof, including regarding findings and conclusions made. The inspection of audit services quality control for commercial companies of sworn auditors and those sworn auditors who do not provide audit services to PIEs is carried out in accordance with the by-laws which after coordination with the MoF are approved by LACA. Commercial companies of sworn auditors and sworn auditors of non-PIEs are inspected every six years by LACA. At the moment, the QA review system is administered by LACA and they report that it complies with the requirements of the SMO 1. ISQC1 has been adopted and translated into Latvian, and LACA has established a quality control system and guidance based on the International Standard on Quality Control 1 back in 2005. Under LACA's QA system quality review program is designed to review quality at a firm's level and individual audit engagement's level. LACA publishes on intranet information on the scope and design of its QA review program and related procedures to be followed by quality assurance review teams.

In 2021, LACA together with AARL participate in the translation of the new and revised IAASB quality management standards (ISQM 1 and ISQM 2) that will become effective on December 15, 2022. LACA and AARL plan to adopt new and revised ISQM in December 2022.

Latvia has introduced substantial changes in the oversight system of audit of the financial statements services since 2008 with the introduction of European Union directives, when new principles of oversight were introduced and amendments to the Law on Audit Services were adopted. Currently, the public oversight is being executed at the two levels:

- At the governmental authorities level, it is carried out by the Ministry of Finance of the Republic of Latvia, namely by the Latvian Audit Oversight Commission (AOC) overseeing the operations of LACA and overall quality control requirements in statutory audit;
- by LACA.

In addition, under the Law on Audit Services, the Audit Advisory Council (AAC) as a consultative body is established by the Minister of Finance to promote the increase of quality of audit services, raise public awareness of issues in the field of auditing and to protect the public interest. AAC has rights to examine the documents prepared by LACA regarding examination and certification of applicants of sworn auditors, licensing of commercial companies of sworn auditors, maintaining the qualification of sworn auditors and the quality control of the professional activity, as well as regarding ISAs and ethical guidelines recognised in Latvia and can make recommendations to LACA for their improvement while concurrently informing the MoF of the recommendations it has made. AAC is composed of representatives of various organizations, including AARL, the MoF, the Ministry of Justice, the Financial and Capital market Commission, LACA, Riga Stock Exchange, the Foreign Investors Council in Latvia, the Employers' Confederation of Latvia and one of the higher education institutions. AARL is a member of AAC.

Andrejs Ponomarjovs, President of AARL, is a Chairman of AAC since establishment of this body in 2009. AAC carries out systematic work, which focuses on such important issues, as ensuring the quality of audit practices, the process of obtaining of a certificate of sworn auditor by applicants, the application of ISA, ISQC 1 and the IESBA Code of Ethics for Professional Accountants. AARL as a member of AAC makes proposals on these issues. Minutes of meetings of AAC are available on the MoF website: <https://www.fm.gov.lv/lv/padomes-sezu-protokoli>

Members of AARL - professional accountants, who are acting in public practice, have to comply with IESBA International Code of Ethics for Professional Accountants (including International Independence Standards), ISQC 1 and International Standard on Related Services (ISRS) 4410 (revised) – Compilation Engagements. ISRS 4410 (revised) requires the use of ISQC 1 in the part, which relates to provision of accountancy services. AARL is also working with the MoF to make these requirements mandatory for accountants acting in the public practice, but who are not members of AARL. In July 2019 AARL obtained permission of IFAC to translate the IFAC Guide to Compilation Engagements into Latvian language; in November 2019 the translation was finished (the IFAC Policy on Translations has been followed) and distributed to AARL members.

AARL is currently developing methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice. AARL is planning to start the QA for accountancy services review programme in 2022.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Develop AARL Documentation on QA for Accountancy Services in Accordance with the SMO 1 Requirements</i>					
1.	November 2014	Obtain permission of IFAC to use official translation into Latvian of ISRS 4410 (revised) – Compilation Engagements and provide a link from AARL website (http://www.lrga.lv/ifac/ifac-publikacijas) to the original English version of this standard.	May 2015	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	June 2015	Inform members and professional accountants of AARL about ISRS 4410 (revised) and clarify the application of the standard.	June 2015	The Board	IFAC Permissions, Members of the Board, Methodological Committee
3.	July 2015	Mandatory application of ISRS 4410 (revised) and ISQC 1 by professional accountants (members of AARL), who are acting in public practice, when providing accounting services.	October 2015 and ongoing	The Board	Members of the Board, Methodological Committee
4.	August 2015	Establish new AARL Committee – Accounting Outsourcing Committee, which will be engaged in developing and supporting new category of AARL members - professional accountants, who are acting in public practice.	September 2015	The Board	Members of the Board
5.	September 2015	Develop membership requirements for new category of AARL members - professional accountants, who are acting in public practice.	December 2015	The Board, Head of Accounting Outsourcing Committee	Members of the Board, Accounting Outsourcing Committee
6.	September 2015	Cooperate with other organizations of professional accountants on such issues, as QA for accountancy services practice, methodology of QA, etc.	Ongoing	The Board, Head of International Secretariat	Members of the Board, Accounting Outsourcing Committee
7.	September 2015	Inform members and professional accountants of AARL about Guide to Compilation Engagements published IFAC.	September 2015	The Board, Head of Methodological Committee	Members of the Board, Methodological Committee, Accounting Outsourcing Committee
8.	May 2016	Organize a joint meeting with ICAEW, Kaplan, Association of Lithuanian Accounting Firms, LACA on specific opportunities for cooperation on education and professional matters, including APSF Quality Assurance Network.	July 2016	The Board, Head of International Secretariat	Members of the Board, Accounting Outsourcing Committee
9.	November 2016	Cooperate with ICAEW in the field of QA for accountancy services, use ICAEW expertise and practical ideas around methodology for QA.	Ongoing	ibid	Members of the Board, Accounting Outsourcing Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
10.	December 2016	Participate in the Accountancy Profession Strategic Forum 2017 in Nicosia, Cyprus and discuss implementation of audit reform across Europe, the progress of the Quality Assurance Networks, investigate new forms of cooperation and options for a positive direction of the profession.	May 2017	The Board, Head of Accounting Outsourcing Committee	Members of the Board, Accounting Outsourcing Committee
11.	January 2017	Obtain ICAEW proposal on the cooperation in QA, hold initial call with ICAEW.	February-April 2017	The Board, Head of International Secretariat	Members of the Board, Accounting Outsourcing Committee
12.	June 2017	Hold a series of workshops of ICAEW in Riga devoted to QA for accountancy services and methodology (best practice).	October 2017-March 2018	The Board	Members of the Board, Accounting Outsourcing Committee
13.	June 2017	Evaluate entering Accountancy Profession Strategic Forum (APSF) Quality Assurance Network (QAN) as a member.	March 2018	The Board	Members of the Board, Accounting Outsourcing Committee
14.	October 2017	Develop methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice.	Ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
15.	April 2018	Participate in APSF annual meetings and QAN meetings organised by ICAEW.	Ongoing	The Board, Head of International Secretariat	Members of the Board, Accounting Outsourcing Committee
16.	June 2020	Develop QA for accountancy services review programme, working documents and checklists	July 2021	The Board	Members of the Board, Accounting Outsourcing Committee
17.	January 2021	Sign Memorandum of Understanding with the Association of Lithuanian Accounting Firms and within the quality control standards issued by IFAC, regulations and recommendations issued by other regional professional associations of accountants, including Accountancy Europe, ICAEW, Quality Assurance Network (QAN), which determine requirements for quality assurance in the work of public accountants and the procedure for conducting quality control reviews	January 2021 and ongoing	The Board, Head of International Secretariat	Members of the Board, Accounting Outsourcing Committee

		<p>create Quality Control Workshop with the following objectives:</p> <ul style="list-style-type: none"> • mutual development and improvement of models for conducting quality control reviews of accounting firms; • unification of the approach and procedure for quality control, coordination of work on quality control, development and improvement of working documents; • organization and conduction of joint training seminars (both for quality control reviewers and for members of the associations); • joint participation in the educational process organized by other professional organizations and their associations; • conduction of joint quality control reviews of accounting firms established in Latvia and Lithuania, discussion of the findings of particular quality control reviews; • exchange of experience in the implementation of quality control and of information on the results of joint work. 			
18.	January 2022	Perform QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice.	January 2022 and ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
19.	October 2022	Update methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice, taking into account requirements of the ISQM 1 and ISQM 2.	October 2022 and ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
Supporting LACA, MoF and AAC in Implementing QA Review System in Line with the Requirements of SMO 1					
20.	July 2009	Participate in AAC.	Ongoing	President	AARL representative in AAC
21.	November 2014	Participate in working groups of the MoF to implement requirements of 2014 amendments to the Statutory Audit Directive and new Audit Regulation.	June 2016	The Board	Members of the Board, Methodological Committee, AARL representatives in MoF working groups
22.	November 2016	Conclude cooperation agreement with LACA on the following issues:	March 2017	President	Members of the Board

		<p>1) creating favourable conditions for the development of accountants, auditors and other related professions in Latvia;</p> <p>2) achieving a qualitative development of the Latvian financial reporting system, including the introduction of the requirements of the European Union legislation, International Financial Reporting Standards (IFRS), as well as other standards imposed by the International Association of Accountants (IFAC);</p> <p>3) improving the quality of financial reporting as well as the implementation of best practice models in the field of accounting, financial reporting and auditing.</p>			
23.	November 2016	Conclude cooperation agreement with the MoF on promotion of the development of the accountancy sector, improvement of the legal environment of the accountancy profession and accountancy services; increasing the importance and reputation of the accountancy profession.	May 2017	President	Members of the Board
Raising Awareness About the QA Review System Among Relevant Authorities and AARL's Members					
24.	Ongoing	Regularly update information on AARL website, clarification of application of standards to AARL members, incl. publishing of articles, participation in the working groups and forums of the MoF.	Ongoing	The Board	Members of the Board, AARL representatives in AAC, MoF working groups
25.	Ongoing	Participate in workshops and seminars of ICAEW related to QA for accountancy services, use best practice of cooperation partners.	Ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
Maintaining Ongoing Processes					
26.	April 2015	Clarify the application of ISRS 4410 (revised) – Compilation Engagements to AARL members (http://www.lrga.lv/lrga-jaunumi/gramatveza-paraksts-uz-finansu-parskata-nostadnes-gramatvedibas-firmam.html).	June 2015	The Board	Members of the Board, Accounting Outsourcing Committee
27.	June 2016	Hold a seminar for AARL members “Responsibilities of the Professional Accountant in Signing the Annual Report” on practical implementation of ISRS 4410 and IFAC Guide to Compilation Engagements.	October 2016	The Board	Members of the Board, Accounting Outsourcing Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
28.	Ongoing	Review the QA system to ensure it complies in full with SMO 1 requirements and it is fully implemented.	Ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
29.	Ongoing	Monitoring changes in the IAASB pronouncements regarding QA.	Ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
30.	Ongoing	Hold a series of telephone/video conferences, workshops with face-to-face participation with ICAEW on QA for accountancy services issues.	Ongoing	The Board	Members of the Board, Accounting Outsourcing Committee
31.	September 2017	Obtain permission of IFAC to translate IFAC Guide to Compilation Engagements into Latvian language.	January 2018	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee
32.	July 2019	Translate the IFAC Guide to Compilation Engagements into Latvian language and distribute to AARL members.	November 2019	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Accounting Outsourcing Committee
33.	March 2021	Translate together with LACA the IAASB International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and the International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews into Latvian language and distribute to AARL members.	November 2021	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Accounting Outsourcing Committee
34.	December 2022	Adopt ISQM 1 and ISQM 2.	December 2022 and ongoing	The Board	Members of the Board, Methodological Committee, Accounting Outsourcing Committee
35.	December 2022	Monitoring changes in ISQM 1 and ISQM 2.	December 2022 and ongoing	The Board	Members of the Board, Methodological Committee, Accounting Outsourcing Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of AARL's Compliance Information</i>					
36.	2013	Perform periodic review and update of section relevant to SMO 1 as necessary.	Ongoing		Accounting Outsourcing Committee

Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	Y			<p>Those AARL members, who are sworn/certified auditors, provide audit and assurance related services and are members of LACA, are regulated by the “Law on Audit Services” and LACA adopted documents regulating the activities of sworn/certified auditors’ professional services.</p>
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>			Partially	<p>QA for accountancy services in accounting outsourcing service providers (firms) is not a mandatory requirement in Latvia, however QA for accountancy services is voluntarily developed by the AARL.</p> <p>One of the AARL requirements for legal persons – accounting outsourcing service providers, who want to become a member of the AARL, has to comply with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards), as well as ISQC 1 in the part, which relates to provision of accountancy services, and ISRS 4410 (revised) – Compilation Engagements.</p> <p>Within the concluded Memorandum of Understanding with ICAEW, AARL is currently cooperating with ICAEW in developing AARL’s QA for accountancy services, based on ICAEW expertise and practical ideas around their methodology for QA.</p> <p>AARL is planning to start the QA for accountancy services review programme in 2022.</p>
<p>3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.</p>	Y			<p>Members of AARL - professional accountants, who are acting in public practice, have to comply with IESBA International Code of Ethics for Professional Accountants (including International Independence Standards), ISQC 1 and ISRS 4410 (revised) – Compilation Engagements. ISRS 4410 (revised) - Compilation Engagements requires</p>

Requirements	Y	N	Partially	Comments
				the use of ISQC 1 in the part, which relates to provision of accountancy services.
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Y			AARL informed members in advance about implementation of the QA for accountancy services in the nearest future. AARL held seminars for its members – accounting outsourcing firms on requirements of the ISQC 1 and ISRS 4410 (revised) - Compilation Engagements.
Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.			Partially	The QA review is not mandatory for accounting outsourcing service providers (firms) in Latvia. AARL plans to use mixed approach for selecting firms for QA review.
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).				N/A
QA Review Team 7. Independence of the QA Team is assessed and documented.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.
8. QA Team possesses appropriate levels of expertise.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.
Reporting 9. Documentation of evidence supporting the quality control review report is required.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.
Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.

Requirements	Y	N	Partially	Comments
12. QA review system is linked to the Investigation and Discipline system.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.
Consideration of Public Oversight 13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.		N		No public oversight for accountancy services exists in Latvia, except for auditors.
Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed.			Partially	AARL plans to start the QA for accountancy services review programme in 2022.

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Pronouncements issued by IAESB
Action Plan Objective: Continuous Effort to Ensure all Requirements of IESs are incorporated in AARL Accountancy Education

Background: Currently no regulation of accountants' professional activity exists in Latvia except for certified auditors. Membership in the AARL or Certificate of Professional Accountant issued by the AARL are not compulsory in order to practice the profession. However, compliance with requirements of laws and regulations and standards governing accounting in Latvia impose certain requirements on the professional knowledge and skills required for the performance of professional accounting duties. Therefore, AARL is implementing a voluntary certification process to highlight the quality and professional skills of accountants.

AARL uses its best endeavours to satisfy the requirements set out in the IESs, particularly those relating to AARL members, certified professional accountants. The certification of professional accountants was initiated in 2000.

Professional accounting certification programs of AARL were developed in accordance with:

- 1) the criteria of professional qualification of accountants adopted by the United Nations International Conference in Geneva in 1999;
- 2) International Education Standards (IESs) developed by the International Accounting Education Standards Board (International Accounting Education Standards Board - IAESB);
- 3) rules, provisions and principles of the IFAC for continuous professional development and improvement for professional accountancy organizations.

Professional accounting certification programs of AARL include requirements for initial professional development (IPD), prequalification educational requirements and working experience requirements, define a content of educational programs for professional accountants, characterize a set of skills and abilities obligatory for a professional accountant, professional values, ethics, relations requirements, a system of professional knowledge and competences appraisal.

Requirements for obtaining a certificate of professional accountant:

- 1) applicant should have bachelor's / master's / doctor's degree or second level higher professional education in economics or accountancy;
- 2) work experience: 3 years professional experience in the position of accountant or 3 years professional experience in other senior position related to economics and requiring knowledge in accountancy.
- 3) Applicant should pass the following qualification exams:
 - Financial accounting,
 - Management accounting,
 - Tax system of the Republic of Latvia,
 - Commercial law.

The applicant cannot be a person:

- who is convicted for intentional offence or for malicious bankruptcy;

- who is convinced for intentional offence even if this person is dismissed from punishment because of negative prescription, pardon, amnesty;
- whose criminal case for intentional offence is dismissed because of negative prescription or amnesty.

AARL has also a requirement for professional accountants for continuing professional development (CPD) and has in place an annual reporting and monitoring system for the actual education activities undertaken (in hours and subjects). AARL has also implemented control mechanism over members' compliance with CPD requirements. From September 2014 changes in Recertification Regulation for Professional Accountants were made: control of minimal volume of trainings is taken annually, not once in 5 years.

For detailed information regarding entry requirements and qualifications please visit the website www.lrga.lv.

In 2021, AARL together with LACA plans to translate the IAESB Handbook of International Education Standards into Latvian language and distribute to AARL and LACA members.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Development of Professional Education in Accordance with IESs</i>					
37.	2000	Follow all the new pronouncements issued by the International Accounting Education Standards Board, as well as inform the Board and the AARL members accordingly.	Ongoing	Head of Attestation Committee	Attestation Committee
38.	2000	Continue working on necessary education courses in order to provide relevant high quality education programs.	Ongoing	Head of Attestation Committee	Attestation Committee
39.	2000	Execute controls over continuous professional development procedures followed by members of AARL.	Ongoing	Head of Attestation Committee	Attestation Committee
40.	2012	Collaboration launched with the Professional Education Competence Centre of Northern Kurzeme "Ventspils Vocational secondary school" providing support to accountants on educational issues.	2012 and ongoing	Head of Attestation Committee	Attestation Committee
41.	2013	Cooperation agreement with the University of Latvia signed on realization of accountants' continuing education and implementation of modern accounting practice.	Ongoing	Head of Attestation Committee	Attestation Committee
42.	2013	Provide recommendations to the students of Doctoral programs of Faculty of Economics and Management of the University of Latvia regarding developed game (www.manabilance.lv), which is designed to raise interest of young entrepreneurs on focusing on mastering accounting skills.	2013	Head of Attestation Committee	Attestation Committee
43.	2013	Provide recommendations to participants of Business Incubator of the University of Latvia on organization of accounting, financial	2013	Head of Attestation Committee	Attestation Committee

		statements in electronic declaration system (EDS) and related tax issues.			
44.	February 2014	Study and implement guidance contained in the Information Paper (Revised) "Development and Management of Written Examinations" issued by IAESB in February 2014.	September 2014	Head of Attestation Committee	Attestation Committee
45.	March 2014	Cooperate with other organizations of professional accountants on such issues, as professional education, certification, update of study programs, implementation of the requirements of IESs, etc.	Ongoing	Head of Attestation Committee	Attestation Committee
46.	March 2017	Review AARL learning programs and qualification exams and add questions aimed at evaluation of competence of the applicant.	Ongoing	Head of Attestation Committee	Attestation Committee
47.	June 2019	Establish new AARL Committee – Accounting Educational Institutions Committee, which will be engaged in cooperation with universities and higher educational institutions, as well as support AARL members – higher educational institutions and schools.	Ongoing	The Board	Members of the Board
48.	September 2019	Organise annual meetings with students at universities and higher educational institutions and discuss the need for program changes.	October 2019 and ongoing	Head of Accounting Educational Institutions Committee	Accounting Educational Institutions Committee
49.	September 2020	Participate in the conferences with presentations on the following topics: "Paperless Accounting", "New Accounting Law", "Digital Accounting", "Electronic Documents in Accounting".	December 2020	Head of Accounting Educational Institutions Committee	Accounting Educational Institutions Committee
50.	July 2021	Organise a meeting with AARL members – higher educational institutions and schools and discuss the following topics: <ul style="list-style-type: none"> • revised IESs (2021); • modern accounting; • training programs and problems; • organisation of seminars for raising the qualification of lecturers. 	July 2021	Head of Accounting Educational Institutions Committee	Accounting Educational Institutions Committee
51.	December 2021	Review the revised requirements of the IES, especially IES 2, 3 and 4 that are effective as of January 2021 and make appropriate changes in AARL learning programs.	January 2022	Head of Accounting Educational Institutions Committee	Accounting Educational Institutions Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Bringing AARL's CPD in Line with the IES 7 Requirement</i>					
52.	September 2013	Implement changes to the AARL's Recertification Regulation for Professional Accountants, where the monitoring and control of minimal volume of CPD hours in line with the IESs requirements will be taken annually, not once in 5 years.	September 2014	Head of Attestation Committee	Attestation Committee
<i>Bringing AARL's Practical Experience Requirements in Line with the IES 5 Requirement</i>					
53.	June 2015	Implement supervision and monitoring of practical experience of aspiring professional accountants.	August 2015	Head of Attestation Committee	Attestation Committee
<i>Maintaining Ongoing Processes</i>					
54.	Ongoing	Promote information about IESs, other IAESB documents, other best practice to AARL members. (http://www.lrga.lv/sertifikacija/sertifikacijas-programma)	Ongoing	Head of Attestation Committee	Attestation Committee
55.	November 2013 and ongoing	Continue to monitor new developments of IAESB and new or revised IESs to make necessary changes in AARL professional accounting education programs.	Ongoing	Head of Attestation Committee	Attestation Committee
56.	Ongoing	The ongoing support of members throughout the year with various programmes based on feedback and requests/required skills updates.	Ongoing	The Board	Members of the Board, Attestation Committee
57.	Ongoing	Have a dialogue with higher educational institutions, learning providers and representatives of business on skills necessary for accountants, as well as trends in education.	Ongoing	The Board, Head of Attestation Committee	Members of the Board, Attestation Committee
58.	January 2016	Cooperation with global accountancy training provider Kaplan on upskilling current members, encouraging new members, promoting careers in accountancy, and encouraging a greater uptake of professional training towards qualifications.	Ongoing	The Board, Head of International Secretariat	Members of the Board, Attestation Committee
59.	January 2016	Sign Memorandum of Understanding with Kaplan on development of accountancy profession, as well as with the aim to maintain, improve and extend knowledge and skills of AARL members for the purpose of maintaining CPD.	May 2016 and ongoing	President	Members of the Board, Attestation Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
60.	March 2016	Hold a joint event with Kaplan "Professional development trends and opportunities in the financial sector".	May 2016	The Board, Head of International Secretariat	Members of the Board, Attestation Committee
61.	May 2016	Organize a joint meeting with ICAEW, Kaplan, Association of Lithuanian Accounting Firms, LACA on specific opportunities for cooperation on education and professional matters, including APSF Quality Assurance Network.	July 2016	The Board, Head of International Secretariat	ibid
62.	July 2016	Participate in the ICAEW launch event "Future professionals and future professionalism". The key focus of the seminar was to look at the most important skills and values new professionals will need to operate in the changing market environment and the technological developments they will need to consider, through a European lens. The discussion was primarily focused on the underlying education and training of new professionals, as well as ways in which professional bodies can work with government and other stakeholders to achieve proportionate regulation and a business environment which is ethical and favourable to growth and employment.	September 2016	The Board, Head of International Secretariat	Members of the Board, Attestation Committee
63.	July 2016	Sign Memorandum of Understanding with ICAEW, which addresses education cooperation and credits for examinations/practical experience requirements and work on technical/quality assurance issues.	September 2016	President	Members of the Board, Attestation Committee
64.	March 2017	Adaptation of AARL learning programs to ICAEW learning programs, so that AARL certified professional accountants could get exemptions in these subjects in ICAEW qualification.	Ongoing	Head of Attestation Committee	Attestation Committee
65.	July 2021	Translate together with LACA the IAESB Handbook of International Education Standards into Latvian language and distribute to AARL members.	December 2021	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Attestation Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
66.	November 2021	Use the IFAC Accountancy Education E-Tool to review the current version of IESs and share these requirements with AARL members (higher educational institutions and schools) and other stakeholders	November 2021	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Attestation Committee
<i>Review of AARL's Compliance Information</i>					
67.	2013	Perform periodic review and update of section relevant to SMO 2 as necessary.	Ongoing	Head of Attestation Committee	Attestation Committee

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: Develop infrastructure and its elements for raising users’ confidence in financial reporting

Background

The Law on Audit Services requires the 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 other IFAC standards and publications and publish them in Latvian language. Translation of Clarity ISAs has been completed and approved for mandatory use in statutory audits in respect of financial statements ending 31 December 2011 and later.

To facilitate consistent reporting according to ISAs, LACA prepares sample independent auditor’s reports and accompanying guidelines to auditors. 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.

After adoption of Statutory Audit Directive and new Audit Regulation in Latvia, as well as revised ISAs, AAC made recommendations to LACA regarding ISAs, new auditor’s reports and Law on Audit Services. AAC also actively participated in the development of oversight rules over auditors of PIEs.

Members of AARL - professional accountants, who are acting in public practice, have to comply with IESBA Code of Ethics for Professional Accountants, ISQC 1 and International Standard on Related Services (ISRS) 4410 (revised) – Compilation Engagements. AARL obtained a permission of IFAC to use official translation into Latvian of ISRS 4410 (revised), as well as provided a link from its website (<http://www.lrga.lv/ifac/ifac-publikacijas>) to the original English version of this standard. AARL also clarified the application of ISRS 4410 (revised) to AARL members (<http://www.lrga.lv/lrga-jaunumi/gramatveza-paraksts-uz-finansu-parskata-nostadnes-gramatvedibas-firmam.html>). In turn, ISRS 4410 (revised) requires the use of ISQC 1 in the part, which relates to provision of accounting services. AARL is also working with the MoF to make these requirements mandatory for accountants acting in the public practice, but who are not members of AARL.

In July 2019 AARL obtained permission of IFAC to translate the IFAC Guide to Compilation Engagements into Latvian language; in November 2019 the translation was finished (the IFAC Policy on Translations has been followed) and distributed to AARL members.

In 2021, LACA together with AARL participate in the translation of the new and revised IAASB quality management standards (ISQM 1 and ISQM 2) that will become effective on December 15, 2022. LACA and AARL plan to adopt new and revised ISQM in December 2022.

#	Start Date	Actions	Completion Date	Responsibility	Resource
Support the Establishment of a Sound Financial Reporting Framework in Latvia					
68.	Ongoing	Support LACA in the process of an on-going adoption of ISAs and other pronouncements issued by the IAASB.	Ongoing	President	Members of the Board, AARL representatives in AAC

#	Start Date	Actions	Completion Date	Responsibility	Resource
69.	Ongoing	Perform policy dialogues and participate in public consultations on auditing with the government, regulators and other stakeholders.	Ongoing	President	Members of the Board, AARL representatives in AAC, MoF working groups
70.	July 2009	Hold regular meetings of AAC.	Ongoing	President	AARL representative in AAC
71.	July 2009	Inform the MoF at least annually of the recommendations AAC made to LACA regarding ISAs and ethical guidelines recognised in Latvia.	Ongoing	President	AARL representative in AAC
72.	December 2016	Perform a review by AAC and MoF on implementation of 2016 ISA by LACA.	February 2017	President	AARL representative in AAC
73.	January 2017	Publish AAC Minutes of meetings on the MoF website on LACA's activities for 2017, new auditor's reports - https://www.fm.gov.lv/lv/padomes-sezu-protokoli .	January 2017	President	AARL representative in AAC
74.	February 2017	Perform a review by AAC and MoF on implementation of new auditors reports by LACA.	February 2017	President	AARL representative in AAC
75.	May 2018	Publish AAC Minutes of meetings on the MoF website on AAC and LACA's activities for 2018 - https://www.fm.gov.lv/lv/padomes-sezu-protokoli	May 2018	President	AARL representative in AAC
76.	July 2019	Publish AAC Minutes of meetings on the MoF website on AAC and LACA's activities for 2019 - https://www.fm.gov.lv/lv/padomes-sezu-protokoli	July 2019	President	AARL representative in AAC
77.	June 2021	Publish AAC Minutes of meetings on the MoF website on AAC and LACA's activities for 2021 - https://www.fm.gov.lv/lv/padomes-sezu-protokoli	June 2021	President	AARL representative in AAC
Disseminate Information on the Developments in the National and International Standard-setting in the Area					
78.	July 2009	Promote ISAs and other pronouncements issued by IAASB in AAC.	Ongoing	President	AARL representative in AAC
79.	July 2009	Discuss current version of ISA and other pronouncements issued by IAASB in AAC and how to implement ISA in Latvia.	Ongoing	President	AARL representative in AAC

#	Start Date	Actions	Completion Date	Responsibility	Resource
80.	2015	Raise members' awareness about the standard-setting activities of LACA through AARL's website and other communication means.	Ongoing	The Board	Methodological Committee
81.	December 2016	Discuss within AAC implementation of 2016 ISA, new auditor's report, 700, 701, 705, 706 ISA in the work of sworn auditors.	February 2017	President	AARL representative in AAC
82.	May 2018	Analyse and summarise audit practice of listed companies in Latvia – application of the ISA 701 (New) Communicating key audit matters in the independent auditor's report	May 2018	President	AARL representative in AAC
83.	May 2018	Discuss within AAC application of the ISA 701 (New) Communicating key audit matters in the independent auditor's report in Latvia.	May 2018	President	AARL representative in AAC
84.	July 2019	Discuss within AAC IAASB discussion paper "Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs".	July 2019	President	AARL representative in AAC
85.	July 2019	Monitor IAASB developments for creation of a separate standard for audits of financial statements of a less complex entity.	Ongoing	President	AARL representative in AAC
86.	May 2021	Discuss within AAC implementation of the ISA 600 (Revised) Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors) in the work of sworn auditors.	June 2021	President	AARL representative in AAC
87.	June 2021	Monitor the European Commission's (EC) proposal for EU audit reform before the end of 2022, participate in the public consultation in Latvia and monitor the outcome of a study on the EU Audit Regulation and Directive.	September 2021	President	AARL representative in AAC
88.	October 2021	Send the IAASB issued exposure draft of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities to AAC and initiate a discussion and exchange of opinions	December 2021	President	AARL representative in AAC
89.	November 2021	Participate in the public discussion panel organised by the MoF on implementation perspectives of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities	February 2022	President	AARL representative in AAC

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
90.	Ongoing	Participation in seminars, conferences, round table discussions, forums and other events concerning ISAs.	Ongoing	The Board	Members of the Board, Methodological Committee
91.	Ongoing	Participation in the Audit and Assurance Policy Group of the Accountancy Europe.	Ongoing	President	AARL representative in AAC
<i>Review of AARL's Compliance Information</i>					
92.	2013	Perform periodic review and update of section relevant to SMO 3 as necessary.	Ongoing	Head of Methodological Committee	Methodological Committee

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
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

Background

In Latvia IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) is fully adopted by AARL and LACA. However, ethical standards for accountants (except for certified auditors) are not set at the jurisdiction level.

Code of Ethics for Professional Accountants, which was adopted on the General Meeting of the Association of Accountants of the Republic of Latvia in 2002, was based on the published IESBA Code of Ethics. In 2011, AARL decided not to develop and amend further its Code of Ethics, but to use the Code of Ethics of the IESBA.

In November 2014, AARL adopted the actual effective version of the IESBA Code of Ethics - 2014 Handbook of the Code of Ethics for Professional Accountants - as binding for members of AARL starting from 1 December 2014. With the permission of the IFAC AARL provided a link from its website (<http://www.lrga.lv/ifac/ifac-publikacijas>) to the original English version of the 2014 Handbook of the Code of Ethics for Professional Accountants on IFAC's website. AARL also provided a link from its website to that of LACA (www.lzra.lv) for AARL's members to access the Latvian translation of the 2010 Handbook of the Code of Ethics for Professional Accountants that resides on LACA's site.

In 2019, the International Code of Ethics for Professional Accountants (including International Independence Standards) was adopted by AARL as binding for its members. Later this year permission of IFAC to translate the Code of Ethics into Latvian language was obtained by LACA and in September 2020 the Latvian translation of the Code of Ethics jointly performed by AARL and LACA was finished (the IFAC Policy on Translations has been followed) and distributed to AARL and LACA members.

One of the most important AARL tasks is also accountants training and assisting on professional ethics issues. To ensure effective implementation of the Code, AARL endeavours to ensure that its education and the Continuous Professional Development (CPD) program include courses on the revised IESBA's Code.

#	Start Date	Actions	Completion Date	Responsibility	Resource
Adopting Currently Effective IESBA Code of Ethics for Professional Accountants					
93.	November 2014	Adopt 2014 IESBA Code of Ethics for Professional Accountants.	November 2014	The Board, Head of Head of Ethics Committee	Ethics Committee
94.	September 2014	Obtain a permission of IFAC to use official translation into Latvian of the IESBA Code of Ethics, which is publicly available on LACA's website.	November 2014 and ongoing	The Board, Head of International Secretariat	IFAC Permissions
95.	2015	Adopt the actual effective version of the IESBA Code of Ethics as binding for members of AARL.	2015	The Board, Head of Head of Ethics Committee	Ethics Committee
96.	2016	Adopt the actual effective version of the IESBA Code of Ethics as binding for members of AARL.	2016	The Board, Head of Head of Ethics Committee	Ethics Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
97.	2019	Adopt the International Code of Ethics for Professional Accountants (including International Independence Standards) as binding for members of AARL.	June 2019	The Board, Head of Head of Ethics Committee	Ethics Committee
98.	July 2019	Obtain permission of IFAC to translate the International Code of Ethics for Professional Accountants (including International Independence Standards) into Latvian language together with LACA.	July 2019	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Ethics Committee
99.	August 2019	Translate the International Code of Ethics for Professional Accountants (including International Independence Standards) into Latvian language together with LACA and distribute to AARL members.	September 2020	The Board, Head of International Secretariat	IFAC Permissions, Members of the Board, Methodological Committee, Ethics Committee
100.	2021	Adopt the actual effective version of the IESBA International Code of Ethics as binding for members of AARL.	June 2021	The Board, Head of Head of Ethics Committee	Ethics Committee
<i>Education & Promotion Activities for the Updated IESBA Code of Ethics</i>					
101.	Ongoing	Discuss amendments to the IESBA Code of Ethics with AARL members and work out the training plan.	Ongoing	The Board, Head of Head of Ethics Committee	Ethics Committee
102.	Ongoing	Update education and CPD programs and qualification exam tests in respect to ethics.	Ongoing	Head of Head of Ethics and Attestation Committees	Ethics Committee, Attestation Committee
103.	2011	Conduct training courses on the IESBA Code of Ethics requirements on a regular basis.	Ongoing	Head of Ethics Committee	Ethics Committee
104.	2013	Publish the information on recent discussions of the IFAC, as well as provide information on upcoming changes related to the issues of the IESBA Code of Ethics and ask the members to express their opinions.	Ongoing	Head of Ethics Committee	Ethics Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
105.	2013	Organize a seminar on recent developments in the Code of Ethics and provide information on problems considered by the Ethics Committee.	Ongoing	Head of Ethics Committee	Ethics Committee
106.	September 2015	Publish articles for AARL members on ethics and key aspects of the IESBA Code of Ethics. http://www.lrga.lv/ifac/ifac-publikacijas http://www.lrga.lv/lrga-jaunumi/gramatvezu-un-revidentu-profesionala-etika.html http://www.lrga.lv/lrga-jaunumi/gramatvezu-un-revidentu-profesionala-etika-apmacibas-metodes.html	September 2015	Head of Ethics Committee	Ethics Committee
107.	July 2019	Publish articles for AARL members on the new International Code of Ethics for Professional Accountants (including International Independence Standards). http://www.lrga.lv/lrga-jaunumi/jauns-ifac-iesba-starptautiskais-profesionalu-gramatvezu-etikas-kodekss-1-dala.html http://www.lrga.lv/lrga-jaunumi/jauns-ifac-iesba-starptautiskais-profesionalu-gramatvezu-etikas-kodekss-2-dala.html	August 2019	Head of Ethics Committee	Ethics Committee
108.	September 2019	Organise a seminar on NOCLAR – Non-compliance with laws and regulations and new sections in the International Code of Ethics for Professional Accountants (including International Independence Standards) – Responding to non-compliance with laws and regulations.	September 2019	Head of Ethics Committee	Ethics Committee
109.	September 2020	Present translation of the the International Code of Ethics for Professional Accountants (including International Independence Standards) into Latvian to AARL members.	September 2020	The Board, Head of Head of Ethics Committee	Ethics Committee
Maintaining Ongoing Processes					
110.	2013	Encourage AARL members to discuss potential conflicts of ethics, consult their colleagues and include such discussion in the agenda of the meetings.	Ongoing	Head of Ethics Committee	Ethics Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
111.	Ongoing	Periodic review of CPD and training materials.	Ongoing	Head of Attestation Committee	Attestation Committee, Ethics Committee
112.	Ongoing	Review of the revisions to the IESBA Code of Ethics and translate the revisions into Latvian language.	Ongoing	Head of Attestation Committee	Attestation Committee, Ethics Committee
<i>Review of AARL's Compliance Information</i>					
113.	2013	Perform periodic review and update of section relevant to SMO 4 as necessary. Once updated inform IFAC.	Ongoing	Head of Ethics Committee	Ethics Committee

Action Plan Subject: SMO 5—International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Ongoing Convergence with Requirements of SMO 5

Background: Development of legislative acts in the public sector in Latvia is driven by the Treasury under the supervision of the Ministry of Finance of the Republic of Latvia. The Treasury, as a direct administration institution subordinate to MoF, has been tasked with organizing the implementation and financial accounting of the central government budget and granting expenditure allocations and executing payments within the limits of the appropriations specified in the annual central government budget. With a view to ensuring uniform accounting for public finances, the Treasury drafts legislation concerning accounting at central and local government budget institutions, defining uniform accounting principles and methods, a single chart of accounts and a reporting system that is based on the classifications of financial information approved by the Cabinet, thus enabling the obtaining of good quality information regarding the implementation of the central government budget both under the cash flow principle and the accruals principle.

The Treasury prepares the Annual Report on Central Government and Local Government Budget Implementation by consolidating the information from the annual reports submitted by the ministries, central government institutions and local governments. The Annual Report audited by the State Audit Office is the most significant and credible source of information regarding the financial position of the State at the end of the reporting period and the results of the implementation of the central government budget in the reporting year. The opinion issued by the State Audit Office provides assurance that the report gives a true and fair view of the completeness and credibility of the information disclosed in the reports and the quality of the information included in the Annual Report, the users whereof are the Saeima (the Parliament), the Bank of Latvia, various international institutions (European Commission, EUROSTAT, International Monetary Fund and international rating agencies) and potential investors who decide on potential investment in the economy of Latvia based on the information provided in the Annual Report. In order to include uniform and comparable information in the Annual Report, the Treasury is engaged in developing and updating the regulatory enactments governing the accounting and reporting of budget institutions. In ensuring compliance with uniform principles in the financial accounting and reporting of central and local government budget institutions, measures aimed at improving accounting at the budget institutions have been carried out, including the drafting of supplements to the existing regulatory enactments and the provision of detailed explanations to the preparers of the reports.

Cabinet Regulation No. 1486 adopted 15 December 2009 “Procedures by Which Budget Institutions shall Organise the Accounting Thereof” (<https://likumi.lv/doc.php?id=202636>). The Cabinet Regulation prescribes the procedures by which budget institutions organise the accounting thereof:

1. by using uniform basic principles for accounting and the chart of accounts;
2. in compliance with the laws and regulations governing accounting, and the International Public Sector Accounting Standards; and
3. observing the property, plant and equipment depreciation norms and application conditions.

In 2013, the Cabinet Regulation specifying accounting procedures at budget institutions was amended to specify the requirements of the regulation in connection with the introduction of the euro in accounting starting from 2014. In turn, the 2013 changes to the Cabinet Regulation on the preparation of the annual report of budget institutions complemented information disclosure requirements regarding the assessment of the impact of the financial performance of a capital company on central or local government budget expenditure. The amount of information to be provided on non-chargeable transactions carried out between budget institutions has been reduced because budget institutions provide such information

in the course of their annual stock-taking and when preparing reconciliation statements on the assets and liabilities transferred/received free of charge. The procedure for the preparation of local government representations regarding the responsibility of the management to the Minister of Finance has been defined as well. The requirements have been clarified with a view to improving the clarity and easier presentation of the information disclosed in the reports and providing more detailed explanations, same as the requirements in connection with the introduction of the euro in the preparation of monthly and quarterly reports.

In 2013, the European Commission assessed the suitability of IPSASs for the EU Member States and prepared a report “Towards implementing harmonised public sector accounting standards in Member States: The suitability of IPSAS for the Member States” (IPSAS report) to the European Council and the European Parliament. The European Commission’s own accounting rules for the EU Institutions and bodies are based on IPSAS and, IPSAS are main reference in the guidance for public sector accounting standards in over half of EU Member States. The IPSAS report concluded that, although IPSASs, as they stood at the time when the report was written, could not be simply implemented in the EU Member States, IPSASs represented a starting reference for future harmonised EPSASs – the European Public Sector Accounting Standards, an initiative that aims to provide harmonised accruals-based public sector accounting.

In 2019, the Cabinet Regulation No. 1486 expired and new Cabinet Regulation No. 87 adopted 13 February 2018 “Accounting Procedures in Budget Institutions” entered into force (<https://likumi.lv/ta/id/297134-gramatvedibas-uzskaites-kartiba-budzeta-iestades>). One of its aims was to ensure compliance of financial statements with the guidelines of the IPSASs.

In 2019, the European Commission (EUROSTAT) conducted a study on the level of development of EU Member States' government accounts in accordance with the IPSASs. The study assesses the compliance of the basic principles of Latvian state and local government accounting with 89%, while the support of related information technologies for the full provision of accrual information - with 91%. In comparison, the EU average is 63% and 65% respectively. These indicators show that the basic principles of public sector accounting in Latvia are largely in line with internationally accepted best practice, and with the introduction of the European Public Sector Accounting Standard (EPSAS), Latvia will require less changes than the EU average.

The Treasury supports the European Commission’s initiative to improve the quality of accounting data and the compliance of financial statements with the IPSASs in order to provide decision-makers, the public, investors and international credit rating agencies with high-quality, timely and internationally comparable best practice information (reports) on financial position of the state. By organizing unified public finance accounting, the Treasury develops regulatory enactments in the field of accounting and preparation of reports of state and local government budget institutions, evaluating the requirements of the IPSASs in accordance with Latvia’s capabilities.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Process Improvement and Maintenance</i>					
114.	2005	Promote IPSAS fundamentals to the State Treasury (under the Ministry of Finance) and the State Audit Office.	Ongoing	Head of Methodological Committee	Methodological Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
115.	2005	Participate in improvements of the existing public sector accounting legislation, to comment on draft new legislation in public sector accounting area.	Ongoing	Head of Methodological Committee	Methodological Committee
116.	2013	Monitoring of changes in IPSASs. Promotion of information about IPSASs and practice of implementation.	Ongoing	Head of Methodological Committee	Methodological Committee
117.	2015	Consider inviting specialists from other organizations of professional accountants or learning providers to provide training / assistance / advice on the use of IPSASs.	Ongoing	Head of Methodological Committee	Methodological Committee
118.	June 2017	Cooperate with ICAEW / Kaplan on organising a seminar and CPD event / workshop on IPSASs to AARL members.	2018	Head of Methodological Committee	Methodological Committee
119.	2019	Monitoring of the development and implementation of EPSASs in the EU and Latvia.	Ongoing	Head of Methodological Committee	Methodological Committee
120.	November 2021	Use the IFAC's Train the Trainers: Introduction to IPSAS resource for training and educational activities	Ongoing	Head of Methodological Committee	Methodological Committee
<i>Maintaining Ongoing Processes</i>					
121.	2013	Perform periodic review and update of section relevant to SMO 5 as necessary. Once updated inform IFAC.	Ongoing	Head of Methodological Committee	Methodological Committee

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

Background: AARL adopted a “complaints-based” approach and an “information-based” approach to investigation and discipline. Examination of complaints, objections and misconduct (e.g. breaches of professional standards, ethical requirements, professional negligence, unsatisfactory work) against AARL members and certified professional accountants is performed in line with Disciplinary Regulations of AARL, as well as preparation of respective reports is performed by the AARL’s Ethics Committee.

Disciplinary proceedings may be brought not later than three years after the event giving rise to the claim, after receipt of a written complaint from the Board of AARL, AARL Ethics Committee, the court or any interested legal or natural person. The application of the disciplinary proceedings is submitted to the Board of AARL, where it is registered in a special journal and within three working days is submitted to the Ethics Committee. Members of the Ethics Committee are independent of the subject of the investigation and other related parties. Investigation process may involve also individuals from different professional backgrounds, including non-accountants and “public interest” representation. The Ethics Committee shall examine the circumstances referred to in the application, if necessary, compile additional information and decide on the disciplinary proceedings. If, after the investigation of the conditions mentioned in the application reveals that the disciplinary offense cannot be established, the Ethics Committee shall give a reasoned refusal to initiate disciplinary proceedings, and no later than one month from the receipt of application it shall be sent to the applicant. The Ethics Committee's refusal to initiate disciplinary proceedings may be appealed by the applicant by submitting a relevant application to the Board of AARL. The Board shall consider the application within one month of its submission. The Board decision cannot be appealed.

Depending on the disciplinary offense, the following disciplinary penalties are possible:

- warning;
- reprimand;
- cancellation of certificate of professional accountant; member's exclusion from the AARL.

Disciplinary penalties against the defendant do not exclude the civil, administrative, and criminal liability.

AARL is currently developing regulations on I&D for AARL members - professional accountants, who are acting in public practice regarding violation of the quality of accountancy services provided and will incorporate these regulations within AARL methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice. AARL is planning to start the QA for accountancy services review program in 2022.

Starting with 2022 the AARL’s Accounting Outsourcing Committee will have an investigation function regarding quality of services and work performed by AARL members - professional accountants, who are acting in public practice; the AARL’s Ethics Committee will continue to perform disciplinary function regarding all AARL members - accountants-physical persons and professional accountants, who are acting in public practice.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Developing and enhancing I&D system</i>					
122.	2013	Enhance the mechanisms for investigations and disciplinary actions to keep up with developments in professional environment.	Ongoing	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
123.	2013	Involve a lawyer in the disciplinary process, acting on a contractual basis.	Ongoing	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
124.	2013	Prepare the procedure for controlling the disciplinary process stating at which stages a lawyer must be involved, approve it with the Board and implement.	2014	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
125.	2013	Prepare and implement the changes to the statutes according to the chosen model of disciplinary process improvement.	2014	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
126.	2013	Prepare and implement the rules, amendments to the internal regulation and work/service agreements according to the chosen model of disciplinary process improvement.	2014	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
127.	May 2021	Develop regulations on I&D for AARL members - professional accountants, who are acting in public practice regarding violation of the quality of accountancy services provided and incorporate it within AARL methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice.	August 2021	The Board	Members of the Board, Accounting Outsourcing Committee
128.	January 2022	AARL's Accounting Outsourcing Committee performs investigation function regarding quality of services and work performed by AARL members - professional accountants, who are acting in public practice. AARL's Ethics Committee continue to perform disciplinary function regarding all AARL members - accountants-physical persons and professional accountants, who are acting in public practice.	January 2022 and ongoing	The Board	Members of the Board, Accounting Outsourcing Committee, Ethics Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
Maintaining Ongoing Processes					
129.	2013	Involve in the investigation process also individuals from different professional backgrounds, including non-accountants and "public interest" representation.	2014	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
130.	2013	Within disciplinary process it will be necessary to find a balance of professional expertise and outside judgment. For this reason, they shall be composed of accountants and non-accountants. No person shall be a member of both the investigation Committee and disciplinary tribunal at the same time, nor can be a member of the investigation Committee in relation to a specific case subsequently appointed to the disciplinary tribunal to hear the same case.	2014	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
131.	2014	Cooperate with other organizations of professional accountants on I&D issues.	Ongoing	The Board, Head of International Secretariat	Members of the Board, Ethics Committee
132.	2015	Adopt an "information-based" approach to investigation and discipline.	October 2015	The Board, Head of Ethics Committee	Members of the Board, Ethics Committee
Review of AARL's Compliance Information					
133.	2013	Perform periodic review and update of section relevant to SMO 6 as necessary. Once updated inform IFAC.	Ongoing	Head of Ethics Committee	Ethics Committee

Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
Scope of the System				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y			

Requirements	Y	N	Partially	Comments
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	Y			In addition to the “complaints-based” approach the “information-based” approach to investigation and discipline was adopted in 2015.
4. Link with the results of QA reviews has been established.			Partially	The system of QA for accountancy services is currently being developed in collaboration with ICAEW. The AARL is currently developing regulations on I&D for AARL members - professional accountants, who are acting in public practice regarding violation of the quality of accountancy services provided and incorporate it within AARL methodology for QA for accountancy services provided by AARL members - professional accountants, who are acting in public practice. AARL plans to start the QA for accountancy services review programme in 2022.
Investigative Process				
5. A committee or similar body exists for performing investigations.	Y			This function is performed by the Ethics Committee. Starting with 2022 the AARL’s Accounting Outsourcing Committee will have an investigation function regarding quality of services and work performed by AARL members - professional accountants, who are acting in public practice.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y			This function is performed by the Ethics Committee.
8. Members of the committee/entity include professional accountants as well as non-accountants.	Y			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y			

Requirements	Y	N	Partially	Comments
<p>Sanctions</p> <p>10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.</p>			Partially	<p>Depending on the disciplinary offense, the following disciplinary penalties are possible: (i) warning; (ii) reprimand; (iii) cancellation of certificate of professional accountant; member's exclusion from the AARL.</p> <p>Disciplinary penalties against the defendant do not exclude the civil, administrative and criminal liability.</p> <p>As far as accountancy profession is not regulated on the state level, except for auditors, AARL is not able to restrict and remove practicing rights of accountants – AARL members.</p>
<p>Rights of Representation and Appeal</p> <p>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.</p>	Y			
<p>Administrative Processes</p> <p>12. Timeframe targets for disposal of all cases are set.</p>	Y			
<p>13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.</p>	Y			
<p>14. Records of investigations and disciplinary processes are established.</p>	Y			
<p>Public Interest Considerations</p> <p>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>			Partially	<p>As far as accountancy profession is not regulated on the state level, except for auditors, investigative and disciplinary system of AARL is voluntary and is applicable only to AARL members.</p>
<p>16. A process for the independent review of complaints on which there was no follow-up is established.</p>	Y			
<p>17. The results of the investigative and disciplinary proceedings are made available to the public.</p>	Y			

Requirements	Y	N	Partially	Comments
<p>Liaison with Outside Bodies</p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>	Y			
<p>Regular Review of Implementation and Effectiveness</p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	Y			

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Further Improvement and Maintenance of Processes for Ongoing Compliance with IFRS

Background

A regulated market in Latvia, on which companies trade equity or debt securities, is the Main List, the Secondary List and the Bond List of the Nasdaq Riga Stock Exchange.

IFRSs as adopted by the EU are required or permitted in the following situations:

- 1) Companies whose securities trade in a regulated market:
 - Require IFRSs as adopted by the EU in the consolidated / separate company financial statements of companies whose securities trade on a regulated market on the main list or bond list;
 - Require IFRSs as adopted by the EU in the consolidated financial statements of companies whose securities trade on a regulated market on the secondary list;
 - Permit IFRSs as adopted by the EU in the separate company financial statements of companies whose securities trade on a regulated market on the secondary list.
- 2) Companies whose securities do not trade in a regulated market:
 - Require IFRSs as adopted by the EU in both the consolidated and separate company financial statements of all banks, insurance commercial companies, and other supervised financial institutions including those whose securities do not trade in a regulated market.

After 2013 EU Accounting Directive was adopted in Latvia, the new “Law on Annual Financial Statements and Consolidated Financial Statements” (<https://likumi.lv/ta/id/277779-gada-parskatu-un-konsolideto-gada-parskatu-likums>) was developed and is in force as of 1 January 2016. In accordance with the Law, in addition to the commercial companies, whose transferable securities are included in the regulated market of Latvia or another EU Member State, a development financial institution and a State capital company, which in conformity with the provisions of the Law is a large capital company, may prepare annual financial statements in accordance with IFRSs as adopted by the EU.

In addition the Law defines that in exceptional cases due to justified reasons (for example, if a company, the transferable securities of which are included in the regulated market, is a parent company of the group of companies and draws up a consolidated annual statements in accordance with the requirements IFRSs as adopted by the EU or if a company is a subsidiary company of such group of companies the requirement of the parent company of which is to use the IFRSs as adopted by the EU for the recognition, assessment, indication of items in the financial statement and for the provision of explanatory information) the company recognises, assesses, indicates investment properties, biological assets, long-term investments held for sale, deferred tax assets, deferred tax liabilities, or other items of assets or liabilities of the balance sheet in the financial statement and provides explanatory information regarding these items in accordance with the IFRSs as adopted by the EU.

The entities may also voluntary use IFRS for SMEs as best practice guidelines in financial reporting.

AARL uses its best endeavours to promote the requirements of SMO 7 and wider introduction of IFRS based financial reporting in Latvia and participates in working groups of the MoF on the development of amendments or new laws on financial reporting.

<p>In June 2017 AARL prepared a proposal to the MoF for the draft amendments (planned to be in force as of 1 January 2018) necessary to the “Law on Annual Financial Statements and Consolidated Financial Statements”, that it should be possible to prepare annual accounts and consolidated annual accounts in accordance with IFRSs as adopted by the EU for all companies, regardless of their category (size), if these companies choose such a basis for the preparation of financial statements. The AARL proposal was supported by the Ministry of Economics of the Republic of Latvia and Nasdaq Riga stock exchange. The final version of the amendments, which is in force as of 3 January 2018, states that a capital company, which is a large undertaking, may prepare annual financial statements in accordance with the IFRSs as adopted by the EU .</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Support adoption and implementation of IFRSs</i>					
134.	Ongoing	Continue to use best endeavours to encourage the adoption of IFRSs and continue to support implementation of IFRSs.	Ongoing	The Board	Members of the Board
135.	Ongoing	Participation in the development of the proposals regarding state policy in the sphere of IFRS.	Ongoing	The Board	Members of the Board
136.	2014	Prepare comments on proposal for new framework for preparation of annual reports and consolidated annual reports and use requirements of IFRSs as best practice guidelines in financial reporting.	2015	Head of Methodological Committee	Methodological Committee
137.	June 2017	Prepare AARL proposal to the MoF for the draft amendments (planned to be in force as of 1 January 2018) necessary to the “Law on Annual Financial Statements and Consolidated Financial Statements” - it should be possible to prepare annual accounts and consolidated annual accounts in accordance with IFRSs as adopted by the EU for all companies, regardless of their category (size), if these companies choose such a basis for the preparation of financial statements. The AARL proposal was supported by the Ministry of Economics of the Republic of Latvia and Nasdaq Riga stock exchange. However, the final version of the amendments, which is in force as of 3 January 2018, states that large companies may choose IFRSs as adopted by the EU as a basis for the preparation of financial statements.	June 2017	The Board	Members of the Board, Methodological Committee
<i>Disseminate Information on the Developments in the National and International Standard-setting in the Area</i>					
138.	September 2014	Participate in the International Financial Reporting Standards comprehensive course organised within Latvian-Swiss Cooperation Program and share the knowledge with AARL members.	October – December 2014	The Board	Members of the Board, Methodological Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
139.	Ongoing	Promote IFRSs and other pronouncements issued by IASB.	Ongoing	The Board	Members of the Board, Methodological Committee
140.	September 2017	Share a link to AARL members to Kaplan webinar on new IFRSs – IFRS 15 and IFRS 16.	October 2017	Head of Methodological Committee	Methodological Committee
Maintaining Ongoing Processes					
141.	Since 2005	Represent AARL on the Accounting Board and participate in issue of Latvian Accounting Standards.	2011	Head of Methodological Committee	Methodological Committee
142.	2013	Deliver up-to-date comprehensive training course on IFRSs with extensive study materials in Latvia.	Ongoing	Head of Methodological Committee	Methodological Committee
143.	2014	Participate in working group of MoF to implement requirements of 2013 EU Accounting Directive.	2015	Head of Methodological Committee	Methodological Committee
144.	June 2016	Update of AARL learning programs on IFRS and consolidation issues.	July 2016	Head of Attestation Committee	Attestation Committee, Methodological Committee
145.	August 2016	Participate in the UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR).	October 2016 and ongoing	The Board	Members of the Board, Methodological Committee
146.	January 2017	Establish new AARL Committee – Public Interest Structures Committee, which will be engaged in developing and supporting AARL members – PIEs.	January 2017	The Board	Members of the Board
147.	September 2017	Public Interest Structures Committee and Methodological Committee to create IFRS panel on problems of IFRSs application in Latvia to raise awareness and seek feedback on implementation issues for practitioners.	January 2018 and ongoing	Head of Public Interest Structures Committee	Public Interest Structures Committee, Methodological Committee,

#	Start Date	Actions	Completion Date	Responsibility	Resource
148.	Ongoing	Participation in international and local conferences, working groups, workshops on IFRSs issues.	Ongoing	The Board	Members of the Board, Methodological Committee
149.	Ongoing	Established relationship with training providers to provide AARL members with knowledge and experience on IFRSs implementation.	Ongoing	The Board	Members of the Board, Methodological Committee
150.	Ongoing	Participation in the Corporate Reporting Policy Group of the Accountancy Europe.	Ongoing	The Board	Members of the Board, Methodological Committee
<i>Review of AARL's Compliance Information</i>					
151.	2013	Perform periodic review and update of section relevant to SMO 7 as necessary. Once updated inform IFAC.	Ongoing	Head of Methodological Committee	Methodological Committee