

November 1, 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 **Latvian Association of Certified Auditors** 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 **Latvian Association of Certified Auditors** 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 **Latvian Association of Certified Auditors**, 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.


_____, Chief Executive

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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 Compliance Program website.

ACTION PLAN

IFAC Member/Associate:	Latvian Association of Certified Auditors (LACA)
Approved by Governing Body:	LACA Board
Original Publish Date:	November 2009
Last Update:	October 2021
Next Update:	October 2025

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.

GLOSSARY:

CPD	Continuing Professional Development
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
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
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
SMOs	Statements of Membership Obligation
QA	Quality Assurance
QP	Quality Performance

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>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.</p> <p>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. First cycle of these reviews was performed in 2018. MoF uses templates developed in the EU for such quality inspections and regularly interacts with other country representatives to ensure best policies and practices are shared.</p> <p>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 (last version units finalized in 2018, inspection questionnaire is revised annually and approved by LACA). Commercial companies of sworn auditors and sworn auditors of non-PIEs are inspected every six years by LACA.</p> <p>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. ISQM 1 translation is on its way with the aim to finalise and publish local language version of the standard by the end of 2021. Once translation is completed, LACA will amend its internal quality control policies to take into account any changes brought forth by ISQM1 and ISQM2 during 2022 so as to enable full adoption with December 2022.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	December 2017	Development of the updated internal regulation on quality control, including, among others, the following: <ul style="list-style-type: none"> • Review cycle • Composition of QP team • Reporting • Corrective and disciplinary actions • Consideration of public oversight 	Repeated regularly	Svetlana Koļesņikova Head of Quality Committee	Quality Committee, Executive Director
2.	January 2018	Development of updated questionnaires for QP reviews on audit and review engagements	Repeated annually	Svetlana Koļesņikova Head of Quality Committee	Quality Committee, Executive Director
3.	August 2012	Provide training to LACA's quality control reviewers including identification of focus areas, walkthrough if review questionnaire, practical examples of assigning ratings and other professional and administrative matters,	Repeated annually	Svetlana Koļesņikova Head of Quality Committee	Quality Committee, Executive Director, Education Committee
4.	November 2014	Participate in working groups of the MoF to implement requirements of 2014 amendments to the Statutory Audit Directive and new Audit Regulation	Completed in 2017	The Board	Members of the Board
5.	August 2014	Relay the results of already performed QA reviews through conferences on QA to practicing accountants and quality controllers.	Repeated annually	Svetlana Koļesņikova Head of Quality Committee	Quality Committee, Executive Director, Education Committee
6.	January 2016	Maintain ongoing dialogue with MoF with respect to QP process implemented for PIE auditors	Ongoing	Svetlana Koļesņikova Head of Quality Committee	Quality Committee, Executive Director

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of LACA's Compliance Information</i>					
7.	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
8.	2009	Study requirements of new (revised) SMOs and incorporate them in future action plan	Ongoing	Executive Director Anita Mihejeva	Quality Committee, Executive Director

Main Requirements of SMO 1

Requirements	Y N Partial	Comments
Scope of the System 1. At a minimum, mandatory QA (QP) reviews are required for all audits of financial statements.	Y	See above
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	Y	ISQC 1 is mandatory to all firms as full suite of assurance standards is adopted
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	Y	LACA adopted and implemented ISQC 1 and ISAs to be applied by its members.
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Y	This is done through regular trainings performed by subsidiary of LACA and based on suggestions from the Quality Committee and its members.

Requirements	Y N Partial	Comments
Review Cycle		
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	Y	See above regarding regularity. Mixed approach is used (i.e. mandatory selection based on elapse of time as well as risk-based selection)
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).	Y	See above.
Requirements	LACA Y N Partial	Comments
QA Review Team		
7. Independence of the QA Team is assessed and documented.	Y	For each QP review
8. QA Team possesses appropriate levels of expertise.		There are regular trainings for QP reviewers (annually), but general level of competence of dealing with complex situations could be improved
Reporting		
9. Documentation of evidence supporting the quality control review report is required.	Y	There are QP review questionnaires developed and being regularly updated
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Y	Stated in QP review by-laws and implemented during QP reviews
Corrective and Disciplinary Actions		
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Y	Stated in QP review and disciplinary actions regulations issued by LACA
12. QA review system is linked to the Investigation and Discipline system.	Y	Stated in QP review and disciplinary actions regulations issued by LACA

Requirements	Y N Partial	Comments
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.	Y	Regular contact with the Ministry of Finance
Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed.	Y	Annually

Action Plan Subject: SMO 2 and International Education Standards
Action Plan Objective: Continuous Effort to Ensure all Requirements of IESs are incorporated in LACA Professional Accountancy Education System.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Initial Professional Development (IPD)</i>					
<p>The programmes of subjects for sworn auditor qualification examinations are stipulated in Law on Audit Services and shall include questions and tasks which are directly linked with the audits of annual financial statements and consolidated financial statements, or linked with them indirectly, as far as they are related to such audits, and which allow to determine the knowledge of the candidates in the following areas: 1) theory and technique of an audit, and international audit standards; 2) preparation and analysis of annual financial statements and consolidated financial statements, accounting methods and the regulations for evaluation; 3) financial and management accounting; 4) internal audit; 5) public law, the Civil Law, labour law and laws governing social guarantees; 6) commercial activity and insolvency laws; 7) tax laws; 8) information and computer systems; 9) general and financial economics; 10) management and analysis of commercial activity risk; 11) basic principles for financial management; 12) mathematics and statistics; 13) international accounting standards; 14) professional ethics and independence. LACA organizes examinations on those topics arranged in 5 exams: Accounting, Auditing, Legislation, Taxation and Management. LACA also organizes preparatory courses for candidates. Therefore, MoF establishes the framework the initial professional development (IPD). LACA supports MoF with creating the questions as well as with the continuous monitoring and feedback of the examination process. LACA is also responsible for organizing and monitoring continuous professional development (CPD) of auditors in Latvia.</p> <p>Section 8 of the Law on Audit Services states that a sworn auditor qualification examination may be taken by a natural person with the capacity to act who complies with all the following requirements 1) has reached 25 years of age; 2) has obtained higher education in the Republic of Latvia or in a foreign state in the field of economics, management or finances, or also has obtained the qualification of an auditor of the relevant state abroad. A decision to recognise documents certifying the relevant education issued by foreign states, in compliance with the procedures prescribed by the Education Law, shall be taken by LACA; 3) is fluent in the Latvian language; 4) has acquired at least three years experience, which is approved by the Latvian Association of Sworn Auditors, in the auditing of annual financial statements of clients, and also in financial auditing. In combination with above technical requirements the professional experience requirement ensures that practical experience criterion is met.</p> <p>Due to the small size of the Latvian economy, there are no bachelor level educational program for the future auditors. At the same time, the whole Latvian education system, including university education is very competitive and on a high level, which means that several curricula provide necessary technical competence, professional skills and practical experience for the entry level position in auditing firms. LACA therefore recognizes the partial non-compliance with IES 1-6 and continues monitoring the demand of auditing firms for the new recruits as well as development plans of universities with faculties of economy, keeping an open eye on opportunities.</p>					
<i>Practical experience and CPD (Continuous Professional Development)</i>					
<p>With regards of IES 7-8, LACA is continuously evaluating and updating its training program for the auditors to reflect the changing requirements of IES as well as local regulations and expectations of the society. LACA has in place an annual reporting and monitoring system for the actual education activities undertaken (in hours and subjects, minimum of 30 hours CPD per annum are required with 120 hours CPD hours required over a 3 year period). LACA has also implemented control mechanism over members' compliance with continuous professional development requirements. Starting from 2013 this control mechanism is further enhanced by data reconciliations with the LACA Education Centre statistics on the course attendance by the LACA members.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to Ensure Compliance with SMO 2 Requirements</i>					
9.	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	Terēze Labzova-Ceicāne, Head of Education Committee	Education Committee
10.	1997	Continue working on necessary education courses in order to provide relevant high quality education programs, covering but not limited to: <ul style="list-style-type: none"> • Courses covering topics identified as recurring issues through reviews by the Quality Committee and Ethics Committee; • Courses covering annual updates in the International Financial Reporting Standards and assurance standards; • Courses aimed to equip the LACA member candidates with the necessary knowledge to pass relevant qualification exams. 	Ongoing	Terēze Labzova-Ceicāne Board member of LACA Education Centre Head of Education Committee	Education Committee, Education Centre
11.	1997	Execute controls over continuous professional development procedures (CPDs) followed by members of LACA. Consider extending the requirements for the auditors of listed entities, financial institutions and other PIEs.	Ongoing	Terēze Labzova-Ceicāne Board member of LACA Education Centre Head of Education Committee	Education Committee, Education Centre
12.	2014	Consider 8 revised IESs being issued by the IESBA and address necessary plans for adoption and implementation of changes. Consider submitting comments to IAESB exposure drafts as part of sharing their perspective and contributing to the international standard-setting process.	In progress	Terēze Labzova-Ceicāne Board member of LACA Education Centre Head of Education Committee	Education Committee, Education Centre

#	Start Date	Actions	Completion Date	Responsibility	Resource
13.	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
14.	September 2012	Study requirements of new (revised) SMOs and incorporate them in future action plan.	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: Develop and maintain methodology guidance for raising auditors' competence in IAASB guidance

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>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. Comprehensive Clarity ISA training (delivered within the framework of World Bank's technical assistance project) had been made available to certified auditors and their assistants in 2011. Update of this training was performed in 2014. 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. Translation of Handbook of IFAC pronouncements 2015 was completed in 2016 and trainings on new audit reporting standards (ISA 700, 701, 705, 706) took place in 2016.</p> <p>In order to facilitate consistent reporting according to ISAs, LACA prepares sample independent auditor's reports and accompanying guidelines to auditors (last updated in beginning of 2020). 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> <p>Separate trainings and methodology materials are developed for review engagements and other assurance engagements, including ISRS.</p>					
<i>Activities to Adopt Clarity ISAs</i>					
15.	1995	Conduct training courses on the updated and translated ISAs, ISRE and other assurance standards. Trainings in 2019 included such topics as NOCLAR and general requirements of new Ethics Code. Key topic for 2020 is considered to be ISA 540. Most recently, impact of Covid 19 on the 2019 audits training was delivered in online format. It is planned to conduct training on such Covid-19 related matters as impairment assessment in summer 2020.	Ongoing	Egons Liepiņš Board member of LACA; Terēze Labzova-Ceicāne Board member of LACA Education Centre Head of Education Committee	Education Centre, outsourced qualified tutors and professional experts involved in review of ISA's in Latvian
16.	2008	Follow-up on the assurance standard translation and review process in the EU.	Ongoing	Egons Liepiņš Board member of LACA, Executive Director Anita Mihejeva, Terēze Labzova-Ceicāne	Outsourced to professional translators and reviewers

#	Start Date	Actions	Completion Date	Responsibility	Resource
				Board member of LACA Education Centre Head of Education Committee	
17.	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	Egons Liepiņš Board member of LACA	To investigate possible sources of financing, such as government and grants of international institutions
18.	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
19.	September 2012	Study requirements of new (revised) SMOs and incorporate them in future action plan.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Action Plan Subject: SMO 4 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
<p><i>Background:</i></p> <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.</p> <p>The IESBA Code of Ethics requirements have been translated, approved and become mandatory for Latvian certified auditors since 2007. Full translation into Latvian was performed for the Handbook containing the Code of 2016 (effective from 15 July 2017). Following the implementation first NOCLAR training was delivered to the auditors (covering ISA 250 requirements too) in 2018.</p> <p>LACA has translated the International Code of Ethics for Professional Accountants (including International Independence Standards) is effective as of June 15, 2019. Training on the new requirements was delivered to the auditors in June 2019. Revisions to the Handbook will be translated once translation of ISQM1 and ISQM2 is finalized.</p> <p>To ensure effective implementation of the Code, LACA endeavors to ensure that its education and the Continuous Professional Development (CPD) program include courses on the revised IESBA's Code through updating CPD requirements.</p>					
<i>Supporting Members With the Implementation of the Code</i>					
20.	2007	Conduct training courses on the IESBA Code requirements on a regular basis.	Ongoing – latest conducted in 2019	Natālija Zaiceva, Head of Ethics Committee, Education Center	Ethics Committee
21.	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
22.	2011	Publish the information on recent discussions of the IFAC and the FEE as well as provide information on upcoming changes related to the issues of the Code of Ethics and ask the members to express their opinions.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

#	Start Date	Actions	Completion Date	Responsibility	Resource
23.	2011	Gather opinions of its members and provide the FEE with commentaries on new projects in the field of ethics.	At least once a year (if any commentaries available)	Natālija Zaiceva, Head of Ethics Committee, Executive Director Anita Mihejeva	Ethics Committee
24.	2017	Update internal rules of ethics issue resolution process by the Association. Ensure the rules are implemented on all ethics cases.	Completed in 2018, updated in 2019. Revision expected after elapse of time.	Natālija Zaiceva, Head of Ethics Committee, Executive Director Anita Mihejeva	Ethics Committee
25.	2011	Encourage the members to discuss potential conflicts of ethics, consult their colleagues and include such discussion in the agenda of LACA members' formal and informal meetings.	At least once a year	Natālija Zaiceva, Head of Ethics Committee, Executive Director Anita Mihejeva,	Ethics Committee
26.	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
27.	September 2012	Study requirements of new (revised) SMOs and incorporate them in future action plan.	Ongoing	Executive Director Anita Mihejeva	Ethics Committee, 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.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Development of legislative acts in the public sector is driven by the Treasury under the supervision of 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.</p> <p>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.</p> <p>The relevant legislative acts stipulating accounting by budget institutions include:</p> <p>https://likumi.lv/ta/id/297134 - law on accounting organization by budget institutions.</p> <p>https://likumi.lv/ta/id/300000-gada-parskata-sagatavosanas-kartiba - law on preparation of annual reports.</p> <p>The latter is first applicable to 2019 annual reports and supersedes previously issued laws. The law incorporates feedback by multiple counterparties, including the State Control. Essentially, the law adopts IPSAS requirements apart from accounting for tax revenue. Tax revenue by State Revenue Service continues to be accounted using cash method until 01/01/2021 when accrual method is expected to be introduced.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Process Improvement and Maintenance</i>					
28.	2004	Continue discussion on IPSAS fundamentals and gaps from local legislation with the State Treasury (under the Ministry of Finance) and the State Audit Office.	Ongoing	Sandra Vilcāne, President of LACA, assisted by the Board of LACA	The Board, Executive Director
29.	2004	Participate in improvements of the existing public sector accounting legislation, to comment on draft new legislation in public sector accounting area.	Ongoing	Sandra Vilcāne, President of LACA, assisted by the Board of LACA	The Board, Executive Director
30.	2019	Consider providing technical assistance and support to public sector accountants to strengthen public financial management in the country, for example, by providing training on specialized areas such as performance audits	Ongoing	Sandra Vilcāne, President of LACA, assisted by the Board of LACA	The Board, Executive Director
31.	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
32.	September 2012	Study requirements of new (revised) SMOs and incorporate them in future action plan.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Action Plan Subject: SMO 6 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
<p><i>Background:</i></p> <p>Investigations and discipline process are defined in line with EU regulatory requirements in the Law on Audit Services, Section IX.</p> <p>Currently all I&D activities are performed jointly by LACA Quality and Ethics committees, where the former is responsible for investigation activity and the latter – for decisions on disciplinary actions. Procedures are defined in the three sets of internal rules: Rules of the Quality committee (last updated in 2018), Rules of the Ethics committee (last updated in 2018) and Rules on disciplinary case initiation, investigation and prosecution (last revised August 2019). Jointly, the above documents provide a framework that is compliant with SMO 6 requirements and ensures that both complaints-based and information-based approaches are used in practice.</p> <p>LACA reports to the Ministry of Finance with respect to the initiation and status of all disciplinary cases, while the public oversight and liaison function lies with Audit Advisory Council (AAC) established by the Cabinet of Ministers.</p>					
<i>Maintaining Ongoing Processes</i>					
33.	2008	Enhance the mechanisms for investigations and disciplinary actions to keep up with developments in professional environment.	Ongoing	Svetlana Koļesnikova Head of Quality Committee, Board Members of LACA, Executive Director Anita Mihejeva	Ethics Committee, Quality Committee
34.	July 2008	Continue ongoing discussions with the Ministry of Finance in order to implement legislative amendments.	Ongoing	Sandra Vilcāne, President of LACA	The Board, Executive Director
35.	2017	Coordinate and implement further amendments to Quality and Ethics committees rules.	2018	Svetlana Koļesnikova Head of Quality Committee, Natālija Zaiceva Head of Ethics Committee, Executive Director Anita Mihejeva	The Board, Executive Director

#	Start Date	Actions	Completion Date	Responsibility	Resource
36.	2012	Involvement of a lawyer in the disciplinary process, acting on a contractual basis.	Completed	Natālija Zaiceva Head of Ethics Committee, Executive Director Anita Mihejeva	Dedicated Committees
37.	2013	Finalize the Rules on disciplinary case initiation, investigation and prosecution in order to clarify the timings of different stages of I&D process (case review, external communications, etc.)	2019	Natālija Zaiceva Head of Ethics Committee, Executive Director Anita Mihejeva	Dedicated Committees
38.	2009	Perform periodic review of LACA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated inform IFAC.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director
39.	September 2014	Study requirements of new (revised) SMO 6 and incorporate them in future action plan.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director

Main Requirements of SMO 6

Requirements	LACA Y N Partial	Comments
Scope of the System		
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y	Governed by I&D rules developed
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y	Communicated during annual update trainings

Requirements	LACA Y N Partial	Comments
Initiation of Proceedings		
3. Both a “complaints-based” and an “information-based” approach are adopted.	Y	
4. Link with the results of QA reviews has been established.	Y	
Investigative Process		
5. A committee or similar body exists for performing investigations.	Y	Investigations done by Quality and Ethics committees jointly. Please see description above.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y	Investigated for each complaint and confirmed
Disciplinary Process		
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y	
8. Members of the committee/entity include professional accountants as well as non-accountants.	Y	Ethics committee is comprised of accountants only. Involvement of a lawyer in the disciplinary process, acting on a contractual basis
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y	
Sanctions		
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.	Y	

Requirements	LACA Y N Partial	Comments
Rights of Representation and Appeal		
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	Y	
Administrative Processes		
12. Timeframe targets for disposal of all cases are set.	Y	
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Y	Monitored at board meetings
14. Records of investigations and disciplinary processes are established.	Y	
Public Interest Considerations		
15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Y	
16. A process for the independent review of complaints on which there was no follow-up is established.	Y	
17. The results of the investigative and disciplinary proceedings are made available to the public.	Y	

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
<p><i>Background:</i></p> <p>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.</p> <p>IFRSs as adopted by the EU are required or permitted in the following situations:</p> <ol style="list-style-type: none"> 1) Companies whose securities trade in a regulated market: <ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ 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. <p>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.</p> <p>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.</p> <p>The entities may also voluntary use IFRS for SMEs as best practice guidelines in financial reporting.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p>Up-to-date texts of all IAS and IFRS, including interpretations and annual improvements as adopted by the EU is available on the Ministry of Finance site https://www.fm.gov.lv/lv/sadalas/gramatvedibas_un_revizijas_politika/gramatvedibas_politika/starptautiskie_gramatvedibas_finansu_parskatu_standarti_es/es_parnemto_starptautisko_finansu_parskatu_standartu_sfps_saraksts/55400-es-parņemto-starptautisko-finansu-parskatu-standartu-sfps-saraksts</p> <p>LACA uses its best endeavors to promote the requirements of SMO 7 and wider introduction of IFRS based financial reporting in Latvia.</p>					
<i>Maintaining Ongoing Activities</i>					
40.	October 2009	<p>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.</p> <p>Deliver annual IFRS Update course covering the newly effective IFRSs and commonly identified IFRS implementation issues.</p> <p>Most recent update topics included IFRS 16 in 2020 and 2019 and IFRS 9 and IFRS 15 in 2018.</p>	Ongoing Annually – last training was carried out in 2019 and the next session is planned in fall 2020.	Terēze Labzova-Ceicāne Board Member of LACA, Director of Education Centre Anita Mihejeva	Outsourced, qualified tutors
41.	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
42.	September 2012	Study requirements of new (revised) SMOs and incorporate them in future action plan.	Ongoing	Executive Director Anita Mihejeva	The Board, Executive Director