Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

22 January 2004 [shall come into force on 19 February 2004];

29 March 2007 [shall come into force on 1 May 2007];

12 June 2008 [shall come into force on 29 June 2008];

29 January 2009 [shall come into force on 4 March 2009];

11 February 2010 [shall come into force on 31 March 2010];

3 June 2010 [shall come into force on 6 July 2010];

3 March 2011 [shall come into force on 6 April 2011];

22 March 2012 [shall come into force on 25 April 2012];

12 September 2013 [shall come into force on 1 January 2013];

18 April 2013 [shall come into force on 22 May 2013];

9 July 2013 [shall come into force on 7 August 2013];

12 September 2013 [shall come into force on 1 January 2014];

29 October 2015 [shall come into force on 1 January 2016];

15 December 2016 [shall come into force on 1 January 2017];

19 April 2018 [shall come into force on 23 May 2018];

21 June 2018 [shall come into force on 18 July 2018];

20 June 2019 [shall come into force on 16 July 2019];

14 September 2023 [shall come into force on 11 October 2023].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*1 has adopted

and the President has proclaimed the following law:

**Law on Audit Services**

[*15 December 2016*]

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) The following terms are used in this Law:

1) **opinion**– an integral part of an auditor’s report which states a clearly expressed view on whether the financial statements included in the annual statement, also in the consolidated annual statement, present a truthful and clear view of the financial situation, profit or losses, and cash flow of the relevant client in accordance with the relevant financial statement preparation principles (standards) and comply with laws and regulations. There may be an opinion without reservations, an opinion with reservations and a negative opinion;

2) **audit working papers**– materials which are prepared for a sworn auditor or commercial company of sworn auditors or which are prepared, obtained and stored by a sworn auditor or commercial company of sworn auditors and which are related to provision of audit services. The audit working papers may be prepared in a printed form, electronic data carriers or in other form [for example, records the information included therein is formed by an image or sound and which are perceived and used via relevant equipment (audiovisual and cinematographic records, photographs and sound records)];

3) **financial institution** – a credit institution, an investment management company, a manager of alternative investment funds, an insurance company, a branch of a non-member country’s insurer, a reinsurance company, a branch of a non-member country’s reinsurer or a private pension fund providing financial, insurance or reinsurance services;

4) **client** – a merchant, a State or local government authority, an association or foundation or any other person who receives audit services in accordance with this Law;

5) [19 April 2018];

6) **self-employed person** – a natural person who earns employment income independently, without entering into contractual employment relations with an employer as a paid employee, and does not occupy a position that gives the right to remuneration. A natural person who is a member (participant) of a partnership and earns employment income in accordance with a contract entered into by such partnership and the assignor of an audit task shall also be considered a self-employed person;

7) **auditor’s report**– a written document prepared by a sworn auditor or a responsible auditor of the commercial company of sworn auditors regarding the audit (review) of the annual statement and consolidated annual statement;

8) **audit service** shall be:

a) the review (audit) of a client’s annual statement, also consolidated annual statement, laid down in laws and regulations and the provision of an auditor’s report;

b) the performance of an audit task at the request specified by law of the Commercial Register institution, an investigative institution, a prosecutor, a judge or a court in cases prescribed by law;

c) the financial audit of State and local government authorities and the preparation of audit reports, as well as provision of an opinion regarding the report on the financial year;

d) the performance of an audit task provided for by other laws and regulations or an audit service contract;

e) the limited review of a client’s annual statement laid down in laws and regulations and the provision of a review report;

9) **audit report** – a document prepared by a sworn auditor regarding the results of a financial audit of a State or local government authority;

10) **audit task** – review of annual statements, also consolidated annual statements, of a client as well as the review of economic activity of a client in accordance with the law or a contract entered into;

11) [19 April 2018];

12) **International Standards on Auditing recognised in Latvia**– International Standards on Auditing, International Standards on Review Engagements, International Standards on Quality Control and notifications and standards related thereto, in so far as they are related to audit services, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and determined by the Latvian Association of Sworn Auditors;

121) **International Standards on Auditing for public sector recognised in Latvia**– the international standards determined by the Auditor General for the Supreme Audit Institutions;

13) **network of commercial companies of auditors** – cooperation among sworn auditors, commercial companies of sworn auditors, Member State or third country auditors or commercial companies of auditors with the aim of income or cost allocation, joint administration or ownership, joint quality assurance policy and procedures or joint strategy of commercial activity and which provides for the partners of this cooperation to use one and the same commercial company or a significant portion of professional resources at the disposal of the partners of this cooperation;

14) **third country** – a country which is not a Member State of the European Union or the European Economic Area;

141) **Member State** – a European Union Member State or a state of the European Economic Area;

15) **third country auditor**– a natural person who, in accordance with the laws of a third country, is entitled to carry out an audit (review) of the annual statement and the consolidated annual statement of the commercial company registered in this country and who is not an auditor of the Member State;

16) **third country commercial company of auditors**– a commercial company of any type registered in a third country which, in accordance with the laws of a third country, is entitled to carry out an audit (review) of the annual statement and the consolidated annual statement of the commercial company registered in this country and which is not a commercial company of auditors of the Member State;

17) **public-interest entities**– financial institutions and commercial companies the transferable securities of which are admitted to trading on the regulated market of Member States;

18) **competent authority of the Member State**– an authority to which the responsibility for supervision of the auditor and commercial company of sworn auditors and also the audit services provided thereby is laid down by the laws and regulations of the relevant Member State, and regarding which the relevant Member State has notified the European Commission;

19) **auditor of the Member State**– a natural person which is approved by a competent authority of the Member State other than the Republic of Latvia (hereinafter – other Member State) to be entitled to carry out an audit (review) of the annual statement and consolidated annual statement of the commercial company registered in such other Member State;

20) **commercial company of auditors of the Member State**– a commercial company of any type registered in other Member State which is approved by a competent authority of this other Member State to be entitled to carry out an audit (review) of the annual statement and the consolidated annual statement of the commercial company registered in this other Member State;

21) **competent authority of the third country**– an authority to which the competence to carry out supervision of auditors of this third country and commercial companies of auditors of the third country, and also audit services provided by them, has been granted by the laws and regulations of the third country;

22) **State or local government authority**– a State or local government institution, a derived public person fully or partly financed from the State or local government budget, and also a State or local government agency.

(2) The term “international accounting standards” used in this Law complies with the definition thereof contained in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

(3) The term “related parties” used in this Law conforms to the term used in IAS 24 “Related party disclosures” referred to in Annex to Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

(4) The term “a sworn auditor and a commercial company of sworn auditors providing audit services to public-interest entities” used in this Law shall be used in the meaning of the sworn auditor and commercial company of sworn auditors which have provided audit services to a public-interest entity at least once in three years after the audit services quality control referred to in Section 35.1, Paragraph one of this Law. This term conforms to the term “a statutory auditor or an audit firm carrying out statutory audits of public-interest entities” used in 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 (hereinafter – Regulation No 537/2014).

(5) The terms “investment brokerage company”, “regulated market operator” and “data reporting services provider” used in this Law conform to the terms used in the Financial Instrument Market Law.

[*22 January 2004; 12 June 2008; 9 July 2013; 29 October 2015; 15 December 2016; 19 April 2018; 21 June 2018; 20 June 2019; 14 September 2023*]

**Section 2. Purpose and Scope of Application of the Law**

(1) The purpose of this Law is to govern the legal basis of the professional activities of persons which are manifested as audit services and to ensure supervision of the professional activities of such persons in order to promote a stable, safe, and credible market of audit services and protect common interests of the public (as the user of annual statements and consolidated annual statements).

(2) This Law shall apply to sworn auditors, commercial companies of sworn auditors, recipients of audit services, public-interest entities, and also competent institutions in the field of supervision of professional activities of sworn auditors and commercial companies of sworn auditors, and of public-interest entities.

(3) The Law prescribes:

1) the procedures for obtaining and registration of a sworn auditor certificate and licence for a commercial company of sworn auditors;

2) the requirements for independence, objectivity and ethics of sworn auditors and commercial companies of sworn auditors, the regulations of professional activities and responsibility for failing to comply with the requirements laid down in this Law and Regulation No 537/2014;

3) the rights and obligations of recipients of audit services;

4) competent institutions in the field of supervision of the professional activities of sworn auditors and commercial companies of sworn auditors, the obligations and rights of such institutions and authorities;

5) the legal basis of establishment, operating and supervision of the audit committee of a public-interest entity;

6) the regulations for ensuring application of Regulation No 537/2014.

[*15 December 2016; 19 April 2018*]

**Section 3. Sworn Auditors and Commercial Companies of Sworn Auditors**

(1) Only sworn auditors and commercial companies of sworn auditors which comply with the requirements specified in this Law are entitled to provide audit services.

(2) A sworn auditor may provide audit services as:

1) an individual merchant;

2) an employee of a commercial company of sworn auditors;

3) a self-employed person.

(3) A commercial company of sworn auditors may be a commercial company of any type.

[*19 April 2018*]

**Section 4. Status of a Sworn Auditor**

(1) A natural person shall acquire the status of a sworn auditor after such person has passed a sworn auditor qualification examination in accordance with the procedures prescribed by this Law, has obtained a sworn auditor certificate issued by the Latvian Association of Sworn Auditors and has been registered in the Sworn Auditor Register.

(2) The status of a sworn auditor is valid only during the period of validity of a sworn auditor certificate.

**Section 5. Status of a Commercial Company of Sworn Auditors**

(1) A commercial company shall acquire the status of a commercial company of sworn auditors after it has obtained, in accordance with the procedures prescribed by this Law, a licence issued by the Latvian Association of Sworn Auditors and has been registered in the Register of Commercial Companies of Sworn Auditors.

(2) The status of a commercial company of sworn auditors is valid only during the period of validity of the licence.

**Chapter II**

**Latvian Association of Sworn Auditors**

**Section 6. Status, Purpose of Activities and Tasks of the Latvian Association of Sworn Auditors**

(1) The Latvian Association of Sworn Auditors is an independent professional corporation of Latvian sworn auditors.

(2) All the sworn auditors of Latvia and commercial companies of sworn auditors are, on the principle of professional activity, united in the Latvian Association of Sworn Auditors.

(3) The Latvian Association of Sworn Auditors shall supervise that the professional activity of sworn auditors in the field of the provision of audit services would conform to the requirements of this Law, other laws and regulations governing the provision of audit services, and also professional standards and rules of ethics.

(4) The Latvian Association of Sworn Auditors:

1) shall represent and defend the interests of its members;

2) shall organise qualification examinations for sworn auditors;

3) shall decide on the issuance of a certificate to a sworn auditor and on the issuance of a licence to a commercial company of sworn auditors;

4) shall organise the Sworn Auditor Register and the Register of Commercial Companies of Sworn Auditors;

5) shall review disputes between sworn auditors and clients at the request of one of the parties to the dispute;

6) shall organise and supervise continuation of education and improvement of professional qualification of sworn auditors as part of the continuing education process recognised by the Latvian Association of Sworn Auditors;

7) shall perform other tasks prescribed by laws and its articles of association.

(5) To finance the operation of the Latvian Association of Sworn Auditors, its members shall pay an annual fee in the amount specified by the general meeting of the Association.

(6) Once every year, the Latvian Association of Sworn Auditors shall inform the public about its activities, including the disciplinary sanctions imposed on sworn auditors, to the extent permitted by law. The Latvian Association of Sworn Auditors shall make the abovementioned information available on its website each year until 31 March, as well as forward it to the Ministry of Finance.

[*12 June 2008; 22 March 2012; 18 April 2013; 19 April 2018*]

**Section 7. Administrative Institutions and Permanent Committees of the Latvian Association of Sworn Auditors**

(1) The supreme administrative institution of the Latvian Association of Sworn Auditors shall be the general meeting. It shall elect the chairperson of the board of the Latvian Association of Sworn Auditors, members of the board, and establish the permanent committees.

(2) The permanent committees shall operate in accordance with the articles of association of the Latvian Association of Sworn Auditors and shall implement the decisions of the general meeting and the board.

[*19 April 2018*]

**Chapter III**

**Qualification Examinations for Sworn Auditors**

**Section 8. Specific Requirements for Applicants**

A sworn auditor qualification examination may be taken by a natural person with the capacity to act who complies with all the requirements referred to in this Section:

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 the Latvian Association of Sworn Auditors;

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 statements of clients and also in financial auditing;

5) has an unimpeachable reputation (none of the conditions referred to in Section 9 of this Law being applicable).

[*22 January 2004; 15 December 2016*]

**Section 9. Persons who May not be Sworn Auditors**

A sworn auditor may not be a person to whom at least one of the following conditions referred to in this Section apply, that is, a person:

1) in relation to whom insolvency proceedings of a natural person have been declared;

2) who is a defendant or an accused in a criminal matter regarding the commission of an intentional criminal offence;

3) who has been convicted for the commission of an intentional criminal offence (irrespective of whether the person has been released from serving the sentence because of a statute of limitation period, clemency or amnesty);

4) against whom a criminal matter for the commission of an intentional criminal offence has been terminated because of the expiry of a limitation period, settlement, clemency or amnesty, or for whom the conviction for such criminal offence has been extinguished or set aside;

5) who has been dismissed from office by a court judgment in a criminal matter;

6) whose occupation because of ethical considerations is not compatible with the professional activities of a sworn auditor.

[*22 March 2012*]

**Section 10. Procedures for Submission and Examination of Candidate Applications**

(1) A candidate shall submit to the Latvian Association of Sworn Auditors an application regarding the taking of a sworn auditor qualification examination and other documents in accordance with the procedures stipulated by the Cabinet.

(2) A candidate shall state his or her compliance with the requirements of Section 8 of this Law in the application, and append to it the documents stipulated by the Cabinet.

(3) After receipt of the application and the documents appended to it, the Latvian Association of Sworn Auditors shall examine the application and the documents appended to it within the period of one month, and take a decision on the right of the candidate to take a sworn auditor qualification examinations or on a refusal.

(4) The decision of the Latvian Association of Sworn Auditors of Latvia shall be notified to the candidate in writing.

(5) If a candidate has received a refusal because the application and the documents appended to it are not complete or do not prove conformity to the requirements of Section 8 of this Law, he or she may resubmit the application to the Latvian Association of Sworn Auditors only after rectification of the relevant shortcomings, but not sooner than six months after the date of receipt of a refusal. A repeated application may not be submitted by a person who may not be a sworn auditor in accordance with Section 9, except in cases where the circumstances, which do not permit such person to be a sworn auditor, have changed.

(6) Examination of applications of candidates shall be performed for a charge the amount and payment procedures of which shall be specified by the board of the Latvian Association of Sworn Auditors after co-ordination with the Ministry of Finance.

[*22 January 2004*]

**Section 11. General Provisions for Sworn Auditor Qualification Examinations**

(1) In the sworn auditor qualification examinations it shall be examined whether the candidates have an adequate level of theoretical knowledge, as well as the ability to apply such theoretical knowledge in practical work, so that they might perform the professional activities referred to in Section 2 of this Law appropriately, in accordance with laws and with the international audit standards recognised in Latvia.

(2) Sworn auditor qualification examinations shall be taken in writing, in the Latvian language.

(3) Sworn auditor qualification examinations shall be charged for. The candidate shall pay a participation fee specified by the Latvian Association of Sworn Auditors up to the commencement of the examination period. A decision on the amount of the participation fee and the payment procedures shall be taken by the board of the Latvian Association of Sworn Auditors after co-ordination with the Ministry of Finance.

[*22 January 2004*]

**Section 12. Organisation of Sworn Auditor Qualification Examinations**

(1) Sworn auditor qualification examinations shall be organised and held by the Latvian Association of Sworn Auditors.

(2) By-laws for sworn auditor qualification examinations, indicating the number and names of the examination subjects, their programmes, the rules regarding the establishment of the examination commission, the procedures for the acceptance and examination of applications of candidates, and also for the preparation, process and evaluation of examinations, shall be approved by the Latvian Association of Sworn Auditors after co-ordination with the Ministry of Finance.

(3) The sworn auditor qualification examinations commission shall be established by the Latvian Association of Sworn Auditors, which shall invite as members of such commission sworn auditors, teaching staff of State-accredited tertiary education institutions and other experts in the fields of the examination subjects.

[*22 January 2004*]

**Section 13. Recognition of Professional Qualifications Attained Abroad**

The Latvian Association of Sworn Auditors shall recognise the qualifications of an auditor who has attained his or her professional qualification in a foreign country (an EU Member State, European Economic Area state or a third country) as equal to the qualifications of a sworn auditor, and shall issue a certificate of a sworn auditor to him or her if such foreign auditor complies with all the conditions referred to in this Section:

1) has in accordance with the procedures prescribed by the Education Law submitted a document certifying a professional qualification recognised by the Latvian Association of Sworn Auditors which confirms that its holder is entitled, in accordance with the laws of the relevant foreign state, to perform professional activities in that state which in compliance with the laws of Latvia are performed by a sworn auditor;

2) has passed such part of the subjects of the sworn auditor qualification examinations, arranged by the Latvian Association of Sworn Auditors, which include a test of the knowledge of the candidates regarding public law, the Civil Law, labour law and laws governing social guarantees, commercial activity and insolvency laws and tax laws;

3) [3 June 2010];

4) has been recorded in the relevant register of auditors of a foreign state (European Union Member State, European Economic Area state or third country).

[*12 June 2008; 3 June 2010; 15 December 2016*]

**Section 14. Content of Sworn Auditor Qualification Examinations**

The programmes of subjects for sworn auditor qualification examinations shall include questions and tasks which are directly linked with the reviews of annual statements and consolidated annual statements, or linked with them indirectly, as far as they are related to such reviews, and which allow to determine the knowledge of the candidates in the following areas:

1) theory and technique of an audit, international audit standards;

2) preparation and analysis of annual statements and consolidated annual 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.

[*22 January 2004; 12 June 2008*]

**Section 15. Procedures for Announcement of Results of Sworn Auditor Qualification Examinations**

(1) The decision regarding the results of the sworn auditor qualification examinations shall be taken by the Latvian Association of Sworn Auditors not later than within two months after the date of the relevant examination, on the basis of the minutes confirmed by the sworn auditor qualification examinations commission, and shall be made known to the candidates within 10 days after taking of the decision.

(2) If a candidate has not passed a sworn auditor qualification examination, such examination may be taken again during one of the following examination periods. If the candidate again fails to pass such examination, the decision regarding the further possibility of the candidate to take the relevant examination shall be taken by the Latvian Association of Sworn Auditors.

(3) The work of a candidate at a sworn auditor qualification examination shall be regarded as restricted access information and shall be stored in the relevant file at the archives of the Latvian Association of Sworn Auditors.

(4) A candidate has the right to become acquainted with the evaluation of his or her work for the sworn auditor qualification examination and to submit a complaint to the responsible permanent committee of the Latvian Association of Sworn Auditors within one month from the date the candidate has received a notification from the sworn auditor qualification examinations commission.

[*22 January 2004*]

**Chapter IV**

**Procedures for Issuance, Suspension of Validity or Cancellation of a Sworn Auditor Certificate, the Sworn Auditor Register**

**Section 16. Procedures for Issuance of a Sworn Auditor Certificate**

(1) The Latvian Association of Sworn Auditors shall take a decision and shall issue a sworn auditor certificate to candidates who have passed the relevant sworn auditor qualification examinations, and afterwards have again stated in writing that none of the conditions referred to in Section 9 of this Law apply to them, and shall specify the date for the signing of the oath of a sworn auditor and for the issuance of the certificate.

(2) Before the receipt of a sworn auditor certificate candidates who wish to become sworn auditors shall sign the following text of the oath: “I swear to observe the laws of the Republic of Latvia, the articles of association of the Latvian Association of Sworn Auditors and to fulfil my duties honourably, acknowledging that for violation of this oath I shall be liable before the public and the law.”

(3) The signed oath of a sworn auditor shall be stored in the relevant file in the archives of the Latvian Association of Sworn Auditors.

[*12 June 2008*]

**Section 17. Procedures for Suspension of Validity of a Sworn Auditor Certificate**

(1) If, after the issuance of a sworn auditor certificate, it is found that any of the conditions referred to in Section 9, Clause 2 or 6 of this Law is applicable to the person who has received such certificate, the Latvian Association of Sworn Auditors shall suspend the validity of the sworn auditor certificate for a specified period of time.

(2) The validity of the sworn auditor certificate shall be suspended also for such persons who:

1) have submitted a submission to suspend the validity of the sworn auditor certificate for a specified period of time in accordance with Section 28, Paragraph two of this Law, indicating the reason and the time period for the suspension;

2) have violated the requirements of this Law, the Law on the Prevention of Money Laundering and Terrorism Financing, the International Standards on Auditing recognised in Latvia, the International Standards on Auditing for public sector recognised in Latvia, the instructions regulating the professional activity of sworn auditors, or have not complied with the norms of the professional code of ethics.

(3) During the period when the validity of the certificate is suspended, a sworn auditor is not entitled to enter into new contracts for the provision of audit services but is entitled to continue to provide audit services in accordance with the contracts entered into before the validity of the certificate was suspended. If during the period when the validity of the certificate is suspended a sworn auditor continues the provision of audit services according to contracts which were entered into prior to the day when the validity of the certificate was suspended, the Latvian Association of Sworn Auditors shall ensure the supervision of professional activities of the sworn auditor in accordance with the procedures specified by it until fulfilment of such contracts which were entered into prior to the day when the validity of the certificate was suspended.

(4) Disputing or appealing a decision of the Latvian Association of Sworn Auditors to suspend operation of a sworn auditor certificate shall not suspend the operation of such decision.

[*22 January 2004; 22 March 2012; 15 December 2016; 19 April 2018*]

**Section 18. Cancellation of a Sworn Auditor Certificate**

(1) The Latvian Association of Sworn Auditors shall cancel a sworn auditor certificate if after its issuance it is found that any condition referred to in Section 9, Clauses 1, 3, 4 and 5 of this Law is applicable to the person who has received such certificate, or that such person has submitted false information regarding the circumstances referred to in Sections 8 and 9 of this Law.

(2) The validity of a sworn auditor certificate shall be cancelled also for such persons who:

1) have been recognised in accordance with a court ruling as not having the capacity to act, or have died;

2) have repeatedly violated the requirements of this Law or other laws and regulations and instructions governing sworn auditor professional activity, and also the requirements of the International Standards on Auditing recognised in Latvia, the International Standards on Auditing for public sector recognised in Latvia or have not complied with the norms of the professional code of ethics, or whose committed violations or non-fulfilment of the duties imposed thereon are not compatible with the work of sworn auditors;

3) have committed a substantial violation of the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing;

4) have lodged a submission regarding cancellation of a sworn auditor certificate.

[*22 January 2004; 22 March 2012; 15 December 2016; 19 April 2018*]

**Section 18.1 Informing Regarding Suspension or Cancellation of Validity of a Sworn Auditor Certificate**

(1) If the validity of a sworn auditor certificate is suspended or a sworn auditor certificate has been cancelled for a person who at the same time is an auditor registered into the register of another Member State and who is entitled to perform the audit (review) of annual statements and consolidated annual statements of commercial companies registered in that Member State, the Latvian Association of Sworn Auditors shall, within five working days, notify in writing the Ministry of Finance of the relevant fact, indicating the term and reason for suspension of the validity of certificate or the reason for cancellation of certificate.

(2) The Ministry of Finance shall, not later than within five working days, send the information referred to in Paragraph one of this Section to the competent authority of the relevant Member State in the field of audit.

[*29 January 2009*]

**Section 19. Sworn Auditor Register**

(1) Sworn auditors shall be registered in the Sworn Auditor Register which shall be maintained and regularly updated by the Latvian Association of Sworn Auditors.

(2) The Register shall contain the following information regarding a sworn auditor:

1) the given name and surname;

2) the address of the place of practice, the telephone number, electronic mail address and the reference to the website address, if it exists;

3) the number of the certificate;

4) the date and basis of the issuance, suspension of validity or cancellation of the certificate;

5) the firm name (with indication of the type of a merchant), legal address and registration number in the Commercial Register of the commercial company of sworn auditors, if the sworn auditor is in employment relationship with this commercial company or is a member, shareholder or participant thereof;

6) if a sworn auditor is at the same time a foreign auditor, the foreign register shall also be included in which the auditor has been entered along with the registration number, if the law of the relevant foreign state provides for the entering of an auditor into the register.

(3) If any information referred to in Paragraph two, Clauses 1, 2, 5 and 6 of this Section is subject to change, the sworn auditor shall submit a relevant notification to the Latvian Association of Sworn Auditors within two weeks. A notification shall be attested with a signature by a sworn auditor.

(31) It shall be referred to in the Sworn Auditor Register that the Latvian Association of Sworn Auditors shall be responsible for the certification of sworn auditors, supervision of activities, audit services quality control, initiation, adjudication and enquiry of disciplinary proceedings and imposition of disciplinary sanctions and the legal address thereof shall be given. Additionally, it shall be set out that the public supervision of the Latvian Association of Sworn Auditors shall be administered by the Ministry of Finance and its address shall be given.

(32) The Sworn Auditor Register shall be maintained in Latvian. Additionally, the Latvian Association of Sworn Auditors may maintain the register in any other of the official languages of a Member State of the European Union. In this case, it shall be set out in the register whether the translation is certified.

(4) The Sworn Auditor Register shall be accessible to the public, and any person has the right to become acquainted with it. The information contained in the Sworn Auditor Register shall be maintained and stored electronically and it shall be available on the website of the Latvian Association of Sworn Auditors. The Ministry of Finance shall include an indication on its website to the website of the Latvian Association of Sworn Auditors where such register is available.

(5) [3 June 2010]

(6) [3 June 2010]

[*12 June 2008; 29 January 2009; 3 June 2010; 15 December 2016*]

**Chapter V**

**Regulations for Licensing of Commercial Companies of Sworn Auditors, Register of Commercial Companies of Sworn Auditors**

**Section 20. Licensing of Commercial Companies of Sworn Auditors**

(1) A commercial company of sworn auditors has the right to commence the provision of audit services only after the obtaining of a licence issued by the Latvian Association of Sworn Auditors.

(2) The Latvian Association of Sworn Auditors shall issue a licence for a commercial company of sworn auditors for an indefinite period.

**Section 21. Criteria for the Issuance of a Licence**

(1) A licence for a commercial company of sworn auditors shall be issued to a commercial company which is entered into the Commercial Register maintained by the Enterprise Register of the Republic of Latvia.

(2) A member of the general partnership of sworn auditors and a complimentary of the limited partnership may be only sworn auditors or commercial companies of sworn auditors, or auditors of the Member States, or commercial companies of sworn auditors of the Member States.

(3) In a capital company of sworn auditors more than 50 per cent of the voting capital shares or voting shares shall be owned by sworn auditors or commercial companies of sworn auditors, or auditors of the Member States or commercial companies of auditors of the Member States.

(4) In a capital company of sworn auditors, at least 75 per cent of the members of the executive board shall be sworn auditors or auditors of the Member States.

(5) If a commercial company of sworn auditors is a stock company, it may issue only registered stock.

(6) The procedures for work organisation, resource planning, document management, establishment of registers and files for sworn auditors and commercial companies of sworn auditors shall comply with the requirements referred to in Cabinet Regulation issued on the basis of Section 31.1 of this Law.

(7) Persons who, on behalf of a commercial company of sworn auditors, provide an auditor’s report on the review of the client’s annual statements which is determined by laws and also provide an audit report on the financial audit of State or local government authorities shall be sworn auditors.

[*22 January 2004; 12 June 2008; 15 December 2016* / *See Paragraph 15 of Transitional Provisions*]

**Section 21.1 Recognition of a Licence for a Commercial Company of Auditors Entered in the Register of other Member State**

(1) By derogation from Section 3, Paragraph one of this Law, a commercial company of auditors entered in the register of other Member State is entitled to provide audit services in the Republic of Latvia if the Ministry of Finance has recognised it as equal to a commercial company of sworn auditors, it has been issued a licence for a commercial company of sworn auditors and such commercial company is entered in the Register of Commercial Companies of Sworn Auditors.

(2) The Ministry of Finance shall prepare an opinion if the following is received:

1) a submission for obtaining (registering) a licence for a commercial company of auditors entered in the register of another Member State which contains also a certification that an auditor’s certificate of another Member State has been issued to persons who, on behalf of the abovementioned commercial company, will provide auditor’s report on the audit (review) of the annual statements and consolidated annual statements of a client, and that the professional qualification of such persons has been recognised in accordance with the procedures laid down in Section 13 of this Law;

2) a document issued by a competent authority of the relevant Member State on the fact that this commercial company of auditors has been entered in the relevant register of commercial companies of auditors of this Member State.

(3) Within five working days after receipt of the documents referred to in Paragraph two of this Section, the Ministry of Finance shall examine them and electronically inform a commercial company of auditors entered in the register of other Member State accordingly that:

1) a licence for a commercial company of sworn auditors or a substantiated refusal will be issued (sent) within 30 days;

2) the document referred to in Paragraph two, Clause 2 of this Section has not been submitted and that a licence for a commercial company of sworn auditors or a substantiated refusal will be issued (sent) within the time period referred to in Clause 1 of this Paragraph only after receipt of all information referred to in Paragraph two of this Section.

(4) If the information referred to in Paragraph two of this Section is received, the Ministry of Finance shall, within 30 days, examine the abovementioned documents and prepare an opinion regarding recognition of the commercial company of auditors entered in the register of other Member State as equal to a commercial company of sworn auditors.

(5) The Ministry of Finance, where necessary, shall cooperate with a competent authority of the relevant Member State in order to find out the conditions related to the information referred to in Paragraph two of this Section.

(6) If it is recognised that a commercial company of auditors entered in the register of other Member State is equal to a commercial company of sworn auditors, the Ministry of Finance shall prepare and, within five working days, send an opinion:

1) to this commercial company;

2) the Latvian Association of Sworn Auditors.

(7) The Latvian Association of Sworn Auditors shall issue a licence for a commercial company of sworn auditors to a commercial company of auditors entered in the register of another Member State and enter it in the Register of Commercial Companies of Sworn Auditors on the basis of the opinion of the Ministry of Finance and concurrently inform the Ministry of Finance thereof.

(8) The Ministry of Finance shall, within five working days after receipt of the information referred to in Paragraph seven of this Section, inform a competent authority of the relevant Member State regarding entering of the commercial company of auditors entered in the register of this other Member State in the Register of Commercial Companies of Sworn Auditors.

[*15 December 2016*]

**Section 22. Procedures for the Issuance of a Licence**

(1) In order to obtain a licence, an applicant – commercial company of sworn auditors – shall submit to the Latvian Association of Sworn Auditors an application for a licence and other documents stipulated by the Cabinet. The procedures for submission of documents shall be determined by the Cabinet.

(11) Within five working days after receipt of the application and documents referred to in Paragraph one of this Section the Latvian Association of Sworn Auditors shall inform an applicant – commercial company of sworn auditors:

1) that a licence of the commercial company of sworn auditors or a substantiated written refusal will be issued to the applicant – commercial company of sworn auditors – within the time period referred to in Paragraph two of this Section (indicating a specific date);

2) on the procedures for contesting a substantiated written refusal to issue a licence for a commercial company of sworn auditors.

(12) If within the time period laid down in accordance with Paragraph 1.1, Clause 1 of this Section the Latvian Association of Sworn Auditors does not notify an applicant for a licence – commercial company of sworn auditors – regarding its decision to issue a licence for a commercial company of sworn auditors or not to issue a licence for a commercial company of sworn auditors or a substantiated refusal to issue it, it shall be regarded that the Latvian Association of Sworn Auditors has issued a licence for a commercial company of sworn auditors to the commercial company of sworn auditors, applying the default referred to in the Freedom to Provide Services Law.

(13) Within five working days after receipt of the application and documents referred to in Paragraph one of this Section the Latvian Association of Sworn Auditors shall inform an applicant – commercial company of sworn auditors:

1) regarding an application filled in incompletely and non-submitted documents stipulated by the Cabinet;

2) that a licence for a commercial company of sworn auditors or a substantiated written refusal will be issued within the time period referred to in Paragraph two of this Section only after receipt of all the information laid down in laws and regulations.

(14) If the Latvian Association of Sworn Auditors does not notify an applicant for a licence – commercial company of sworn auditors – the information referred to in Paragraph 1.3, Clauses 1 and 2 of this Section, it shall be regarded that the Latvian Association of Sworn Auditors has issued a licence for a commercial company of sworn auditors within the time period referred to in Paragraph two of this Section, applying the default referred to in the Freedom to Provide Services Law.

(2) The Latvian Association of Sworn Auditors shall examine the application submitted for a licence, and the documents appended thereto, and issue to an applicant – commercial company of sworn auditors –, not later than within 30 days from the date of receipt of the application, a licence or a substantiated written refusal. If the Latvian Association of Sworn Auditors has issued a substantiated written refusal to an applicant – commercial company of sworn auditors – for a licence for a commercial company of sworn auditors, the applicant – commercial company of sworn auditors – for a licence for a commercial company of sworn auditors is entitled to submit anew the application referred to in Paragraph one of this Section to the Latvian Association of Sworn Auditors after elimination of the reasons referred to in the refusal.

(3) [22 January 2004]

(4) Before the receipt of a licence, a commercial company of sworn auditors shall pay the State fee laid down by the board of the Latvian Association of Sworn Auditors. The Latvian Association of Sworn Auditors shall coordinate the amount of payment with the Ministry of Finance.

[*22 January 2004; 18 April 2013*]

**Section 23. Suspension and Cancellation of Validity of a License**

(1) If the composition of the members of the executive board or the composition of the members, shareholders or participants of a commercial company of sworn auditors has changed, such commercial company shall notify the Latvian Association of Sworn Auditors thereof in writing within 30 days from the day of occurrence of the changes.

(2) The Latvian Association of Sworn Auditors is entitled to cancel a licence issued to a commercial company of sworn auditors in the following cases:

1) the information provided for the obtaining of the licence is false;

2) the conditions referred to in Section 21 of this Law have been violated;

3) the commercial company has not commenced the provision of audit services within 12 months from the date of receipt of the licence;

4) the commercial company has suspended the provision of audit services for a period exceeding 12 months;

5) the commercial company substantially violates other provisions of this Law or Regulation No 537/2014;

6) the commercial company substantially violates the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing, other laws or laws and regulations;

7) the commercial company has lodged a submission regarding cancellation of the licence.

(3) If the Latvian Association of Sworn Auditors has determined circumstances that allow deciding on the cancellation of a licence issued, having assessed the nature of violation, it may take a decision on suspension of validity of the licence, the time period of which may not exceed six months.

(4) During the period when the validity of the licence is suspended a commercial company of sworn auditors is not entitled to enter into new contracts for the provision of audit services but is entitled to continue to provide audit services in accordance with contracts entered into before the date when the validity of the licence was suspended. If during the period when the validity of the licence is suspended the commercial company of sworn auditors continues the provision of audit services according to contracts which were entered into prior to the day when the validity of the licence was suspended, the Latvian Association of Sworn Auditors shall ensure the supervision of professional activities of the commercial company of sworn auditors in accordance with the procedures specified thereby until fulfilment of such contracts, which were entered into prior to the day when the validity of the licence was suspended.

(5) The Latvian Association of Sworn Auditors shall notify, in writing, the Commercial Register institution of the suspension of the validity of a licence or the cancellation of a licence.

(51) If the validity of the licence has been suspended or a licence has been cancelled for a commercial company of sworn auditors which at the same time is a commercial company of sworn auditors registered into the register of another Member State and which is entitled to perform the audit (review) of annual statements and consolidated annual statements of commercial companies registered in that Member State, the Latvian Association of Sworn Auditors shall, within five working days, notify in writing the Ministry of Finance of the relevant fact by indicating the term and reason for suspension of the validity of a licence or the reason for cancellation of a licence.

(52) The Ministry of Finance shall, not later than within five working days, send the information referred to in Paragraph 5.1 of this Section to the competent authority of the relevant Member State in the field of audit.

(6) [22 January 2004]

(7) Disputing or appealing a decision of the Latvian Association of Sworn Auditors to suspend validity of a licence for a commercial company of sworn auditors shall not suspend the validity of such decision.

[*22 January 2004; 29 January 2009; 22 March 2012; 15 December 2016; 19 April 2018*]

**Section 24. Register of Commercial Companies of Sworn Auditors**

(1) Commercial companies of sworn auditors shall be registered in the Register of Commercial Companies of Sworn Auditors which shall be maintained and regularly updated by the Latvian Association of Sworn Auditors.

(2) The Register shall contain the following information regarding a commercial company of sworn auditors:

1) the firm name (with reference to the type of merchant) and registration number entered in the Commercial Register;

2) the legal address, contact person, the telephone number, electronic mail address and reference to the website address, if it exists;

3) the number of the licence;

4) the date and basis of the issuance, suspension of validity or cancellation of the licence;

5) the given names, surnames and numbers of sworn auditor certificates of members (participants), if the member (participant) is a sworn auditor, but for legal persons – the firm name, registration number entered in the Commercial Register and legal address;

6) the given name, surname, address of the place of practice and the number of a sworn auditor certificate of the sworn auditor who provides audit services on behalf of the commercial company;

7) the given name, surname, and the number of a sworn auditor certificate of a member of the executive board and supervisory board (provided the supervisory board has been established) of the commercial company if the member of the executive board and supervisory board (provided the supervisory board has been established) is a sworn auditor;

8) if a commercial company of sworn auditors is part of a network of commercial companies of auditors – information about cooperation partners of this network (if available) or reference regarding where such information is accessible to the public;

9) if a commercial company of sworn auditors concurrently is a commercial company registered in a foreign state which, in accordance with the laws of the foreign state, is entitled to perform the audit (review) of annual statements and consolidated annual statements of a commercial company registered in that state, the register of that foreign state in which a commercial company of auditors is registered and a registration number (if the law of the relevant foreign state provides for the registration of a commercial company of auditors in the register) shall also be indicated.

(3) If any of the information referred to in Paragraph two, Clauses 1, 2, 5, 6, 8 and 9 of this Section is subject to change, the commercial company of auditors shall, within a two-week period, submit a relevant notification to the Latvian Association of Sworn Auditors. If any of the information in respect of the given name, surname of the members (participants) and certificate number of a sworn auditor referred to in Paragraph two, Clause 5 of this Section and also information referred to in Clause 7 are subject to change, the commercial company of auditors shall submit the relevant notification to the Latvian Association of Sworn Auditors within the time period referred to in Section 23, Paragraph one of this Law. A notification shall be submitted in writing and it shall be signed by an official who acts on behalf of the commercial company of sworn auditors.

(31) It shall be referred to in the Register of Commercial Companies of Sworn Auditors that the Latvian Association of Sworn Auditors shall be responsible for the licensing and supervision of activities of commercial companies of sworn auditors and the legal address thereof shall be given. Additionally, it shall be set out that the public supervision of the Latvian Association of Sworn Auditors shall be administered by the Ministry of Finance and its address shall be given.

(32) The Register of Commercial Companies of Sworn Auditors shall be maintained in Latvian. Additionally, the Latvian Association of Sworn Auditors may maintain the register in any other of the official languages of a Member State of the European Union. In this case, it shall be set out in the register whether the translation is certified.

(4) The Register of Commercial Companies of Sworn Auditors shall be accessible to the public, and any person has the right to become acquainted with it. The information contained in the Register of Commercial Companies of Sworn Auditors shall be maintained and stored electronically and it shall be available on the website of the Latvian Association of Sworn Auditors. The Ministry of Finance shall include an indication on its website to the website of the Latvian Association of Sworn Auditors where such register is available.

(5) [3 June 2010]

(6) The commercial company of sworn auditors shall be excluded from the Register of Commercial Companies of Sworn Auditors if its licence has been cancelled, or if such commercial company has been excluded from the Commercial Register.

[*12 June 2008; 29 January 2009; 3 June 2010; 22 March 2012; 15 December 2016; 19 April 2018*]

**Section 24.1 Register of Third Country Auditors and Third Country Commercial Companies of Auditors**

(1) The Register of Third Country Auditors and Third Country Commercial Companies of Auditors shall be maintained by the Latvian Association of Sworn Auditors in collaboration with the Ministry of Finance. Third country auditors and commercial companies of third country auditors which provide an auditor’s report on the annual statement or the consolidated annual statement of a commercial company which is registered in a third country (hereinafter in this section – the third country commercial company) and whose transferable securities are admitted to trading on the regulated market of Latvia shall be entered in the Register. The information on the third country auditor and third country commercial company of auditors referred to in Sections 19 and 24 of this Law shall be entered into the Register. Annual statements and consolidated annual statements that have been audited (reviewed) by third country auditors and third country commercial companies of auditors not included in the Register of Third Country Auditors and Third Country Commercial Companies of Auditors shall have no legal effect.

(2) The third country auditor and third country commercial company of auditors which provide an auditor’s report on the annual statement or the consolidated annual statement of the third country commercial company which only issues debt securities that are admitted to trading on the regulated market of a Member State and whose face value of a single security on the day of issuance is not less than EUR 50 000 (if they are admitted to trading on the regulated market until 31 December 2010) or EUR 100 000 (if they are admitted to trading on the regulated market starting from 1 January 2011) shall not be entered into the Register of Third Country Auditors and Third Country Commercial Companies of Auditors.

(3) The Register of Third Country Auditors and Third Country Commercial Companies of Auditors shall be maintained in Latvian. Additionally, the Latvian Association of Sworn Auditors may maintain the register in any other of the official languages of a Member State of the European Union. In this case, it shall be set out in the register whether the translation is certified.

(4) The Register of Third Country Auditors and Third Country Commercial Companies of Sworn Auditors shall be accessible to the public, and any person has the right to become acquainted with it. The information contained in this Register shall be maintained and stored electronically and it shall be available on the website of the Latvian Association of Sworn Auditors. The Ministry of Finance shall include an indication on its website to the website of the Latvian Association of Sworn Auditors where such register is available.

(5) The Latvian Association of Sworn Auditors shall renew (update) the information included in the Register of Third Country Auditors and Third Country Commercial Companies of Auditors within five working days from the date it has received a written notification from a third country auditor or third country commercial company of auditors entered in the Register regarding changes in information included in the Register.

[*12 June 2008; 12 September 2013; 15 December 2016*]

**Section 24.2 Conditions for Registration of Third Country Auditors and Third Country Commercial Companies of Auditors**

(1) Third country auditor or third country commercial company of auditors shall be entered in the Register of Third Country Auditors and Third Country Commercial Companies of Auditors in accordance with the procedures specified in Section 24.1 of this Law only upon receipt of an opinion of the Ministry of Finance, that all the conditions referred hereinafter in this Paragraph of the Section have been fulfilled:

1) a third country auditor is a person who has a perfect reputation and the professional qualification of whom is equal to professional qualification of a sworn auditor;

2) the majority of the members of the executive board of a third country commercial company of auditors are persons the professional qualification of whom is equal to the professional qualification of a sworn auditor and who have a perfect reputation;

3) persons who, on behalf of a third country commercial company of auditors, provide an auditor’s report on the annual statement and the consolidated annual statement of a commercial company which is registered in this country have perfect reputation and the professional qualification of these persons is equal to the professional qualification of a sworn auditor;

4) the audit (review) of the annual statement or consolidated annual statement of commercial companies registered in the third country is performed in accordance with the international audit standards recognised in Latvia or with equal international audit standards and the requirements of independence, objectivity, and confidentiality specified in this Law or the requirements of third countries equal thereto are observed. The remuneration of a third country auditor or a third country commercial company of auditors which has been received for audit services, shall not be affected by the additional services provided or other conditions;

5) a third country auditor or a third country commercial company of auditors shall publish on its website a transparency report in which the information referred to in Article 13 of Regulation No 537/2014 or equal information thereto is included.

(2) The Ministry of Finance in cooperation with the Financial and Capital Market Commission shall prepare an opinion if a registration application filled in by a third country auditor or a third country commercial company of auditors has been received. The sample form of the registration application shall be approved by the Cabinet. After preparation of an opinion the Ministry of Finance shall inform the European Commission regarding such opinion without delay, also indicating whether all the conditions referred to in Paragraph one of this Section have been complied with.

(3) The Cabinet shall determine the sample form of the opinion of the Ministry of Finance referred to in this Section, the procedures for drawing up and sending thereof.

(4) If the European Commission has recognised third country supervision, quality control, investigation and penalty systems as equivalent to the supervision, quality control, investigation and penalty systems of Member States, then after receipt of a registration application filled in by such third country auditor or a third country commercial company of auditors the Ministry of Finance shall prepare the opinion referred to in this Section, without assessing whether the conditions referred to in Paragraph one of this Section have been complied with.

(5) The Ministry of Finance is entitled to enter into a mutual agreement with the third country competent authority in the field of audit, if it is necessary to obtain additional information regarding the quality control results of the audit services provided by a third country auditor or a third country commercial company of auditors. The Ministry of Finance shall inform the European Commission regarding entering into a mutual agreement without delay.

[*29 January 2009; 3 June 2010; 22 March 2012; 15 December 2016*]

**Section 24.3 Audit Services Quality Control of Third Country Auditors and Third Country Commercial Companies of Auditors Entered in the Register**

Third country auditors and third country commercial companies of auditors which have been entered in the Register of Third Country Auditors and Third Country Commercial Companies of Auditors shall be subject to the audit services quality control laid down in Section 35.1 of this Law and the system for initiation, examination of disciplinary matters and application of penalties, sanctions and supervisory measures laid down in this Law shall be applied to these auditors and commercial companies of auditors.

[*29 January 2009; 15 December 2016*]

**Chapter VI**

**Independence, Objectivity of a Sworn Auditor and Requirements of Professional Ethics**

[*15 December 2016*]

**Section 25. Independence and Objectivity of a Sworn Auditor**

(1) A sworn auditor (also a responsible sworn auditor appointed by a commercial company of sworn auditors) shall be independent and objective in his or her professional activity.

(2) State and local government authorities, courts, prosecutors, and pre-trial investigation institutions shall guarantee the independence of the professional activity of sworn auditors. In order to guarantee the independence of the professional activity of sworn auditors, it is prohibited:

1) to interfere with the professional activities of sworn auditors, to exert influence or pressure upon them;

2) to require information and explanations from sworn auditors, except for the cases referred to in Section 27, Paragraph one and Section 33 of this Law, and also to question them as witnesses regarding facts that have become known to them while providing professional services;

3) to control the mail, telegraph and other means of correspondence, as well as the documents which sworn auditors have received while providing professional services, to perform inspection and withdrawal of correspondence and documents, or to perform searches in order to find and withdraw correspondence and documents;

4) to control, also by the procedural measures referred to in Clause 3 of this Section, the information systems and means of communication necessary for the provision of professional services of sworn auditors, including electronic means of communication, to obtain information from them and to interfere with their functioning;

5) to require information from clients regarding the content of the professional services provided by sworn auditors;

6) to subject sworn auditors to any sanctions or threats in respect of the professional services they provide, in compliance with law, to clients;

7) to bring sworn auditors to any type of liability for announcements made in writing or orally, which they have made, pursuant to law and in good faith, while fulfilling their professional duties.

(3) Members, shareholders or participants, manager, members of the executive board and supervisory board (if the supervisory board is established) of the commercial company of sworn auditors and other persons are prohibited to interfere in the professional activity of the sworn auditor (also a responsible sworn auditor appointed by the commercial company of sworn auditors) or affect him or her with a view to influence independence and objectivity of this auditor, his or her view or opinion as an independent expert.

(4) Illegal activity of the sworn auditor in the client’s interests, and also his or her activity in promoting illegal commitment of the client shall not be regarded to be a professional activity which expresses as an audit service.

[*29 March 2007; 15 December 2016; 19 April 2018*]

**Section 26. Circumstances which Jeopardise the Independence and Objectivity of a Sworn Auditor or a Commercial Company of Sworn Auditors**

(1) A sworn auditor and commercial company of sworn auditors are entitled to undertake the audit of an annual statement and consolidated annual statement only if the independence and objectivity of the sworn auditor, responsible sworn auditor appointed by the commercial company of sworn auditors, and commercial company of sworn auditors involved in this audit and also experts or specialists and assistants invited thereby are not jeopardised.

(2) The independence and objectivity of the sworn auditor, responsible sworn auditor appointed by the commercial company of sworn auditors and commercial company of sworn auditors, and also experts or specialists and assistants invited thereby are jeopardised if any of the abovementioned persons is, directly or indirectly, interested in the outcome of the audit. The independence and objectivity of the abovementioned persons are jeopardised by the following circumstances:

1) financial obligations and participation in the transactions of the client;

2) employment relations with the client which are existing now or which have existed within the last three years;

3) the performance of management functions of the client;

4) kinship or affinity up to the second degree with the member of the executive board or supervisory board of the client of a sworn auditor or his or her spouse, or dependent child, or other relative who has a shared household with the sworn auditor for at least one year;

5) substantial dependence for income on the services provided to one or more mutually connected clients;

6) dependence of the remuneration received for audit services on the results of the audit or additional services provided;

7) acceptance of gifts or services, discounts or other favourable conditions of a transaction from the client, except for the case when an objective and informed third person could consider their value as insignificant or as such which does not cause any consequences;

8) participation in the equity capital of the client (or of a commercial company related thereto) or involvement in the transactions with a view to obtain financial instruments issued, guaranteed or otherwise ensured by the client (or by a commercial company related thereto). That referred to in this Paragraph shall not apply to the participation which is owned only indirectly in different collective investment schemes (for example, investment funds, alternative investment funds, life insurance, funded pension schemes in fund investment plans or private pension plans).

(3) The independence and objectivity of a sworn auditor, a responsible sworn auditor appointed by a commercial company of sworn auditors and a commercial company of sworn auditors is also jeopardised if at least one of the conditions referred to in Paragraph two of this Section applies to:

1) a cooperation partner of the network of commercial companies of auditors to which a sworn auditor or a commercial company of sworn auditors belongs;

2) a member, shareholder or participant, manager, member of the executive body, employee of the commercial company of sworn auditors or any other person the services provided by whom are used by or directly or indirectly controlled by a sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors or commercial company of sworn auditors.

(4) A sworn auditor and a commercial company of sworn auditors may not carry out the audit of an annual statement and consolidated annual statement if there is a risk that the client could be a person related to a sworn auditor or commercial company of sworn auditors, or a risk that this audit could be related with self-interests of a sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors or commercial company of sworn auditors (defence or intimidation of the client in relation to participation in the client’s transactions, financial, civil legal, employment or other relations between a sworn auditor, commercial company of sworn auditors, network of commercial companies of auditors or such natural person referred to in Paragraph three of this Section who could directly or indirectly influence the audit result, and the client) from which an objective and duly informed third person could conclude that the independence of the sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors or commercial company of sworn auditors is jeopardised.

(5) The duty of a sworn auditor, a responsible sworn auditor appointed by a commercial company of sworn auditors and a commercial company of sworn auditors is to indicate the conditions referred to in Paragraphs two and three of this Section in the audit working papers, if such conditions have been established, and also to indicate measures that have been taken to rectify these conditions.

(6) The requirements of independence of the sworn auditor and commercial company of sworn auditors referred to in Section 25 of this Law and this Section shall apply at least to the time period to which the client’s annual statement or consolidated annual statement to be audited (or reviewed) applies and the time period in which the sworn auditor or commercial company of sworn auditors provides an audit (or review) service.

(7) If during a time period to which the client’s annual statement applies the client is being reorganised by merging, division or restructuring, a sworn auditor or commercial company of sworn auditors shall assess whether the conditions referred to in Paragraphs two and three of this Section have not been caused by the restructuring of the client which may jeopardise the independence of the sworn auditor or commercial company of sworn auditors. Any non-audit services shall also be assessed which have been provided to the abovementioned client before its reorganisation and which could influence the independence of the sworn auditor or commercial company of sworn auditors and capacity to continue audit of such client’s annual statement or consolidated annual statement after the date when the client’s reorganisation came into effect.

(8) If a sworn auditor or commercial company of sworn auditors detects risk to independence due to the reasons referred to in Paragraph seven of this Section, a sworn auditor and commercial company of sworn auditors has a duty, as soon as possible but not later than within three months from the day of the detection, to carry out all necessary measures in order to prevent conditions that cause risk to independence and may influence objectivity of a sworn auditor.

(9) A sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors, and commercial company of sworn auditors shall, before entering into a contract with a client on audit of the annual statement or consolidated annual statement, and also during the provision of audit service provided for in this contract, assess and immediately indicate in the audit working papers:

1) whether the sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors and commercial company of sworn auditors comply with the requirements for independence and objectivity laid down in this Law;

2) whether any of the conditions referred to in Section 25 of this Law and Paragraphs two and three of this Section is known that may cast substantiated doubts about independence and objectivity of the sworn auditor, responsible sworn auditor appointed by a commercial company of sworn auditors and commercial company of sworn auditors, and indicate measures taken to prevent such conditions;

3) whether the experts, specialists or assistants invited are sufficiently competent for the performance of the audit of the annual statement or consolidated annual statement of the particular client and whether the amount of employees and other necessary resources attracted to this audit are sufficient;

4) whether the time planned for the audit is sufficient in order to fulfil the obligations of the contract on the audit of the client’s annual statement or consolidated annual statement not violating the requirements of this Law and other laws and regulations;

5) in the case of a commercial company of sworn auditors – whether the requirements of Section 31 of this Law are met.

[*15 December 2016; 19 April 2018*]

**Section 27. Confidentiality Requirements**

(1) A sworn auditor is prohibited to disclose a commercial secret that he or she has learned while performing professional duties. The information containing a commercial secret may not be used or disclosed by a sworn auditor and a commercial company of sworn auditors without the written authorisation of the client, except for the cases referred to in Paragraph two of this Section, Section 33 of this Law, and the Law on the Prevention of Money Laundering and Terrorism Financing and also the law On Taxes and Fees and Regulation No 537/2014, or in the cases when the sworn auditor has the right or an obligation to do so in accordance with a court ruling.

(2) If the audit services contract concluded between a client and a sworn auditor or a commercial company of sworn auditors is terminated and the client has concluded an audit services contract with another sworn auditor or commercial company of sworn auditors, the sworn auditor or the commercial company of sworn auditors with which the contract is terminated shall ensure that the new sworn auditor or commercial company of sworn auditors (with which the contract has been concluded) has access to all relevant information on the client and the last audit of the annual statement and consolidated annual statement thereof.

(3) The requirements as set out in Paragraph one of this Section shall refer to a sworn auditor and a commercial company of sworn auditors during the period of validity of the audit services contract with the client, as well as after the contract is terminated.

(4) Without prejudice to the confidentiality provisions referred to in Paragraph one of this Section, a sworn auditor or commercial company of sworn auditors which is carrying out an audit (review) of the annual statement or consolidated annual statement for a client which is a part of such group of companies the parent company of which is located in a third country is entitled to transfer the audit working papers prepared by it to a responsible auditor or responsible commercial company of auditors of the abovementioned group of companies located in a third country if such papers are necessary for the audit (review) of the consolidated annual statement of the group of companies. In such case the right of a data subject to request information on data processing, including on purposes of data processing, data recipients, source from which it has been obtained, right to access his or her data and request their amending, destruction, discontinuation or prohibition of the processing thereof provided for in the Personal Data Protection Law, shall apply to the data processing performed.

(5) Without prejudice to the confidentiality provisions referred to in Paragraph one of this Section, a sworn auditor or commercial company of sworn auditors which is carrying out an audit service for a client the transferable securities of which are admitted to trading on the regulated market of a third country or which is a subsidiary of the group of companies of the third country is entitled, upon request of the competent authority of this third country, to transfer the audit working papers or other documents prepared for it which are related to the audit of the annual statement or consolidated annual statement of the abovementioned client by complying with the requirements of Section 37.4 of this Law.

[*12 June 2008; 15 December 2016; 19 April 2018*]

**Chapter VII**

**Activity, Rights and Duties of Sworn Auditors and Commercial Companies of Sworn Auditors**

**Section 28. Professional Activity of a Sworn Auditor**

(1) A sworn auditor shall provide audit services in compliance with the provisions referred to in Section 3, Paragraph two of this Law by complying with the requirements of the International Standards on Auditing recognised in Latvia and the norms of the professional ethics. If a client is a public-interest entity, the sworn auditor and commercial company of sworn auditors shall also comply with the requirements laid down in Regulation No 537/2014 for carrying out an audit of annual statements and consolidated annual statements in such public-interest entity.

(11) If a client is a state or local government authority, a sworn auditor and commercial company of sworn auditors shall provide audit services in conformity with the requirements of the laws and regulations by complying with the instructions of the State Audit Office as a group auditor, and also the International Standards on Auditing for public sector recognised in Latvia. The State Audit Office as a group auditor shall provide instructions to a sworn auditor or commercial company of sworn auditors by 15 October of the current year.

(2) A sworn auditor who cannot for certain reasons perform his or her professional activity for more than one year shall notify the Latvian Association of Sworn Auditors thereof and submit an application regarding suspension of the validity of the sworn auditor certificate for a specified period of time.

(3) A sworn auditor and a responsible sworn auditor appointed by a commercial company of sworn auditors has the right to request from the client and the client has a duty to provide all information, documents and explanations required in order that the audit service be provided in compliance with this Law. A sworn auditor and a responsible sworn auditor appointed by a commercial company of sworn auditors has the right to invite experts or knowledgeable persons and assistants, notifying the client thereof in advance and assuming the responsibility for the activities carried out by the persons referred to, as well as to check the movable and immovable property (also securities and cash), claims and liabilities of the client.

(4) A sworn auditor and commercial company of sworn auditors, in providing audit services to a State or local government authority, have the right to receive the information from the State Audit Office at the disposal thereof obtained from public registers and databases which is necessary for the achievement of the purpose of the relevant audit.

[*22 January 2004; 15 December 2016* / *See Paragraph 16 of Transitional Provisions*]

**Section 28.1 Limited Review of the Annual Statement**

(1) A sworn auditor and a commercial company of sworn auditors shall carry out a limited review of the annual statements laid down in the Law on Annual Statements and Consolidated Annual Statements in conformity with the provisions of this Law and in compliance with the requirements of the International Standards on Auditing recognised in Latvia – International Standards on Review Engagements. The Latvian Association of Sworn Auditors shall lay down the procedures in which a set of measures is included, including the methodology for the conformity review of amounts of the enterprise income tax, which shall be performed by sworn auditors and commercial companies of sworn auditors, in order to meet the requirements of this Paragraph.

(2) When the limited review of the annual statements is completed, a sworn auditor shall draw up a review report in accordance with the requirements of the International Standards on Auditing recognised in Latvia – International Standards on Review Engagements.

[*29 October 2015* / *See Paragraph 11 of Transitional Provisions*]

**Section 29. Provision of Professional Services of a Sworn Auditor and a Commercial Company of Sworn Auditors**

(1) A sworn auditor or a commercial company of sworn auditors is entitled to provide audit services:

1) upon an invitation from the client, and in State or local government authorities and the institutions which are subordinate to them – upon an invitation from the management of a higher authority, but in capital companies where a State or local government authority is a holder of State or local government capital shares – upon an invitation from the capital company itself or the holder of capital shares;

2) upon an invitation from the State institutions and officials set out in law.

(2) A sworn auditor and a commercial company of sworn auditors shall provide audit services in accordance with a written contract for the provision of such services – an audit services contract.

(3) A client, members of a commercial company or meeting of participants (shareholders) has the right to freely choose a sworn auditor or commercial company of sworn auditors with which to enter into an audit services contract, insofar as such choice is not restricted by the requirements for independence, objectivity of a sworn auditor or other requirements laid down in this Law but in respect of a public-interest entity – also restrictions laid down in Article 5(1), (4) and (5), and Article 6 of Regulation No 537/2014. A sworn auditor or commercial company of sworn auditors has the right to freely choose a client with which to enter into a contract on provision of audit services, insofar as such choice is not restricted by the requirements for independence, objectivity of a sworn auditor or other requirements laid down in this Law but in respect of a public-interest entity – also restrictions laid down in Article 5(1), (4) and (5), and Article 6 of Regulation No 537/2014. The rights to meeting of members or participants (shareholders) of the commercial company referred to in this Paragraph may not be limited either by the planned provisions of the audit services contract or any previous agreement, or a provision included in the agreements entered into by the executive board of the capital company.

(31) A client may unilaterally derogate from the audit services contract with a sworn auditor or a commercial company of sworn auditors only if a substantiated reason exists. Differences in opinions about accounting techniques as expressed by a client and a sworn auditor or a commercial company of sworn auditors shall not constitute the basis for the termination of the contract. The client who has unilaterally derogated from the audit services contract has an obligation to notify the Ministry of Finance and the Latvian Association of Sworn Auditors thereof, but if the client is a public-interest entity – the Financial and Capital Market Commission by indicating the reason.

(32) If a capital company is a public-interest entity, then participants (shareholders) of such capital company who represent not less than one twentieth of the equity capital may bring an action to the court against such capital company regarding revocation of the sworn auditor elected by the meeting of participants (shareholders) if it has a justified reason.

(33) A sworn auditor and commercial company of sworn auditors with which the audit services contract is terminated during the term of validity thereof (regardless of whether the reason for the termination of such contract is unilateral derogation of the client, sworn auditor, commercial company of sworn auditors) has an obligation to notify the Ministry of Finance, the Latvian Association of Sworn Auditors thereof, but if the client with which the contract terminated before its expiry has been entered into is a public-interest entity – the Financial and Capital Market Commission by indicating the reason.

(34) A sworn auditor and a commercial company of sworn auditors which has entered into or extended the audit services contract on the audit of the annual statement or consolidated annual statement with a client which is a public-interest entity has an obligation, as soon as possible but not later than within 30 days from the day when the abovementioned contract has come into effect, to notify the name of the client and time period (in years) for the provision of the audit services laid down in the abovementioned contract, and also a time period regarding which the first annual statement or consolidated annual statement audited in accordance with this contract has been prepared to the Ministry of Finance being the competent authority.

(4) [15 December 2016]

(41) A sworn auditor and a commercial company of sworn auditors have no right to provide audit services for one and the same State or local government authority for more than six consecutive years, and also they are prohibited from participation in the audit of the annual statement of the abovementioned client for at least two years after the end of this time period.

(5) At least one year after the termination of the contract on the audit of the annual statement or consolidated annual statement a sworn auditor and a responsible sworn auditor appointed by a commercial company of sworn auditors are prohibited to hold the office in the executive board or supervisory board of the commercial company which has been the client referred to in the terminated contract. If the client referred to in the terminated contract on the audit of the annual statement or consolidated annual statement is a public-interest entity, at least two years after the termination of the abovementioned contract the sworn auditor and responsible sworn auditor appointed by a commercial company of sworn auditors are prohibited:

1) to hold the office in the executive board and supervisory board of such public-interest entity;

2) to become a member of the audit committee of such public-interest entity or if the relevant public-interest entity does not establish the audit committee – a member of such authority which carries out functions similar to the audit committee.

(51) At least one year after provision of audit services a sworn auditor who provides audit services as an individual merchant or self-employed person and a responsible sworn auditor appointed by a commercial company of sworn auditors are prohibited to hold an office in a management body, executive board, supervisory board, audit committee of the former client or if the relevant client does not establish the auditor committee – in a body which carries out functions similar to the audit committee.

(6) Once a year, a sworn auditor, a commercial company of sworn auditors and a responsible sworn auditor shall provide a written attestation of independence of their professional activity of a sworn auditor from the audited client to the audit committee of a capital company whose transferable securities are admitted to trading on the regulated market of Member States, as well as inform the audit committee of any additional services provided to this client. A sworn auditor, a commercial company of sworn auditors and a responsible sworn auditor shall inform the client’s audit committee of conditions jeopardising his or her independence within the meaning of Section 26, Paragraph two of this Law and shall consult on measures implemented to rectify these conditions.

[*22 January 2004; 12 June 2008; 29 October 2015; 15 December 2016; 19 April 2018*]

**Section 30. Special Provisions Regarding Audit Services Contracts**

(1) Upon the receipt of an audit task, a sworn auditor shall inform the assignor of the task and, if he or she works as a paid employee at a commercial company of sworn auditors, also the management of such company, as to whether the conditions referred to in Section 26, Paragraph two of this Law apply to him or her. A sworn auditor may undertake the provision of audit services only if his or her independence and objectivity in the submission of an opinion are not jeopardised.

(2) If the conditions referred to in Section 26, Paragraph two come into effect during the period after the entering into of the audit services contract, the sworn auditor has a duty to, without delay, notify the assignor of the task and to decline the performance of the task specified in the contract.

[*15 December 2016*]

**Section 31. Responsible Sworn Auditor**

(1) On the basis of an audit services contract with the client, the management of a commercial company of sworn auditors shall appoint a responsible sworn auditor for the provision of audit services (performance of audit task) and notify the client of his or her appointment.

(2) The responsible sworn auditor shall provide the audit services and prepare an auditor’s report. Such document, indicating the given name and surname, the certificate number and the licence number of the commercial company of sworn auditors, shall be signed by the responsible sworn auditor and the official who acts on behalf of the commercial company of sworn auditors.

[*22 January 2004*]

**Section 31.1 Competence of the Cabinet in the Field of Audit Services**

The Cabinet shall determine the requirements for work organisation, resource planning, document management, establishment of registers and files for sworn auditors and commercial companies of sworn auditors.

[*15 December 2016*]

**Section 31.2 Auditor’s Report**

The auditor’s report shall include:

1) a paragraph where a client is identified (by indicating the name and type of the client) the financial statements included in the annual statement (consolidated annual statement) of which have been audited by indicating the date and reporting period regarding which the annual statement (consolidated annual statement) has been prepared, and the laws and regulations used in the preparation of the annual statement (consolidated annual statement) which determine the structure, scope, content, and procedures for preparation of the annual statement (consolidated annual statement) of the relevant client (the laws and regulations of the Republic of Latvia or the legal acts of the European Union), and also the information regarding the responsibility of the client and sworn auditor is included;

2) a description of the volume of audit work performed and a reference to the auditing standards applied in the audit;

3) the opinion of a sworn auditor or a statement on a refusal to provide an opinion;

4) an indication to all conditions or events to which a sworn auditor wishes to pay attention by emphasising them but not providing opinion with reservations, and also an indication to any material uncertainty (if any detected) relating to the events or conditions that may cast significant doubt on the client’s ability to continue its activity;

5) the view of the sworn auditor regarding the fact whether the management report is consistent with the financial statement, but in relevant cases – whether the consolidated report is consistent with the consolidated financial statement and whether the abovementioned report has been prepared in accordance with the requirements of the law or regulation governing the preparation thereof;

6) the view of the sworn auditor on whether, in the light of the knowledge and understanding of the client and the environment in which the client operates obtained in the course of the audit, he or she has identified material misstatements in the management report, and an indication of the nature of any such material misstatements;

7) the view of the sworn auditor on whether the corporate governance statement of a capital company (if the transferable securities thereof are admitted to trading on the regulated market of the Member States) contains information in accordance with the requirements of Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9, and also Section 56.2, Paragraph two, Clause 5 and Paragraph three of the Financial Instrument Market Law and whether the information laid down in Paragraph two, Clauses 1, 2, 3, 4, 7, and 8 of Section 56.2 is included;

8) information on whether a client (if the client is such capital company the transferable securities of which are admitted to trading on the regulated market of the Member State, credit institution, insurance company in the form of a joint-stock company or reinsurance company in the form of a joint-stock company) has prepared a non-financial statement, but if the abovementioned client has an obligation to prepare a consolidated annual statement – a consolidated non-financial statement, and on whether the non-financial statement (consolidated non-financial statement) is included in the management report (consolidated management report) or prepared as a separate part of the annual statement (consolidated annual statement) or included in the consolidated non-financial statement prepared by the parent company of the abovementioned capital company;

9) opinion of a sworn auditor on whether the information referred to in Section 59.4 of the Financial Instrument Market Law has been included in the remuneration statement of the capital company (if its stocks are admitted to trading on a regulated market) and whether significant non-conformities have been established in the remuneration statement in relation to the financial information indicated in the annual statement;

10) information on whether the commercial company referred to in Law on Disclosure of Information on Revenue and Income Taxes had the obligation to submit the report on income taxes for the reporting year which was before the relevant reporting year on which the annual statement to be audited or the consolidated annual statement to be audited (if there is an obligation to prepare such) has been prepared and, if there was such an obligation, whether this report was submitted to the State Revenue Service in accordance with the requirements of Section 23 of the abovementioned law and published on the website in accordance with the requirements of Section 24 of the abovementioned law.

[*14 September 2023* / *See Paragraph 22 of Transitional Provisions*]

**Section 32. Particulars of an Auditor’s Report**

(1) In order to acquire legal validity, an auditor’s report shall contain the following particulars (identification data):

1) the addressee;

2) the date of the document and place of its preparation;

3) the name of the document;

4) the given name and surname of the sworn auditor (in cases provided by law – of the responsible sworn auditor);

5) the number of the certificate;

6) the signature of the sworn auditor (in cases provided by law – of the responsible sworn auditor);

7) in cases provided by this Law – the given name, surname and signature of the person who acts on behalf of the commercial company of sworn auditors and the number of the licence of the commercial company of sworn auditors;

8) if the author of the report is a commercial company of sworn auditors – the legal address thereof but if the author of the report is a sworn auditor as an individual merchant or self-employed person – also the address indicated by a person or, if such address is not indicated, the address of declared place of residence.

(2) If several sworn auditors who provide audit services as individual merchants or self-employed persons or responsible sworn auditors appointed by commercial companies of sworn auditors are involved in the audit of the annual statement or consolidated annual statement and they have agreed on the results of the relevant audit, they shall provide a joint auditor’s report which is signed by all the abovementioned sworn auditors.

(3) If several sworn auditors who provide audit services as individual merchants or self-employed persons or responsible sworn auditors appointed by commercial companies of sworn auditors are involved in the audit of the annual statement or consolidated annual statement and they cannot agree on the results of the relevant audit in general or on certain issues to be included in the auditor’s report or opinion, they shall submit a joint auditor’s report in which each of the abovementioned sworn auditors shall include a separate opinion accordingly regarding the results of the abovementioned audit or a certain issue of the auditor’s report or opinion by indicating a reason due to which an agreement has not been reached.

(4) That referred to in Paragraph one of this Section shall apply also to a review report which the sworn auditor provides in accordance with Section 28.1 of this Law regarding a limited review of the annual statement by accordingly applying the requirements of Section 31.2, Clauses 1, 2, 3, and 4 of this Law thereto.

[*12 June 2008; 15 December 2016; 14 September 2023*]

**Section 33. Provision of Information to the Management of a Client, the Financial and Capital Market Commission, and the Corruption Prevention and Combating Bureau**

(1) A sworn auditor or a commercial company of sworn auditors shall notify the management (executive board or its responsible members) of a client or an audit committee (if such committee has been established) of the issues not included in the opinion (for example, shortcomings, errors and violations of the internal control system), which shall not affect the opinion delivered.

(2) A sworn auditor or a commercial company of sworn auditors has a duty to, without delay, submit a report in writing to the Financial and Capital Market Commission in accordance with Article 12(1)(a), (b) and (c) of Regulation No 537/2014 on the facts which were discovered during the provision of audit services in respect of a public-interest entity, electronic money institution, payment institution, investment brokerage company, regulated market operator or data reporting services provider.

(3) A sworn auditor or a commercial company of sworn auditors has a duty to, without delay, submit a report in writing to the Financial and Capital Market Commission on the facts referred to in Paragraph two of this Section, which have been discovered while providing audit services to a client who is in close relations with a public-interest entity, electronic money institution, payment institution, investment brokerage company, regulated market operator or data reporting services provider within the meaning of Article 4(1)(38) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

(31) A sworn auditor or a commercial company of sworn auditors has a duty to submit information and documents to the Financial and Capital Market Commission it has requested in writing, in accordance with the laws and regulations governing the finance and capital market, to ensure the performance of its functions.

(32) A sworn auditor or a commercial company of sworn auditors has a duty to submit a report in writing to the Corruption Prevention and Combating Bureau on the facts which have been discovered during the provision of audit services and might be related to transfer of financial values, property benefits, or benefits of other nature to a public official in the form of a bribe or related to intermediation in transfer of such financial values, property benefits, or benefits of other nature. A sworn auditor or a commercial company of sworn auditors shall submit a report not later than within three working days after the discovery of such facts. The Latvian Association of Sworn Auditors shall determine the procedures in which a set of measures is included which have to be performed by sworn auditors and commercial companies of sworn auditors in order to meet with the requirements of this Paragraph. Within the meaning of this Section, the term “a public official” shall have the same meaning as the term “a public official” in the Criminal Law.

(4) The reporting of information specified in this Section and the submittal of documents shall not be regarded as a violation of any contracts, provisions, laws and regulations or laws, and shall not create a civil legal liability for the sworn auditor or the commercial company of sworn auditors.

[*22 January 2004; 29 March 2007; 12 June 2008; 11 February 2010; 3 March 2011; 29 October 2015; 19 April 2018; 21 June 2018*]

**Section 33.1 Transparency Report of a Sworn Auditor and a Commercial Company of Sworn Auditors**

(1) A sworn auditor and a commercial company of sworn auditors providing audit services to a public-interest entity shall post a transparency report on their website no later than within four months after the end of a reporting year. The transparency report shall be prepared and published in conformity with the requirements of Article 13 of Regulation No 537/2014.

(2) [15 December 2016]

(3) The transparency report of a commercial company of sworn auditors referred to in Paragraph one of this Section shall be signed by a person acting on behalf of this commercial company of sworn auditors.

[*12 June 2008; 29 October 2015; 15 December 2016*]

**Section 34. Audit Working Papers, Reports and Other Documents**

(1) Audit working papers shall be the property of the provider of the audit service – the sworn auditor or the commercial company of sworn auditors accordingly.

(2) A sworn auditor or the management of a commercial company of sworn auditors has a duty to keep properly the audit working papers. They may not be revealed to third parties or passed to third parties without the permission of the client, except in cases specified by this Law. The time period for the storage of audit working papers shall be six years.

(21) Auditor’s reports prepared by a sworn auditor or a responsible auditor appointed by a commercial company of sworn auditors and other reports and documents referred to in Article 15 of Regulation No 537/2014 and also descriptions of the policies and procedures referred to in the laws and regulations governing the requirements for work organisation, resource planning, document management, establishment of registers and files for sworn auditors and commercial companies of sworn auditors, registers for the record of clients, received written claims, complaints and registers for the record thereof, and also other documented information related to audits of the annual statement or consolidated annual statement shall be kept for at least five years.

(3) Audit working papers and also reports and other documents referred to in Paragraph 2.1 of this Section shall be available for the needs of the audit services quality control and inspection of compliance with the requirements for the audit services quality control. The same confidentiality requirements which are laid down for a sworn auditor and commercial company of sworn auditors in Paragraph two of this Section shall also apply to the persons who perform the audit services quality control. The same confidentiality requirements, which apply to sworn auditors, shall also apply to the persons who perform the audit services quality control.

[*22 January 2004; 15 December 2016; 19 April 2018*]

**Section 34.1 Audit Working Papers of Consolidated Annual Statement**

(1) A sworn auditor and a responsible sworn auditor appointed by the management of a commercial company of sworn auditors who performs an audit (review) of the consolidated annual statement (hereinafter – the responsible auditor of a group of companies) shall have full responsibility for an auditor’s report on the consolidated annual statement, but in the relevant case – for the auditor’s report referred to in Article 10 of Regulation No 537/2014 and the additional report referred to in Article 11.

(11) If the same responsible sworn auditor audits (reviews) the annual statement and consolidated annual statement of a parent company of a group of companies, the auditor’s report on the consolidated annual statement of a group of companies may be combined with the auditor’s report on the annual statement of a parent company of a group of companies.

(2) The responsible auditor of a group of companies shall review the work of the audit conducted by another person during the audit (review) of the group of companies – another sworn auditor or a third country auditor, another commercial company of sworn auditors or a third country commercial company of auditors. The responsible auditor of a group of companies shall prepare review materials of an audit work conducted by another person and include them in his or her audit working papers. The review materials shall be prepared in such a way that the competent authority could review the work of the responsible auditor of a group of companies on an audit review process conducted by another person.

(3) If an audit (review) of the annual statement of a subsidiary of the group of companies involved in consolidation is conducted by a third country auditor or a third country commercial company of auditors and if there is no cooperation with the competent authority of this third country in the field of audit, the responsible auditor of a group of companies shall have a responsibility to ensure that the audit working papers prepared by a third country auditor or a third country commercial company of auditors pertaining to the relevant audit (review) of the consolidated annual statement are submitted to the competent authority upon request.

(4) To ensure the compliance with the requirement referred to in Paragraph three of this Section, the responsible auditor of a group of companies shall include in his or her audit working papers the copies of the audit working papers prepared by a third country auditor or a third country commercial company of auditors or shall agree with a third country auditor or a third country commercial company of auditors on adequate and unlimited access to these papers upon request.

(5) If legal or other conditions impede access to the audit working papers prepared by a third country auditor or a third country commercial company of auditors, the responsible sworn auditor of a group of companies shall attach to his or her audit working papers the evidence that he or she has carried out all the necessary measures to gain access to the audit working papers prepared by a third country auditor or a third country commercial company of auditors and the evidence of existence of the delaying conditions and inform the Ministry of Finance thereof. Where necessary, the responsible sworn auditor of a group of companies (himself or herself or by involving another person referred to in Paragraph two of this Section) shall ensure additional audit procedures which he or she considers as necessary in relation to the audit (review) of the annual statement of the subsidiary of the group of companies involved in the consolidation.

(6) If a quality assurance control of the provided audit services or inspection of compliance with the requirements for the audit services quality control, or investigation activities in relation to the audit of the consolidated annual statement are carried out for the responsible sworn auditor of a group of companies, the responsible sworn auditor of a group of companies shall submit the relevant documents to the Latvian Association of Sworn Auditors or the Ministry of Finance accordingly upon its request which he or she has kept in respect of the audit work in the audit of the consolidated annual statement carried out by a third country auditor or third country commercial company of auditors, including all audit working papers which refer to the audit of the consolidated annual statement.

(7) The Ministry of Finance has the right to request and receive from other competent authorities the information necessary for the quality assurance control, inspection of compliance with the requirements for the audit services quality control, or investigation referred to in Paragraph six of this Section and documents regarding the work carried out by a sworn auditor or commercial company of sworn auditors in the audit of the group of companies. When cooperating with other competent authorities, the Ministry of Finance shall comply with the confidentiality requirements in respect of exchange of information and documents.

(8) If the audit of the annual statement of the parent company or subsidiary of the group of companies is carried out by a third country auditor or third country commercial company of auditors, the Ministry of Finance has the right to request additional documents and information from the competent authority of the relevant third country regarding the audit carried out by such third country auditor or third country commercial company of auditors by applying the cooperation measures referred to in Section 37.4 of this Law.

[*12 June 2008; 29 October 2015; 15 December 2016*]

**Section 34.2 Audit (Review) of Adjusted Annual Statements and Consolidated Annual Statements**

If a client submits an adjusted annual statement or consolidated annual statement before the date when a responsible sworn auditor signs the auditor’s report or review report, a sworn auditor shall audit (review) it repeatedly directly in relation to the adjustments made. A sworn auditor shall indicate the fact of a repeated audit (review) of an annual statement or consolidated annual statement in the auditor’s report.

[*29 October 2015*]

**Section 35. Assistants of a Sworn Auditor**

[15 December 2016]

**Section 35.1 Audit Services Quality Control**

(1) The Ministry of Finance shall, in cooperation with the Latvian Association of Sworn Auditors, ensure audit services quality control based on risk approach in order to comply with the requirements of the laws and regulations, the International Standards on Auditing recognised in Latvia and the International Standards on Auditing for public sector recognised in Latvia, the norms of the professional code of ethics, independence and objectivity in the provision of audit services. The Ministry of Finance shall ensure audit services quality control based on risk assessment (inspection of the compliance with the requirements for the audit services quality control) for those commercial companies of sworn auditors and those sworn auditors who have provided audit services to public-interest entities during the last three years since the last audit services quality control performed for them.

(2) The following shall be subject to the audit services quality control referred to in Paragraph one of this Section:

1) all commercial companies of sworn auditors and sworn auditors who perform professional activities as individual merchants or self-employed persons – not less than once every six years;

2) all commercial companies of sworn auditors and sworn auditors providing audit services to public-interest entities – not less than once every three years;

3) all commercial companies of sworn auditors and sworn auditors providing audit services to State and local government authorities – not less than once every six years.

(3) The Latvian Association of Sworn Auditors shall ensure an inspection of the audit services quality control for commercial companies of sworn auditors and sworn auditors and inform the Ministry of Finance 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 public-interest entities shall be carried out in accordance with the by-laws which after coordination with the Ministry of Finance are approved by the Latvian Association of Sworn Auditors.

(31) The Latvian Association of Sworn Auditors shall inform the Ministry of Finance regarding sworn auditors and commercial companies of sworn auditors, which are subject to quality control not less than once every three years and once in six years in accordance with the provisions of this Section, each year as soon as possible, however, no later than a month prior to commencing the audit services quality control.

(32) Commercial companies of sworn auditors and sworn auditors who provide audit services to public-interest entities shall, each year by 1 July, submit the information referred to in Article 14 of Regulation No 537/2014 to the Ministry of Finance, and also information regarding vocational qualification (continuing education) programmes acquired in the previous calendar year. The Ministry of Finance shall compile and analyse the received information and take measures to rectify the detected non-conformities.

(4) An authorised representative of the Ministry of Finance shall, not less than once every three years, inspect how the requirements for the audit services quality control are complied with by those commercial companies of sworn auditors and sworn auditors who provide audit services to public-interest entities, and draw up an inspection report thereon. The inspection of compliance with the requirements for the audit services quality control shall be carried out in accordance with the requirements of this Law and Article 26 of Regulation No 537/2014. The Cabinet shall determine the procedures for the inspection of the compliance with the requirements for the audit services quality control, the requirements for qualification of authorised representatives, the information to be included in an inspection report, and also the content of the inspection programme. The authorised representative of the Ministry of Finance has the right to carry out an inspection of the compliance with the requirements for the audit services quality control at the practice place of a sworn auditor or a commercial company of sworn auditors providing audit services to public-interest entities.

(41) In order to ensure inspections of compliance with the requirements for the audit services quality control in conformity with the requirements of Article 26 of Regulation No 537/2014 the Ministry of Finance is entitled to attract experts for carrying out certain inspections at the place of practice of the sworn auditor or commercial company of sworn auditors which provides audit services to public-interest entities. Within the meaning of this Section the term “expert” complies with the term “expert” used in Article 26(1)(c) of Regulation No 537/2014.

(5) An authorised representative of the Ministry of Finance, in performing an inspection of the compliance with the requirements for the audit services quality control at the place of practice of the sworn auditor or commercial company of sworn auditors which provides audit services to public-interest entities, has the right to become familiar with audit working papers and transparency report of the sworn auditor or commercial company of sworn auditors, and also to request other data, documents and explanations from the sworn auditor or commercial company of sworn auditors to be inspected which are necessary for the performance of the obligations laid down in Article 26(6) of Regulation No 537/2014 and performance of the inspection of the compliance with the requirements for the audit services quality control and are at the disposal of the sworn auditor or commercial company of sworn auditors. In performing an inspection of the compliance with the requirements for the audit services quality control at the Latvian Association of Sworn Auditors, the authorised representative of the Ministry of Finance has the right to get acquainted with reports on the quality control of audit carried out by the Latvian Association of Sworn Auditors, and also to request other information, documents and explanations obtained during the quality control process of audit services of the Latvian Association of Sworn Auditors which are necessary for the inspection of the compliance with the requirements for the audit services quality control.

(51) The authorised representative of the Ministry of Finance is prohibited from disclosing commercial secret or personal data obtained when getting acquainted with the documents, information or explanations referred to in Paragraph five of this Section, except the cases specified in laws. The authorised representative of the Ministry of Finance shall submit a written declaration to the Ministry of Finance regarding compliance with the confidentiality requirements. The Ministry of Finance shall send a copy of such declaration to the Latvian Association of Sworn Auditors within five working days after receipt of the declaration, which has been prepared in accordance with the laws and regulations regarding development and drawing up of documents.

(52) The authorised representative of the Ministry of Finance has the right to participate in general meetings, meetings of the board, commission and committee meetings of the Latvian Association of Sworn Auditors in which issues and documents related to the audit services quality control are examined, and also to get acquainted with the decisions taken in such general meetings and meetings which are related to the audit services quality control.

(6) A sworn auditor to be checked or a person who provides audit services or has provided them in accordance with the provisions laid down in Article 26(5)(c) of Regulation No 537/2014 during the last three years under the supervision of this sworn auditor or is otherwise connected or has been connected for the last three years with the sworn auditor or commercial company of sworn auditors to be checked may not be as the authorised representative of the Ministry of Finance who inspects the compliance with the requirements for the audit services quality control. A relative of a sworn auditor up to the third degree kinship, a spouse, as well as a person who is otherwise interested in the result of an audit also may not be as the authorised representative of the Ministry of Finance, who inspects the compliance with the requirements for the audit services quality control. The authorised representative of the Ministry of Finance shall submit to the Ministry of Finance a declaration in writing that the restrictions referred to in this Paragraph do not apply to him or her. The Ministry of Finance shall send a copy of such declaration to the Latvian Association of Sworn Auditors within five working days after receipt of the declaration, which has been prepared in accordance with the laws and regulations regarding development and drawing up of documents.

(7) The authorised representative of the Ministry of Finance who inspects the compliance with the requirements for the audit services quality control is prohibited from holding an office in the executive board or supervisory board (if a supervisory board has been established) of such commercial company of sworn auditors in which he or she has carried out inspections of the compliance with the requirements for the audit services quality control for two years after the inspection of the compliance with the requirements for the audit services quality control.

(8) When performing a quality control for a sworn auditor or commercial company of sworn auditors which provides audit services to a State and local government authorities, the Latvian Association of Sworn Auditors has an obligation to obtain information from the State Audit Office on whether the State Audit Office as a group auditor, in preparing an opinion regarding the report on the financial year of the Republic of Latvia on implementation of the State budget and local government budgets regarding the previous reporting year, could use the financial audit carried out by the relevant sworn auditor or commercial company of sworn auditors in the State or local government authority and the opinion provided in the result thereof.

[*22 January 2004; 12 June 2008; 29 January 2009; 22 March 2012; 29 October 2015; 15 December 2016; 19 April 2018*]

**Chapter VIII**

**Supervision of Operations of the Latvian Association of Sworn Auditors and Commercial Companies of Sworn Auditors**

**Section 36. Supervision of Operations of Commercial Companies of Sworn Auditors**

(1) The Latvian Association of Sworn Auditors shall inspect the compliance of commercial companies of sworn auditors with the criteria specified in Section 21 of this Law.

(2) The Latvian Association of Sworn Auditors has the right to request from commercial companies of sworn auditors information and documents regarding their operations.

(3) A representative of the Latvian Association of Sworn Auditors is entitled to check documents of commercial companies of sworn auditors to such extent as is necessary to decide on questions regarding the review of compliance, the issuance, suspension or cancellation of a licence, and to participate, without having the right to vote, in meetings of the management institutions of such company.

(4) If the Latvian Association of Sworn Auditors finds that a commercial company of sworn auditors has violated the criteria specified in Section 21 of this Law, it shall take a decision on the suspension of validity of the licence of such company within 30 days from the date when the violation was determined. If, within a six-month period from the date the decision on the suspension of the licence has been received, the commercial company of sworn auditors has not terminated the said violations, a decision shall be taken to cancel the licence issued.

(5) The Latvian Association of Sworn Auditors and its employees do not have the right to disclose information which has been obtained while performing the supervision functions prescribed by this Law, except in cases prescribed by law.

[*22 January 2004*]

**Section 36.1 Responsible Institution**

(1) The State policy in the field of auditing of commercial companies shall be developed and implemented by the Ministry of Finance.

(2) The Ministry of Finance shall perform State supervision of the Latvian Association of Sworn Auditors and cooperate with the competent authorities in the field of audit of other Member States and third countries.

(3) The Ministry of Finance shall include information regarding implementation of the State policy in the field of audit of commercial companies and measures taken throughout the year in relation to State supervision of the Latvian Association of Sworn Auditors in the annual public report thereof.

[*29 January 2009; 3 June 2010; 22 March 2012; 15 December 2016*]

**Section 37. State Supervision of the Latvian Association of Sworn Auditors**

(1) As regards issues which are associated with the certification of sworn auditors, the licensing of commercial companies of sworn auditors and other tasks delegated to the Latvian Association of Sworn Auditors by this Law and related to the supervision of audit services, the Latvian Association of Sworn Auditors shall be under the supervision of the Ministry of Finance. The legal acts of the Latvian Association of Sworn Auditors which govern the certification of sworn auditors, the licensing of commercial companies of sworn auditors and the execution of other tasks delegated to the Latvian Association of Sworn Auditors by this Law shall be approved by the Latvian Association of Sworn Auditors after coordination with the Ministry of Finance.

(2) An authorised representative of the Ministry of Finance who implements the supervision of the Latvian Association of Sworn Auditors and cooperation with the competent authorities of other Member States and third countries in the field of audit is entitled to participate in meetings of the board, general meetings, committee and commission meetings of the Latvian Association of Sworn Auditors, and also to become acquainted with the decisions taken during the meetings of the board of the Latvian Association of Sworn Auditors. The Latvian Association of Sworn Auditors has an obligation to inform the Ministry of Finance of the convening of a general conference, the board meetings, committee and commission meetings no later than three working days before the general meeting or meeting in question and to inform the Ministry of Finance of the adopted decisions in writing.

(3) The authorised representative of the Ministry of Finance who implements the supervision of the Latvian Association of Sworn Auditors and cooperation with the competent authorities of other Member States and third countries in the field of audit is entitled to request from the Latvian Association of Sworn Auditors all information, documents and explanations which are necessary to ensure supervision.

(4) A person who during the last three years before the commencement of fulfilment of duties which are connected with the supervision and cooperation has provided audit services or has been a voting participant or a shareholder or the member of the executive board or supervisory board, or an employee in a commercial company of sworn auditors, or has been otherwise connected with a commercial company of sworn auditors may not be the authorised representative of the Ministry of Finance who implements the supervision of the Latvian Association of Sworn Auditors and cooperation with competent authorities of other Member States and third countries in the field of audit.

(5) The authorised representative of the Ministry of Finance who implements the supervision of the Latvian Association of Sworn Auditors and cooperation with the competent authorities of other Member States and third countries in the field of audit is prohibited from disclosing commercial secret and personal data obtained in carrying out the supervision and cooperation specified in this Law, except the cases specified in laws.

[*22 January 2004; 12 June 2008; 29 January 2009; 3 June 2010; 22 March 2012; 19 April 2018*]

**Section 37.1 Cooperation with the Competent Authorities of Other Member States**

(1) The Ministry of Finance shall be the institution responsible for the cooperation with the competent authorities of other Member States and third countries in the field of audit.

(2) Upon request by the competent authority of another Member State, the Ministry of Finance shall without delay provide assistance in investigatory activities that are associated with audits (reviews) of annual statements and consolidated annual statements of commercial companies conducted by sworn auditors or commercial companies of sworn auditors. Within the meaning of this Section, the assistance shall be understood as investigation and communication of information upon request by the competent authority of the Member State, as well as securing of permission to the competent authority of another Member State or to persons authorised by that institution to participate in the investigation. If the Ministry of Finance is unable to provide, without delay, the requested assistance, it shall inform the requesting body of this circumstance and indicate the reasons for delay.

(3) The Ministry of Finance may refuse to provide the assistance referred to in Paragraph two of this Section if:

1) the communication of information or investigation could interfere with the interests of the State or are in conflict with the State security standards;

2) legal proceedings have been initiated against the same sworn auditors or the same commercial companies of sworn auditors regarding whom or regarding which the same audit services were provided, the request for assistance referred to in Paragraph two of this Section has been received;

3) for the same actions the final decision has already been taken regarding the same sworn auditors or the same commercial companies of sworn auditors regarding whom or regarding which the same audit services were provided, the request for assistance referred to in Paragraph two of this Section has been received.

(4) The Ministry of Finance has the right to request information from the competent authority of another Member State which is necessary to provide assistance in investigatory activities that are associated with audits (reviews) of annual statements and consolidated annual statements of commercial companies conducted by sworn auditors or commercial companies of sworn auditors of another Member State eligible to conduct audits (reviews) of annual statements and consolidated annual statements of commercial companies registered in this Member State. The Ministry of Finance shall use the received information only for the provision of assistance in investigatory activities referred to in this Section.

(41) The Ministry of Finance shall immediately inform the competent authority of another Member State if in providing the investigatory activities referred to in Paragraph four of this section at least one of the following conditions is determined:

1) a person which is entitled to conduct audits (reviews) of annual statements and consolidated annual statements of commercial companies registered in another Member State has not observed the requirements connected with professional ethics, independence, objectiveness, confidentiality or has not been registered in the public register or has not been subject to quality assurance system;

2) an audit (review) of an annual statement or consolidated annual statement of the commercial company registered in another Member State has not been performed in accordance with the international auditing standards recognised in Latvia or equal international auditing standards;

3) an audit (review) of an annual statement or consolidated annual statement of the commercial company registered in another Member State has been performed by a person who is not entitled to conduct it.

(42) The Ministry of Finance is entitled to request the information form the competent authority of another Member State regarding investigatory activities which have been performed after the receipt of the information regarding the conditions referred to in Paragraph 4.1 of this Section and regarding significant facts discovered during the investigation, which may be the basis for performance of appropriate measures in order to eliminate these conditions.

(43) If the Ministry of Finance receives the information from a competent authority of another Member State that a sworn auditor or a commercial company of sworn auditors has not observed the requirements of this Law or that an audit (review) of annual statement or consolidated annual statement has been performed by a person who is not entitled to conduct it, the Ministry of Finance shall perform the necessary investigatory activities and inform a competent authority of another Member State of the results of this investigation and performed measures.

(44) The Ministry of Finance has the right to request that the investigatory activities within the territory of another Member State are performed by the competent authority of this Member State or that the competent authority of another Member State permits the authorised representative of the Ministry of Finance to participate in the investigation conducted by the competent authority of this Member State.

(45) If the investigation is performed in the territory of Latvia, the Ministry of Finance shall supervise the investigation during the course thereof.

(5) The Ministry of Finance shall observe the confidentiality requirements in its cooperation with the competent authorities of other Member States in the field of audit. When communicating the information referred to in Paragraphs two and six of this Section to the competent authority of another Member State, the Ministry of Finance shall indicate whether the relevant information contains commercial secret or personal data. All persons who have become aware of the information referred to in Paragraph two of this Section in carrying out the investigation referred to in this Section and who have participated in the provision of the information referred to in Paragraph six of this Section, are prohibited from disclosing commercial secret or personal data obtained in carrying out the investigation referred-to and providing information, except the cases laid down in laws.

(6) The Ministry of Finance shall co-operate with the competent authorities of Member States in the field of audit, providing them with information regarding supervision of sworn auditors and commercial companies of sworn auditors and receiving information from them regarding supervision of foreign auditors and foreign commercial companies of auditors recorded in their register. In cooperation with the competent authorities of other Member States in the field of audit, the Ministry of Finance shall rely on the supervision conditions of foreign auditors and foreign commercial companies of auditors in such Member State in the relevant register of which the foreign auditor or the foreign commercial company of auditors is recorded.

(7) If an auditor of another Member State or a commercial company of auditors of another Member State carries out the audit (review) of the annual statement or consolidated annual statement (if such has been prepared) of a subsidiary of a group of companies of the Republic of Latvia registered in another Member State which is used for the preparation of the consolidated annual statement of a group of companies of the Republic of Latvia, then the audit (review) of such annual statement or consolidated annual statement (if such has been prepared) shall be recognised as equivalent to the audit (review) of the annual statement or consolidated annual statement carried out by a sworn auditor or a commercial company of sworn auditors and the auditor of another Member State or the commercial company of auditors of another Member State which carries out the audit (review) of such annual statement or consolidated annual statement (if such has been prepared) are not subject to additional requirements in relation to registration, quality control, independence, the auditing standards applied during auditing (review) of the consolidated annual statement and the conformity with the ethical norms.

(8) If an auditor of another Member State or a commercial company of auditors of another Member State provides audit services to such commercial company which is not registered in the Republic of Latvia but whose transferable securities are admitted to trading on the regulated market of the Republic of Latvia, then such audit services shall be recognised as equivalent to the audit services provided by a sworn auditor or a commercial company of sworn auditors, and the auditor of another Member State or the commercial company of auditors of another Member State which provides such audit services are not subject to additional requirements in relation to registration, quality control, independence, the auditing standards applied during the audit (review) of the consolidated annual statement and the conformity with the ethical norms.

[*12 June 2008; 29 January 2009; 22 March 2012*]

**Section 37.2 The Audit Advisory Council**

(1) The Audit Advisory Council (hereinafter – the Council) is a consultative body which is established by and whose staff is approved by the Minister for Finance. The purpose of the operation of the Council is promoting the increase of quality of audit services.

(2) The Council shall be composed of one member from each of the following: the Ministry of Finance, the Ministry of Justice, the Financial and Capital market Commission, the Latvian Association of Sworn Auditors, the Latvian Association of Accountants, Riga Stock Exchange, the Foreign Investors Council in Latvia, the Employers’ Confederation of Latvia and one of the higher education institutions.

(3) The Council shall act in accordance with a by-law approved by the Cabinet. The activities of the Council shall be technically ensured by the Ministry of Finance from the funds allocated for this purpose in the State budget.

[*12 June 2008; 3 June 2010; 18 April 2013*]

**Section 37.3 Tasks and Rights of Audit Advisory Council**

(1) The Council shall examine the documents prepared by the Latvian Association of Sworn Auditors 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 international auditing standards and ethical guidelines recognised in Latvia and shall make recommendations to the Latvian Association of Sworn Auditors for their improvement while concurrently informing the Ministry of Finance of the recommendations it has made.

(2) The Council has a right to receive from the Latvian Association of Sworn Auditors information and documents necessary for the execution of the tasks of the Council.

(3) The authorised members of the Council have a right to participate in general meetings and meetings of the board of directors and committees of the Latvian Association of Sworn Auditors where the documents referred to in Paragraph one of this Section are reviewed, as well as to get familiarised with the decisions pertaining to the documents referred to in Paragraph one of this Section, taken in these general meetings and sessions.

(4) The Council has a right to make recommendations to the Ministry of Finance regarding the necessary amendments to the laws and regulations concerning the field of auditing.

(5) The Council members who, while performing the assignments of the Council, have become informed of commercial secret, shall observe the confidentiality requirements. The confidentiality requirements shall apply to all members of the Council, including persons who have completed their term in the Council.

(6) Once every year, the Council shall submit summarised information on its activities to the Ministry of Finance.

[*12 June 2008*]

**Section 37.4 Co-operation with the Third Countries’ Competent Authorities**

(1) The Ministry of Finance shall enter into a mutual agreement with a third country competent authority in the field of audit, if a request for the audit working papers and other documents referred to in Paragraph two of this Section has been received therefrom. The Ministry of Finance shall inform the European Commission regarding entering into a mutual agreement without delay.

(2) Upon request of a third country competent authority the Ministry of Finance shall hand over thereto copies of audit working papers and other documents of a sworn auditor and a commercial company of sworn auditors, which are at the disposal of the sworn auditor or the commercial company of sworn auditors, if all of the following conditions referred to in this Paragraph of the Section exist:

1) the audit working papers and other documents requested are related to the provision of audit services to such commercial companies whose transferable securities are admitted to trading on the regulated market of the relevant third country, or to such commercial company which is a subsidiary of the group of companies involved in consolidation the audit (review) of the annual statement of which is carried out by an auditor of the relevant third country or a commercial company of auditors of the relevant third country;

2) the third country competent authority has provided a justification for the request of audit working papers and other documents;

3) confidentiality requirements apply to the employees of the third country competent authority who receive copies of the audit working papers or other documents requested;

4) the third country competent authority is from such third country, the supervision, quality control, investigation and penalty systems have been recognised by the European Commission as equivalent to the supervision, quality control, investigation and penalty systems of Member States.

(3) The Ministry of Finance is entitled to refuse to hand over copies of the documents referred to in Paragraph two of this Section, if at least one of the following conditions referred to in this Paragraph of the Section exists:

1) the handing over of copies of documents may harm national interest or is in contradiction with the national security regulations;

2) judicial proceedings have been commenced against the same sworn auditors or the same commercial companies of sworn auditors, regarding which or regarding the same audit services provided by which the request referred to in Paragraph one of this Section was received.

(4) Within a month after receiving the request of a third country competent authority referred to in Paragraph one of this Section the Ministry of Finance shall send a request to the Latvian Association of Sworn Auditors to lodge the copies of the audit working papers and other documents referred to in Paragraph two of this Section to the Ministry of Finance.

(5) Upon request of the Ministry of Finance referred to in Paragraph four of this Section the Latvian Association of Sworn Auditors shall request copies of the audit working papers or other documents referred to in the request of the Ministry of Finance from the relevant sworn auditor or commercial company of sworn auditors, which have been certified in accordance with the laws and regulations on development and drawing up of documents.

(6) Within a month after receiving the request of the Ministry of Finance the Latvian Association of Sworn Auditors shall submit copies of the audit working papers and other documents referred to in Paragraph two of this Section to the Ministry of Finance for handing over thereof to the relevant third country competent authority. The Latvian Association of Sworn Auditors shall submit the referred to copies of documents, them being certified in accordance with the laws and regulations on development and drawing up of documents. The Latvian Association of Sworn Auditors shall conform to the confidentiality requirements and, in submitting copies of the referred to audit working papers and other documents, indicate whether the particular documents contain commercial secret or personal data. Handing over of personal data to third country competent authorities shall take place in accordance with the Personal Data Protection Law. All persons who have become aware of commercial secret and personal data in handing over copies of the referred to audit working papers and other documents to the Ministry of Finance are prohibited from disclosing them, except the cases specified in laws.

(7) If the Latvian Association of Sworn Auditors cannot submit copies of the requested documents within the time period referred to in Paragraph six of this Section due to objective reasons, it shall notify the Ministry of Finance thereof in writing, indicating the reasons for delay and the date when copies of documents will be submitted.

(8) The Ministry of Finance shall conform to the confidentiality requirements in co-operating with the third country competent authorities in the field of audit. In handing over copies of the audit working papers and other documents referred to in Paragraph two of this Section the Ministry of Finance shall indicate whether the particular documents contain commercial secret or personal data. All persons who have become aware of commercial secret or personal data in handing over copies of audit working papers and other documents to the third country competent authority are prohibited from disclosing them, except the cases specified in laws.

[*22 March 2012*]

**Chapter VIII.1**

**Regulations for Ensuring Application of Regulation No 537/2014**

[*15 December 2016*]

**Section 37.5 Competent Authorities**

(1) In accordance with Article 20(1) of Regulation No 537/2014 a competent authority which is responsible for the performance of the tasks provided for in this Regulation and ensuring application of the provisions of this Regulation (except for the performance of the tasks and ensuring application of the provisions provided for in Regulation No 537/2014 for the performance of and ensuring application of which the Financial and Capital Market Commission is determined to be responsible institution in Paragraph two of this Section) shall be the Ministry of Finance.

(2) In accordance with Article 20(2) of Regulation No 537/2014 a competent authority which is responsible for ensuring application of the provisions of Chapter III, Articles 16, 17 and 19 of this Regulation shall be the Financial and Capital Market Commission. The Financial and Capital Market Commission shall carry out the following obligations as the competent authority abovementioned in this Paragraph:

1) supervise whether a public-interest entity complies with the provisions of this Law and Article 16 of Regulation No 537/2014 in respect of appointing of a sworn auditor or commercial company of sworn auditors in the public-interest entity and whether the public-interest entity, when entering into an audit services contract or extending the validity of the abovementioned contract, has complied with the provisions of Section 37.8 of this Law and Article 17 of Regulation No 537/2014 regarding a duration of the time period for performance of the audit task in the public-interest entity;

2) within 10 days starting from the day when a report referred to in Section 29, Paragraph 3.1 or 3.3 of this Law regarding termination of the audit services contract before the expiry thereof, in accordance with the requirements of Article 19 of Regulation No 537/2014, notify the Ministry of Finance thereof in writing;

3) immediately notify the Ministry of Finance in writing regarding the possible violations of the requirements of this Law and Regulation No 537/2014 in which a sworn auditor or commercial company of sworn auditors appointed by the public-interest entity is involved and which are detected during the supervision process carried out by the Financial and Capital Market Commission as a competent authority;

4) not later than until 1 February of the next year, compile and submit a written information to the Ministry of Finance regarding the measures taken in the previous year and issued administrative acts which are related to the supervision referred to in Clause 1 of this Paragraph.

(3) The Financial and Capital Market Commission is entitled to issue regulations regarding the procedures for compliance with Chapter III, Articles 16, 17 and 19 of Regulation No 537/2014.

(4) Competent authorities referred to in Article 8(5)(g) of Regulation No 537/2014 shall be the Ministry of Finance and the Financial and Capital Market Commission.

[*15 December 2016*]

**Section 37.6 Non-audit Services**

(1) A sworn auditor and a commercial company of sworn auditors which carry out the audit of annual statements or consolidated annual statements of a public-interest entity, but if the abovementioned sworn auditor or commercial company of sworn auditors is a cooperation partner of the network of commercial companies of auditors – also any cooperation partner of such network of commercial companies of auditors are prohibited to provide prohibited non-audit services referred to in the second sub-paragraph of Article 5(1) of Regulation No 537/2014 to such public-interest entity, the parent company thereof and subsidiaries of such public-interest entity in the European Union during a time period indicated in the first sub-paragraph of Article 5(1) of Regulation No 537/2014. Exception is such non-audit services which are referred to in Paragraph two of this Section if all provisions of Paragraph three of this Section are complied with.

(2) Non-audit services which a sworn auditor, commercial company of sworn auditors and cooperation partner of the network of commercial companies of auditors referred to in Paragraph one of this Section are entitled to provide if all provisions of Paragraph three of this Section are complied with shall be as follows:

1) provision of tax consultancy services including consultations in respect of tax reliefs, tax calculation and preparation of tax declarations;

2) provision of consultations in respect of receipt of financial aid and support payments.

(3) A sworn auditor, commercial company of sworn auditors and cooperation partner of the network of sworn auditors referred to in Paragraph one of this Section are entitled to provide the non-audit services referred to in Paragraph two of this Section provided that all of the following conditions are met:

1) these services (separately or in the aggregate) have no direct or have immaterial effect on the annual statement or consolidated annual statement of the public-interest entity;

2) these services have no relation to management or decision-taking of the public-interest entity;

3) the estimation of the effect of these services on the annual statement or consolidated annual statement of the public-interest entity is comprehensively documented and explained to the audit committee of the public-interest entity or equal entity in conformity with Article 11 of Regulation No 537/2014;

4) a sworn auditor or commercial company of sworn auditors complies with the independence requirements laid down in this Law;

5) provision of these services, before the commencement thereof, has been approved by the audit committee of the public-interest entity or an entity equal to audit committee.

[*15 December 2016; 19 April 2018*]

**Section 37.7 Restriction of Receipt of Fee for Non-audit Services and Granting Exemption**

(1) In conformity with the first sub-paragraph of Article 4(2) of Regulation No 537/2014 when the sworn auditor or commercial company of sworn auditors provides audit services to a public-interest entity and concurrently provides also non-audit services to such company or parent company or subsidiary thereof other than prohibited non-audit services referred to in Article 5(1) of this Regulation for three consecutive reporting years or more, the total amount of calculated remuneration (hereinafter – the fee) for such non-audit services shall be limited to no more than 70 % of the average of the annual fee paid in the abovementioned time period of three reporting years for an audit (review) of the annual statement and consolidated annual statement. The average fee of the reporting year shall be calculated on the basis of the fee calculated during the last three reporting years for an audit (review) of the annual statement and consolidated annual statement which is carried out for a public-interest entity and, in the relevant case, for a parent company or subsidiary thereof.

(2) In exceptional case when a submission of the sworn auditor or commercial company of sworn auditors which carries out an audit (review) of the annual statement and consolidated annual statement for a public-interest entity is received where the need to receive exemption in respect of a particular public-interest entity is substantiated, the Financial and Capital Market Commission is entitled to exempt the abovementioned sworn auditor or commercial company of sworn auditors from the requirement of the first sub-paragraph of Article 4(2) of Regulation No 537/2014 referred to in Paragraph one of this Section in respect of the particular public-interest entity. Such exemption may be granted for a time period not exceeding two reporting years.

[*15 December 2016*]

**Section 37.8 Maximum Duration of Audit Task and Extension Thereof**

(1) In conformity with the second sub-paragraph of Article 17(1) of Regulation No 537/2014, a sworn auditor or commercial company of sworn auditors have no right to carry out an audit (review) of the annual statement and consolidated annual statement for more than 10 consecutive years in the same public-interest entity (hereinafter in this Section – the maximum duration of audit task).

(2) By way of derogation from the provisions of Paragraph one of this Section, a public-interest entity is entitled to extend the duration of carrying out the audit task for a commercial company of sworn auditors in order for such time period to be longer than the maximum duration of audit task referred to in Paragraph one of this Section provided that both of the following conditions are complied with:

1) after expiry of the maximum duration of audit task the public-interest entity shall organise an open procurement regarding provision of audit services by using a tender procedure;

2) the maximum duration of audit task together with the extension thereof (hereinafter in this Section – the extended duration of audit task) does not exceed 20 years.

(3) In conformity with Article 17(3) of Regulation No 537/2014 after the expiry of the maximum duration of audit task referred to in Paragraph one of this Section, or after the expiry of the extended duration of audit task referred to in Paragraph two of this Section, a sworn auditor and commercial company of sworn auditors are prohibited to undertake a new audit task in the abovementioned public-interest entity within the following four-year period. If the sworn auditor or commercial company of sworn auditors belongs to the network of commercial companies of sworn auditors, the prohibition referred to in this Paragraph shall apply also to cooperation partners of such network.

[*15 December 2016* / *See Paragraph 18 of Transitional Provisions*]

**Section 37.9 Establishment of Audit Committee**

(1) A commercial company which is registered in Latvia and transferable securities of which are admitted to trading on the regulated market of a Member State shall establish an audit committee and ensure its operation in conformity with the requirements of the Financial Instrument Market Law.

(2) A public-interest entity other than the commercial company referred to in Paragraph one of this Section shall establish an audit committee or similar entity thereto by accordingly applying the requirements for the establishment and operation of the audit committee laid down in Part D, Chapter II1 of the Financial Instrument Market Law. The public-interest entity need not establish the audit committee if such entity complies with any of the conditions of Section 55.11, Paragraph four of the Financial Instrument Market Law or it is a private pension fund within the meaning of the Law On Private Pension Funds, or a manager of the State funded pension scheme resources within the meaning of the Law On State Funded Pensions.

(3) A public-interest entity has an obligation to provide additional report to the audit committee referred to in Article 11 of Regulation No 537/2014 to the Financial and Capital Market Commission within five working days after a written request by the Financial and Capital Market Commission.

[*15 December 2016* / *See Paragraph 19 of Transitional Provisions*]

**Section 37.10 Responsibility of Public-interest Entity**

(1) If a commercial company which is registered in Latvia and transferable securities of which are admitted to trading on the regulated market of a Member State has not complied with the requirements of Section 37.9, Paragraph one or three of this Law, the Financial and Capital Market Commission is entitled to apply the sanction or supervisory measures laid down in Section 148, Paragraph eighteen of the Financial Instrument Market Law to the abovementioned commercial company. The Financial Instrument Market Law determines the procedures for application and publication of such sanctions or supervisory measures, and also the procedures for appealing the administrative act issued by the Financial and Capital Market Commission by which such sanctions or supervisory measures are applied.

(2) If a public-interest entity other than the commercial company referred to in Paragraph one of this Section has failed to comply with the requirements of Section 37.9, Paragraph two or three of this Law, the Financial and Capital Market Commission is entitled to apply one or several such sanctions or supervisory measures to the abovementioned public-interest entity:

1) issue a warning;

2) publish a public announcement on the website of the Financial and Capital Market Commission by indicating the person liable for the violation and the essence of such violation;

3) require that the person liable for the violation ceases the relevant activity;

4) determine a temporary prohibition to a member of the supervisory board or executive board of the commercial company who is liable for the relevant violation to fulfil the duties determined for him or her in the commercial company for a time period up to three years;

5) impose a fine to the commercial company up to 10 per cent of the net turnover amount of the previous reporting year. If 10 per cent of the net turnover amount of the previous reporting year is less than EUR 142 300, the Financial and Capital Market Commission is entitled to impose a fine up to EUR 142 300;

6) impose a fine of up to one million euros on the natural person who is responsible for the violation.

(3) If a public-interest entity has failed to comply with the provisions of this Law and Article 16 of Regulation No 537/2014 in respect of appointment of a sworn auditor or commercial company of sworn auditors in a public-interest entity or if it, in entering into an audit services contract with a sworn auditor or commercial company of sworn auditors or extending the term of validity of the abovementioned contract, has failed to comply with the provisions of this Law and Article 17 of Regulation No 537/2014 regarding the duration of performance of audit task in the public-interest entity, the Financial and Capital Market Commission is entitled to apply one or several sanctions or supervisory measures referred to in Paragraph two of this Section to such public-interest entity.

(4) The fines collected for the violations referred to in Paragraphs two and three of this Section shall be paid into the State budget.

(5) The Financial and Capital Market Commission shall post information regarding sanctions and supervisory measures applied to persons for the violations referred to in Paragraphs two and three of this Section on its website by indicating information regarding appeal of the administrative act issued thereby and taken decision.

(6) Regarding the information referred to in Paragraph five of this Section, the Financial and Capital Market Commission is entitled to:

1) make it available to the public without identifying the person if upon previous assessment it has been ascertained that disclosure of data of the natural person to which a sanction or supervisory measure has been applied is not commensurate or that disclosure of data of the natural or legal person may pose a threat to stability of the financial market or the course of initiated criminal proceedings, or cause incommensurate damage to the persons involved;

2) not make it available to the public if upon previous assessment it has been ascertained that disclosure of such information may pose a threat to stability of the financial market or is not commensurate with the committed violation.

(7) The administrative act issued by the Financial and Capital Market Commission regarding sanctions or supervisory measures applied in accordance with Paragraphs two and three of this Section may be appealed to the Administrative Regional Court.

(8) The Financial and Capital Market Commission shall, within five working days after the day of taking a decision, inform the Ministry of Finance in writing regarding the sanction and supervisory measures applied for the violations referred to in Paragraphs two and three of this Section by indicating a responsible person to whom the abovementioned sanctions and supervisory measures have been applied, and the type of such sanctions and measures.

[*15 December 2016*]

**Chapter IX**

**Liability, Complaints, and Procedures for Examination of Disputes**

[*22 January 2004*]

**Section 38. Initiation and Examination of a Disciplinary Matter and Procedures for Application of Sanctions**

[22 January 2004]

**Section 38.1 Initiation and Examination of Disciplinary Matters and Application of Sanctions**

(1) A sworn auditor shall have a disciplinary, civil and criminal-law liability for his or her professional activity, as prescribed by laws and regulations. The laws and regulations governing the issue of administrative acts shall lay down the procedures by which the Latvian Association of Sworn Auditors shall issue administrative decisions in disciplinary matters.

(2) The Latvian Association of Sworn Auditors may initiate disciplinary proceedings against a sworn auditor at the proposal of the court, the complaint of a legal or natural person or on its own initiative and should inform the Ministry of Finance in writing thereof. The procedures for initiation and adjudication of disciplinary matters and imposition of sanctions shall be prescribed by law and shall be approved by the Latvian Association of Sworn Auditors, after the consultation with the Ministry of Finance.

(3) When receiving the information referred to in Paragraph two of this Section, the Ministry of Finance shall abide by the confidentiality requirements. The confidentiality requirements shall apply to all persons who have become informed of commercial secret during and after the time of receiving the information, including persons who have ceased performing their duties associated with the State supervision of the activities of the Latvian Association of Sworn Auditors.

(4) The disciplinary proceedings referred to in Paragraph two of this Section shall be initiated for the violation of this Law and other laws and regulations, decisions of the Latvian Association of Sworn Auditors, guidelines regulating the professional activity and norms of ethical rules or if a sworn auditor has not complied with the requirement of furthering his or her education and advancing his or her professional qualification through the process of continuing education recognised by the Latvian Association of Sworn Auditors.

(5) The Latvian Association of Sworn Auditors shall inform the Ministry of Finance in writing regarding all the decisions taken at the disciplinary proceedings. The Latvian Association of Sworn Auditors shall communicate the aforementioned information within five working days after the decision has come into force.

[*12 June 2008; 15 December 2016; 19 April 2018*]

**Section 38.2 Sanctions and Supervisory Measures, Issue and Appeal of Administrative Acts**

(1) The Ministry of Finance shall issue administrative acts (decisions) regarding application of sanctions and supervisory measures in the cases laid down in this Section to sworn auditors and commercial companies of sworn auditors which provide audit services to public-interest entities. The laws and regulations governing the issue of administrative acts (decisions) shall lay down the procedures by which the Ministry of Finance shall issue administrative acts.

(2) An administrative act (decision) of the Ministry of Finance issued in relation to sanctions or supervisory measures referred to in this Section may be appealed to the Administrative Regional Court. The Administrative Regional Court shall adjudicate the matter as the court of first instance. The case shall be reviewed in the composition of three judges. A judgement of the Administrative Regional Court may be appealed by submitting a cassation complaint.

(3) Appealing an administrative act (decision) of the Ministry of Finance issued in relation to sanctions and supervisory measures referred to in this Section shall not suspend the operation of such act (decision).

(4) The Ministry of Finance is entitled to apply one or several of the following sanctions or supervisory measures for non-compliance with the requirements of this Law and Regulation No 537/2014:

1) issue a warning;

2) request that a sworn auditor or commercial company of sworn auditors immediately terminate activities which are to be considered as such activities in the result of which the requirements of the laws and regulations governing professional activities of sworn auditors and Regulation No 537/2014 are or could be violated;

3) prohibit a sworn auditor, a commercial company of sworn auditors or a responsible sworn auditor to provide audit services and sign auditor’s report for a period of time up to three years;

4) publish a public report on the website of the Ministry of Finance that the signed auditor’s report does not comply with the content of the auditor’s report laid down in this Law and the requirements for the auditor’s report laid down in Section 10 of Regulation No 537/2014;

5) determine a temporary prohibition to a member of the management body of the commercial company of sworn auditors if it is a sworn auditor and is liable for the relevant violation to fulfil the duties determined for him or her in the commercial company of sworn auditors for a time period up to three years;

6) publish the information on the website of the Ministry of Finance where the sworn auditor responsible for the violation (the given name, surname and certificate number of the sworn auditor) and commercial company of sworn auditors (the name and licence number of the commercial company of sworn auditors), and also the essence of the committed violation shall be indicated;

7) impose fine on the sworn auditor responsible for the violation up to EUR 7 200 and on commercial company of sworn auditors responsible for the violation – up to EUR 14 200.

(5) When taking a decision to apply sanctions and supervisory measures referred to in Paragraph four of this Section on sworn auditors and commercial companies of sworn auditors, the Ministry of Finance shall also take into account:

1) gravity of the violation;

2) duration of the violation;

3) the level of responsibility of the person;

4) income gained by the person as a result of violation, insofar as they can be determined;

5) compensation of losses caused as a result of violation, insofar as they can be determined;

6) cooperation of the person with the Ministry of Finance in investigation of violation;

7) financial situation of the person: for a commercial company of sworn auditors – total net turnover in the previous reporting year, for a sworn auditor who carries out professional activities as an individual merchant or self-employed person – total turnover (income) from economic transactions in the previous reporting year;

8) previous violations of the person committed in the field of provision of professional services.

(6) The Ministry of Finance shall issue recommendations (guidelines) regarding application of sanctions and supervisory measures referred to in Paragraph four of this Section and post them on the website thereof.

(7) The Ministry of Finance shall not apply the sanctions and supervisory measures referred to in Paragraph four of this Section in relation to criminal proceedings or disciplinary matter regarding the same violation.

(8) The Ministry of Finance shall, within one month after the end of each calendar year, prepare and send compiled information to the Committee of European Auditing Oversight Bodies regarding the sanctions and supervisory measures referred to in Paragraph four of this Section applied in the previous year, and also applied sanctions and supervisory measures referred to in Section 37.10, Paragraphs one, two and three of this Law by indicating all the persons to whom the sanctions and supervisory measures have been applied and the type of the applied sanctions and supervisory measures.

(9) The Ministry of Finance shall immediately inform the Committee of European Auditing Oversight Bodies regarding application of the sanctions and supervisory measures referred to in Paragraph four, Clauses 3 and 5 of this Section by indicating the person to whom the sanction or supervisory measure has been applied and the type of the applied sanction or supervisory measure, and also regarding application of the sanction or supervisory measure referred to in Section 37.10, Paragraph two, Clause 4 of this Law and Section 148, Paragraph eighteen, Clause 3 of the Financial Instrument Market Law by indicating the person to whom such sanction or supervisory measure is applied and the type of the applied sanction or supervisory measure.

(10) The fine which is collected for violations regarding which it is imposed in accordance with Paragraph four, Clause 7 of this Section shall be paid into the State budget. The person shall pay the fine imposed by the Ministry of Finance not later than within a month from the day when the decision of the Ministry of Finance to impose the fine has come into effect.

[*15 December 2016; 19 April 2018; 14 September 2023*]

**Section 38.3 Publication of Decisions**

(1) The Ministry of Finance shall post the information regarding the sanctions and supervisory measures referred to in Section 38.2 of this Law applied to persons on the website thereof by indicating a person responsible for the infringement (the given name, surname, certificate number of the sworn auditor and the name, registration number and licence number of the commercial company of sworn auditors), the type of the infringement and the sanction or supervisory measures applied by the Ministry of Finance, and also data regarding appeal of the decision of the issued administrative act and court decision taken.

(2) The Ministry of Finance shall post the information referred to in Paragraph one of this Section on the website thereof within five working days from the day when the time period for appeal of the act (decision) has expired and it has not been appealed.

(3) The Ministry of Finance shall make the information referred to in Paragraph one of this Section available to the public without identifying the person if upon previous assessment it has been ascertained that disclosure of data of the natural person to which a sanction or supervisory measure has been applied, is not commensurate or that disclosure of data of the natural or legal person may pose a threat to stability of the financial market, the course of initiated criminal proceedings, or cause incommensurate damage to the persons involved.

(4) If it is expected that the circumstances referred to in Paragraph three of this Section may terminate within a reasonable time period, making of the information referred to in Paragraph one of this Section available to the public may be suspended for this time period.

(5) Information posted on the website of the Ministry of Finance in accordance with the procedures laid down in this Section shall be available to the public for at least five years from the day of the first posting thereof.

[*15 December 2016*]

**Section 39. Disciplinary Sanctions**

[22 January 2004]

**Section 40. Dispute and Appeal of Decisions by the Latvian Association of Sworn Auditors**

(1) Complaints regarding unlawful activities of the Latvian Association of Sworn Auditors, or of activities that do not comply with the articles of association, shall be adjudicated by a court.

(2) The Latvian Association of Sworn Auditors decisions which are associated with the certification of sworn auditors, the licensing of commercial companies of sworn auditors and other tasks delegated to the Latvian Association of Sworn Auditors by this Law, may be disputed to the Ministry of Finance. The decision of the Ministry of Finance may be appealed to a court according to procedures specified by law.

[*22 January 2004*]

**Section 41. Civil Liability of a Sworn Auditor and a Commercial Company of Sworn Auditors, and Time Periods for Compensation for Losses**

(1) A sworn auditor or a commercial company of sworn auditors shall be liable for the obligations which have arisen as a result of entering into of an audit services contract.

(2) A sworn auditor or a commercial company of sworn auditors shall be liable for losses that have occurred to third parties, i.e. users of the annual statements and consolidated annual statements of the client, if the opinion submitted in accordance with the international audit standards recognised in Latvia substantially contradicts the actual state of things and the provisions of Section 26, 27, 30 or 34 of this Law have not been complied with. If an opinion has been signed by two or more sworn auditors, they are jointly liable for such losses.

(3) A commercial company of sworn auditors shall be liable for the obligations which it has assumed, as well as for losses suffered by third parties, if the responsible sworn auditor appointed by such company has failed to comply with the provisions of Section 26, 27, 30 or 34 of this Law.

(4) The mutual legal relations and the liability of a commercial company of sworn auditors and the responsible sworn auditor appointed by it shall be regulated by the employment contract they have entered into.

(5) Compensation for losses from a sworn auditor or a commercial company of sworn auditors shall be covered in accordance with a mutual agreement or collected by judicial process, not later than within three years after the day when the opinion of the relevant sworn auditor was signed.

**Section 42. Civil Liability Insurance of a Sworn Auditor and a Commercial Company of Sworn Auditors**

(1) The minimum liability amount of civil liability insurance for a sworn auditor – a self-employed person or an individual merchant – shall be the total sum of income of such sworn auditor obtained in the previous reporting year from audit services, and it may not be less than the minimum amount stipulated by the Cabinet, but in the year of starting the activities of a sworn auditor the minimum liability amount shall be the amount stipulated by the Cabinet.

(2) The minimum liability amount of civil liability insurance for a commercial company of sworn auditors, except for partnerships which do not employ employees – sworn auditors – shall be the total sum of income of such company obtained in the previous reporting year from audit services, and it may not be less than the minimum amount stipulated by the Cabinet, but in the year of starting the operation of a commercial company of sworn auditors the minimum liability amount shall be the amount stipulated by the Cabinet.

(3) When providing audit services to an entity of public importance, the minimum liability amount of civil liability insurance for a service provider — a sworn auditor or a commercial company of sworn auditors — shall be two per cent of the amount of assets of the client to be audited for whom such assets are the largest ones at the end of the previous reporting year, but not more than EUR 10 million.

(4) For the insurance of their civil liability, a sworn auditor and a commercial company of sworn auditors may choose:

1) an insurance company registered in the Commercial Register which has obtained a licence for the insurance of general civil liability issued by the Financial and Capital Market Commission;

2) an insurance company registered in an OECD and EEA state, entering into a civil liability contract with which the sworn auditor or the commercial company of sworn auditors shall comply with the requirements of this Law.

(5) The Cabinet, when determining the minimum civil liability amount provided for by Paragraphs one and two of this Section, is entitled to differentiate it depending on whether there is a State or local government capital share in the commercial company.

[*22 January 2004; 12 June 2008; 12 September 2013; 29 October 2015*]

**Section 43. Liability for Fraud of a Person who Does Not Have a Sworn Auditor Certificate**

If a person who does not have a sworn auditor certificate or a licence for a commercial company of sworn auditors accordingly performs the activities permitted by this Law only to a sworn auditor or to a commercial company of sworn auditors and submits an auditor’s report, he or she shall be subject to liability as specified by law.

[*14 September 2023*]

**Transitional Provisions**

1. With the coming into force of this Law, the Law On Sworn Auditors (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1996, No. 24; 2000, No. 10) is repealed.

2. The sworn auditors’ certificates that have been issued on the basis of laws which were in force until the date of coming into force of this Law shall be recognised as valid.

3. Until 1 January 2003, the mandatory review, prescribed by law, of annual statements, also consolidated annual statements of financial institutions, as well as of the commercial companies the shares of which are admitted to the official stock exchange listing may be performed by sworn auditors and companies of sworn auditors which do not comply with the requirements of this Law and which are appointed by the Financial and Capital Market Commission.

[*22 January 2004*]

4. Until 1 January 2005, the sworn auditor qualification examination may be taken by persons who do not have the three years practical experience prescribed by Section 8 of this Law. Such persons shall not be given a sworn auditor certificate after the passing of the sworn auditor qualification examination. If such persons acquire, within 5 years after the passing of the sworn auditor qualification examination, the three years practical experience determined by this Law, working as assistants of sworn auditors, they may receive a sworn auditor certificate in accordance with the procedures specified in Section 16 of this Law.

5. Until 1 January 2005, not only sworn auditors, but also other natural persons may be the members of the Latvian Association of Sworn Auditors, if they have passed the sworn auditor qualification examinations, are employed as assistants of sworn auditors and comply with the provisions of the articles of association of this Association. Until 1 January 2003, all licensed commercial companies of sworn auditors shall become the members of the Latvian Association of Sworn Auditors.

6. Until 1 January 2003, all the commercial companies that provide audit services shall receive a relevant licence of the Latvian Association of Sworn Auditors.

7. Individual undertakings of sworn auditors providing audit services are entitled to continue to provide such services in the status of individual undertakings until the end of the transitional period specified in the Law on the Procedures for the Coming into Force of the Commercial Law.

8. The provisions of Section 21, Paragraphs two and three of this Law shall come into force on 1 January 2004.

9. The amendments to Sections 19 and 24 of this Law and Sections 24.1, 24.2 and 24.3 shall come into force on 29 June 2009.

[*29 January 2009*]

10. Amendments to Section 1, Clause 7, Sub-clause “e” of this Law, and also Clause 7, Sub-clauses “f” and “g” of this Section shall be applicable to the auditor’s report which is prepared by a sworn auditor and a commercial company of sworn auditors for an annual statement and consolidated annual statement starting from reporting year 2016 (the reporting year which starts on 1 January 2016 or during the calendar year 2016).

[*29 October 2015; 14 September 2023*]

11. A sworn auditor and a commercial company of sworn auditors shall carry out the limited review of annual statements provided for in Section 28.1 of this Law starting from reporting year 2016 (the reporting year which starts on 1 January 2016 or during the calendar year 2016).

[*29 October 2015*]

12. Amendments to Section 33 of this Law in relation to provision of information to the Corruption Prevention and Combating Bureau shall come into force on 1 January 2016.

[*29 October 2015*]

13. The Latvian Association of Sworn Auditors shall develop and confirm the procedures referred to in Section 28.1, Paragraph one, and also in Section 33, Paragraph 3.2 of this Law until 1 December 2015.

[*29 October 2015*]

14. Until making amendments to other laws the reference to the Law On Sworn Auditors (in the relevant case) shall be understood as reference to the Law on Audit Services (in the relevant case).

[*15 December 2016*]

15. A commercial company of sworn auditors which does not comply with the requirements of Section 21, Paragraph four of this Law (not less than 75 per cent of the members of the executive board are sworn auditors or auditors of the Member State) is entitled to continue provision of audit services, however, not longer than until 1 January 2018.

[*15 December 2016*]

16. Provisions of Section 28, Paragraph 1.1 of this Law shall be applied starting from the audit of the annual statement for 2017.

[*15 December 2016*]

17. In starting application of Section 29, Paragraph 4.1 of this Law, the restriction of the time period laid down therein shall be counted from the day of coming into force of this norm.

[*15 December 2016*]

18. Section 37.8 of this Law shall be applied by taking into account the provisions of Article 41 of Regulation No 537/2014.

[*15 December 2016*]

19. Public-interest entities referred to in Section 37.9, Paragraph two of this Law shall establish an entity equal to an audit committee or elect an audit committee in the next meeting of shareholders, but not later than within 12 months from the day of coming into force of this norm.

[*15 December 2016*]

20. The Financial and Capital Market Commission in accordance with Section 17.1, Paragraph two of the Law On Financial and Capital Market Commission shall, until 1 January 2018, issue recommendations (guidelines) regarding application of the sanctions and supervisory measures referred to in Section 37.10 of this Law and post them on the website thereof.

[*15 December 2016*]

21. The Ministry of Finance shall, until 1 January 2018, issue recommendations (guidelines) regarding application of sanctions and supervisory measures referred to in Section 38.2 of this Law and post them on the website thereof.

[*15 December 2016*]

22. Section 31.2, Clause 10 of this Law shall be applicable to the auditor’s report which is prepared by a sworn auditor and a responsible sworn auditor of a commercial company of sworn auditors for such annual statement and consolidated annual statement which is prepared for the reporting year that starts on 22 June 2024 or later.

[*14 September 2006*]

**Informative Reference to Directive of the European Union**

[*29 March 2007; 12 June 2008; 11 February 2010; 3 March 2011; 18 April 2013; 29 October 2015; 15 December 2016; 21 June 2018; 14 September 2023*]

This Law contains norms arising from:

1) the Eighth Council Directive 84/253/EEC of 10 April 1984 based on Article 54(3)(g) of the Treaty on the approval of persons responsible for carrying out the statutory audits of accounting documents;

2) Council Directive 89/48/EEC of 21 December 1988 on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three years' duration;

3) European Parliament and Council Directive 95/26/EC of 29 June 1995 amending Directives 77/780/EEC and 89/646/EEC in the field of credit institutions, Directives 73/239/EEC and 92/49/EEC in the field of non- life insurance, Directives 79/267/EEC and 92/96/EEC in the field of life assurance, Directive 93/22/EEC in the field of investment firms and Directive 85/611/EEC in the field of undertakings for collective investment in transferable securities (Ucits), with a view to reinforcing prudential supervision;

4) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;

5) Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC;

6) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;

7) Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC;

8) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (Text with EEA relevance);

9) Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market;

10) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance);

11) 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 (Text with EEA relevance);

12) Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Text with EEA relevance);

13) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (Text with EEA relevance);

14) Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches.

The Law shall come into force on 1 January 2002.

The Law has been adopted by the *Saeima* on 3 May 2001.

Acting for the President, the Chairperson of the *Saeima* J. Straume

Rīga, 22 May 2001