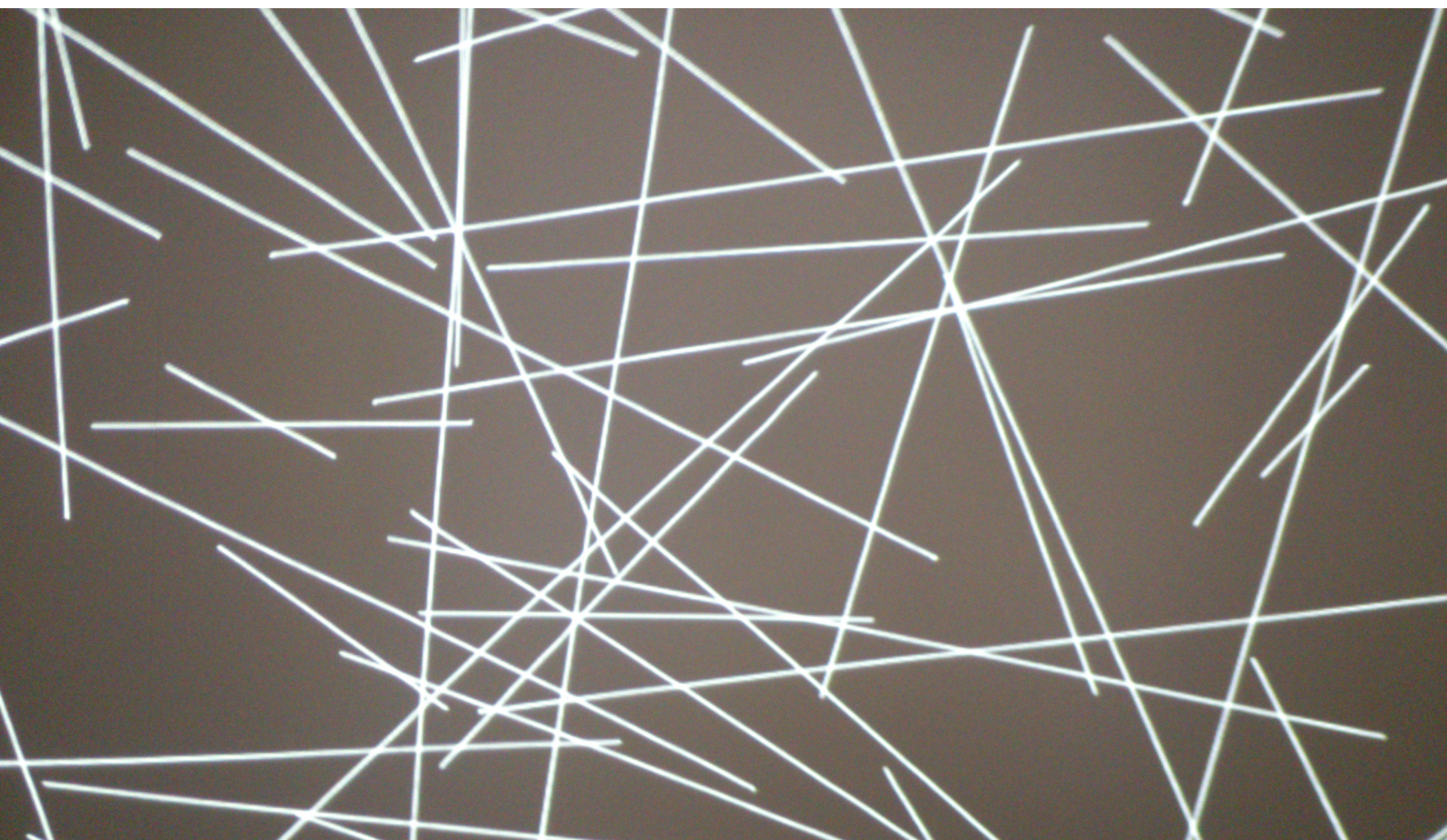


# Transparency Report

For the year ended 30 September 2018



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# Foreword

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This transparency report, as prior one, has been prepared voluntarily and is our seventh report of such kind. Reports from 2011 to 2016 were prepared in accordance with the clause 33.1 of the Act on Certified Auditors of the Republic of Latvia.

This transparency report is a promise of our commitment to provide thorough audits. It briefly explains how the firm is run, how we ensure that we perform quality audits and describes the expertise of our firm.

This transparency report describes policies and procedures which are effective as at 30 September 2018.

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Riga, 16 January 2019

**Edvards Merhels**

Managing partner



# Non-financial information

## Value proposition

We offer personal and technically sound services at fees competitive with those of Big 4. For audit services this means that we:

- dig deep into issues
- are ready to take additional mile to address issues which matter to clients
- keep our teams compact and experienced, and do not normally change them from year to year
- respect deadlines
- are strict about business ethics, independence and objectivity, by putting reputation first.

We do not perceive audit as a commodity. On the contrary, we perceive each engagement as unique and requiring bespoke approach. Thus, our offering is targeted at organisations who look for indeed thorough audits.

## Legal structure and ownership

Merhels Revidenti Konsultanti SIA (hereafter Merhels or the Firm) is a limited liability company incorporated back in 1998 under the laws of the Republic of Latvia. The Firm is licensed by the Latvian Association of Certified Auditors (LACA) to carry on with the audit business.

The Firm's ownership structure is as follows:

- 45% of shares are held by Edvards Merhels
- 30% of shares are held by Dace Merhele
- 25% of shares are held by Marija Smirnova.

Edvards Merhels and Dace Merhele are Latvian certified auditors. All shareholders are members of the Firm's Board.

## Governance and management

The Firm's daily activities are managed by the Board. Service lines are managed by service lines leaders:

- Audit and advisory services - by Edvards Merhels, simultaneously the managing partner
- Tax advisory services - by Dace Merhele, senior partner
- Financial outsourcing and tax compliance services - by Marija Smirnova, financial outsourcing partner
- Financial advisory - by Mārtiņš Zutis, associate partner.

## Quality control

Our quality control system rests upon the set of standards issued by the International Federation of Accountants (ISQC 1, ISA 220, Code of Ethics). However, what truly makes the difference is our excellence focused mindset and attitude to detail.

## International affiliation

During the period from 2004 until 2015 Merhels has been affiliated with leading international mid-tier audit networks Grant Thornton International and RSM International. Due to change of focus from audit to advisory, Merhels departed from RSM International and affiliated with business advisory network CBA Cross Border Associates.

## External monitoring

The Firm is obliged to submit itself to an inspection of its audit practice by the LACA. Such inspections as a minimum are carried out once in 6 years. The inspection process includes high level evaluation of policies and procedures applicable to the firm's audit practice. The inspection team reviews select financial statements, audit reports and engagement files. The inspection team also interviews partners in-charge for select audit engagements. Upon completion of work inspectors may attribute the following grades to a firm:

- A - no significant issues noted or up to 5 insignificant issues noted



- B – one significant and up to 9 insignificant issues noted or up to 12 insignificant issues noted
- C – 2 or more significant issues noted or one significant and more than 9 insignificant issues noted.

The Firm has been subject to LACA's inspections in 2008 and 2013. In both cases the Firm was assigned grade "A".

### **Independence practices**

Merhels is committed to ensuring that its independence policies and procedures are robust and provide clients and other users of audit reports with confidence that the Firm and their professionals are independent and objective.

Our independence policies and procedures are based on the IFAC Code of Ethics. The key elements thereof are:

- providing staff with relevant training
- obtaining annual confirmations from staff as to their independence from audit clients
- maintaining robust client acceptance and reacceptance policies.

### **Continued professional education**

Professional education needs are determined by means of self-assessments, appraisals performed by the Firm's leadership team and monitoring changes in regulations which affect our operations. Education needs are addressed via structured, unstructured and on the job training. The Firm requires that staff documents learning activities.

Our people hold such professional qualifications as:

- LCA: Latvian Certified Auditor
- FCCA: Fellow of Association of Chartered Certified Accountants (UK)
- CIA: Certified Internal Auditor by the Institute of Internal Auditors (USA).

### **Partner remuneration**

Equity partners are remunerated with reference to their share of the Firm's profits. Associate partner is remunerated with reference to his share of qualifying revenues.

### **Client work experience**

During the year ended 30 September 2018 we worked on about 200 projects. These included accounting, transaction support, business valuation, tax advisory, tax compliance, fraud investigation and audit work.

### **Awards**

During 2018 'Acquisition International' announced Merhels as the winner of the award 'Best Accountancy Firm 2018 - Latvia'.

# Financial information

## Revenues

	Y/E 30.09.2018 EUR'000	Y/E 30.09.2017 EUR'000	Y/E 30.09.2016 EUR'000
Accounting	369	330	324
Audit	85	83	96
Corporate finance	68	92	104
Other	83	52	53
Total fee income	605	557	577

*Corporate finance* primarily consists of financial due diligence and valuation work.

*Other* services primarily consist of forensic analysis, management advisory and internal audit.

## Other select information

	30.09.2018	30.09.2017	30.09.2016
Net assets (EUR'000)	479	364	331
Number of partners	4	4	4
Number of staff	8	8	7

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**DISCOVER HOW WE CAN GROW TOGETHER**

**Merhels Revidenti Konsultanti SIA**

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