

IFIAR 2019 Member Profile – AAAPVIM

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| <p>1. Jurisdiction</p> | <p>1.1 Insert the name of the jurisdiction in English:</p> <p>Lithuania</p> |
| <p>2. Member¹</p> | <p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Audito, apskaitos, turto vertinimo ir nemokumo valdymo tarnyba prie Lietuvos Respublikos finansų ministerijos.</p> <p>The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania.</p> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Postal address: Rinktinės g. 48A , LT-09318 Vilnius, Lithuania Telephone number: +370 5 212 5464 Fax number: +370 5 262 0782 E-mail: info@avnt.lt Link to the website: www.avnt.lt</p> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p><u>Basis for establishment:</u> The Authority of Audit and Accounting (AAA) was established in 2002, as the Institute of Accounting, which was responsible for issuing Business Accounting Standards (Lithuanian GAAP). During 2007-2008, following the update in the EU Directive on Statutory Audit, the Lithuanian Parliament enacted new version of the Law of the Republic of Lithuania on Audit, wherein public audit oversight functions were delegated to Institute of Accounting. As a result to this reform, the responsibilities of the Institute of Accounting were expanded in order to include the functions of Public Audit Supervision and the name of the Institute was changed accordingly to the AAA. During the year 2015-2016 the AAA was reorganized, combining three institutions (i.e. AAA, Property Valuation Oversight Agency and Department of Enterprise Bankruptcy Management under the Ministry of Economy) into one – the Authority of Audit, Accounting, Property Valuation and Insolvency Management under</p> |

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

the Ministry of Finance of the Republic of Lithuania (AAPVIM). Reorganization is based on the Act No. 458 of 6 May 2015 of the Government of the Republic of Lithuania. The new Charter of AAPVIM is approved by the Order No. 1K-344 of 23 November 2015 of the Minister of Finance of the Republic of Lithuania. From the beginning of the year 2016 AAPVIM has taken over all the rights, obligations and functions of these three reorganized institutions.

Mission: The AAPVIM is the Lithuania's independent regulator with the primary responsibility in Lithuania in relation to public audit oversight, application of national accounting standards for financial reporting, oversight of assets and business valuation and insolvency management of entities. AAPVIM mission concerned with public audit oversight is to ensure high quality in statutory audits, that information in the audited financial statements would present fair information.

Responsibilities: According to the Law of the Republic of Lithuania on the audit of the financial statements the main AAPVIM responsibility is to carry out public oversight of audit, which includes supervision of recurring quality review of the statutory auditors and audit firms carrying out statutory audits of non-public-interest entities and evaluation of these review performance quality, performance of recurring inspections of the statutory auditors and audit firms carrying out statutory audits of public-interest entities, performance of audit investigations and enforcement of the sanctions after the results of review, inspection or investigations, supervision of the approval and registration of statutory auditors and audit firms, supervision of continuing professional education of auditors, cooperation with other public audit oversight authorities and other related duties. As a part of public audit oversight activity, the AAPVIM translate the International Standards on Audit in Lithuanian language. The AAPVIM is also responsible for application of national accounting standards, implementation of the state policy in property, business valuation and in insolvency management (bankruptcy and restructuring, bankruptcy of natural persons, the protection of employees when their employer becomes insolvent) areas and for registration of professional accountants.

Authority with respect to audit regulation: AAPVIM operates according to the Charter of AAPVIM, which is approved by the Order No. 1K-344 of 23 November 2015 of the Minister of Finance of the Republic of Lithuania. AAPVIM is established by and is accountable directly to the Ministry of Finance of the Republic of Lithuania.

2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?

Yes No

If yes, please describe these changes with an appropriate level of detail:

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| 3. Governing Body Composition and members | <p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p>Composition of the Board (Audit oversight committee):</p> <ol style="list-style-type: none"> 1. Mrs. Paulė Svorobovičienė - Deputy Director of Audit, Accounting, Property Valuation and Insolvency Management department of the Ministry of Finance of the Republic of Lithuania (Chairwoman of the Committee); member to substitute - Mrs. Siuzana Ščerbina-Dalibagienė, Head of the Division of the Audit, Property Valuation and Insolvency Management of the Audit, Accounting, Property Valuation and Insolvency Management department of the Ministry of Finance of the Republic of Lithuania; 2. Mr. Vaidas Cibas - Head of Regulated Markets Surveillance Division of Financial Services and Markets Supervision Department of the Supervision Service of the Bank of Lithuania (Deputy Chairman of the Committee), member to substitute - Mrs. Jolanta Gruodienė, Chief specialist of Governance and Internal Control Division of Prudential Supervision Department of the Supervision Service of the Bank of Lithuania;) 3. Mr. Petras Grigalis, advisor of the Division of Legal Representation of the Ministry of Justice of the Republic of Lithuania, member to substitute - Mrs. Lina Jaskutienė, advisor of the Division of Finance of the Ministry of Justice of the Republic of Lithuania; 4. Mrs. Rūta Jovaišienė - Head of the Company Law division of the Enterprise Policy Department of the Ministry of Economy and Innovation of the Republic of Lithuania, member to substitute – Mrs. Lina Jakimavičienė, advisor of the Company Law division of the Enterprise Policy Department of the Ministry of Economy and Innovation of the Republic of Lithuania; 5. Mrs. Danguolė Krištopavičienė – Chief advisor of the Financial Audit department of the National Audit office of Lithuania, member to substitute – Mrs. Akvilė Dovydaitytė, acting as Head of the Audit Quality Assurance Division of the Audit Development Department of the National Audit office of Lithuania; 6. Mrs. Irena Petruškevičienė – representative of the Lithuanian Chamber of Auditors, lector of the ISM University of Management and economics, member to substitute – Mr. Gintaras Černius, representative of the Lithuanian Chamber of Auditors, professor of the Mykolas Romeris University; |

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

7. Mr. Marius Urbelis - representative of the Lithuanian Chamber of Auditors, advocate, member to substitute – Mrs. Renata Legenzova, representative of the Lithuanian Chamber of Auditors, Head of the Department of Finance of the Faculty of Economics and management of the Vytautas Magnus University.

All members of the Board are independent from the audit profession.

3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?

The eligibility criteria / requirements or composition requirements for the members of the governing body:

All members of the Audit Oversight Committee must be non-practitioners. The members of the Audit Oversight Committee must have at least five years of work experience in the areas of the audit of financial statements, accounting, financial reporting and/or law. One member of the Audit Oversight Committee shall be appointed by the Ministry of Finance, the Ministry of Justice of the Republic of Lithuania, the Ministry of Economy of the Republic of Lithuania, the National Audit Office of Lithuania and the Bank of Lithuania, and two members shall be appointed by the Chamber of Auditors

According to the Law of the Republic of Lithuania on the audit of the financial statements non-practitioner means a natural person who has, for at least three years before his or her involvement in decision-making related to public oversight and in the course of involvement in the adoption of the aforementioned decisions, met all the following requirements: 1) has not carried out the audit of financial statements and has not been employed by an audit firm; 2) has not been a participant of an audit firm and/or has had no influence over the audit firm's governance; 3) has not been a member of the management body of the Chamber of Auditors.

3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.

Yes No

3.4 If the answer to question 3.3 is "No", is the majority of the members of the governing body non-practitioner?

Yes No

3.5 If the answer to question 3.3 is "No", which safeguards are in place to provide for the Member's overall independence from the audit profession?

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| | <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>“Cooling-off” period for the former auditors is 3 years. After that period the former auditor becomes non-practitioner.</p> |
| | <p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>N/A</p> |
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| <p>4. Funding Arrangements</p> | <p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The AAAPVIM’s operating costs in relation to all its activities are currently funded by the Government of the Republic of Lithuania (through the Ministry of Finance).</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The AAAPVIM’s operating costs in relation to all its activities are currently funded by the Government of the Republic of Lithuania (through the Ministry of Finance).</p> |
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| <p>5. Inspection System</p> | <p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |

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| | <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>In the case of statutory auditors and audit firms carrying out statutory audits of public-interest entities, which are considered as large entities according to the Law of the Republic of Lithuania on the Financial reporting by undertakings (i.e. large undertakings shall be undertakings, at least two indicators of which exceed the amount of value of assets on the balance sheet – EUR 20,000,000; net sales revenue during a reporting financial year – EUR 40,000,000; the average annual number of payroll employees during a reporting financial year – 250 employees on the last day of a financial year) inspection shall be carried out at least every three years. In cases other than those referred above inspection shall be carried out at least every six years</p> |
| <p>6. Audit and Financial Market</p> | <p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>There were 351 auditors and 173 audit firms registered in Lithuania at the end of 2018 year. There are 50 auditors and 43 audit firms included in the annual plan of recurring quality review of the statutory auditors and audit firms carrying out statutory audits of non-public-interest entities, and 7 auditors and 3 audit firm included in the annual plan of recurring inspections of the statutory auditors and audit firms carrying out statutory audits of public-interest entities. In the year 2017 there were 116 audits of public interest entities performed. Total number of audits performed was approximately 4000.</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>According to the research done by the AAAPVIM in the year 2018 the Big4 and Grant Thornton Baltic were auditing most of the public interest entities in Lithuania (PWC- 39 %, Ernst & Young - 23 %, KPMG - 19 %, Grant Thornton Baltic - 7 % and Deloitte - 4 %).</p> |

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| 7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight | 7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight: <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ |
| | 7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization? <input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures. <i>Approval and registration of statutory auditors and audit firms is delegated to the Lithuanian Chamber of Auditors – professional organisation uniting all the auditors. Lithuanian Chamber of Auditors are responsible for granting, suspending and withdrawing auditor registration, organizing the auditors' exams. Since Lithuanian Chamber of Auditors are professional organisation, practitioners from the audit profession are involved in decision-making. However in the area of the auditors' exams, the Committee of the Auditors' Qualification Examinations makes main decisions (approves programmes of the auditor's qualification examinations; approves tasks of the auditor's qualification examinations and the methodology of their assessment; approves assessment of the auditor's qualification examinations). The Minister of Finance of the Republic of Lithuania approves composition of this Committee. Practically, majority of the Committee are non-practitioners. The AAAPVIM oversees the performance of the Lithuanian Chamber of Auditors in the areas of granting, suspending and withdrawing auditor registration, organizing the auditors' exams, i.e. supervises the adoption of the decisions on the granting of the title of the auditor, on the issuing of the audit firm certificate and on its entry in the list of audit firms, the procedure of issuing the auditor's certificate and entry of the auditor in list of auditors; approves the areas where the auditor's qualification examinations shall be held, consider the applications of persons who failed to pass the examinations and disagreed with the assessment of their examination results. Practically AAAPVIM collects and analyses information, performs verifications, gives remarks and recommendations, might submit mandatory instructions to Lithuanian Chamber of Auditors on the development of performance of these functions, etc..</i> |

7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?

Directly Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

AAAPVIM translate the Code of Ethics for Professional Accountants and international auditing standards into the Lithuanian language and publish them on its website until the international auditing standards are approved by the European Commission.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

Activity, related to the *Permanent Education of Auditors* is delegated to the Lithuanian Chamber of Auditors (about the Lithuanian Chamber of Auditor – see answer to 7.2). The Lithuanian Chamber of Auditor establishes requirements of qualification's development courses of auditors (thematic division of mandatory hours, etc.), have to organize the qualification's development courses of auditors in the manner to ensure for the auditors the strengthening of theoretical knowledge and its application in practice according to the programmes prepared and agreed in with the AAAPVIM. The AAAPVIM oversees the performance of the Lithuanian Chamber of Auditors in this area, monitor the organisation of the qualification develop (performs verifications, gives remarks and recommendations, etc.).

7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?

Directly Through Referral

If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description

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| | <p>of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>N/A</p> |
| <p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p> | <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>N/A</p> <p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>The AAAPVIM is responsible for application of national accounting standards, implementation of the state policy in property, business valuation and in insolvency management (bankruptcy and restructuring, bankruptcy of natural persons, the protection of employers when their employer becomes insolvent) areas and for registration of professional accountants.</p> |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>Together with its Audit Oversight Committee, AAAPVIM issues and revises the regulations for audit profession. The AAAPVIM publishes the aggregated results of audit quality assurance of auditors and audit firms each year. In this annual report there are specified number of performed audit quality reviews and investigations, their results, the disciplinary penalties imposed and instructions given. AAAPVIM performed 4 investigations of audits and 4 inspections in 2018 year. In 2018 year implementing quality assurance of the audit, AAAPVIM, among other verified the actual operations of quality review of the statutory auditors and audit firms carrying out statutory audits of non-public-interest entities plan, reviewed reports of these quality review, evaluated decisions regarding imposing disciplinary penalties and giving compulsory instructions, proposed by Lithuanian Chamber of Auditors, launched discussions with Audit committees of public interest entities</p> <p>After new version of the Law of the Republic of Lithuania on Audit enter into force, AAAPVIM accepted implementing legislation (including relevant procedures of the performance of inspections).</p> |