



IFIAR 2017 Member Profile – AAPVIM

1. Jurisdiction	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Lithuania</p>
2. Member¹	<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: Ukmergės str. 222, LT-07157 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</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.



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 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 Audit the main AAPVIM responsibility is to carry out public oversight of audit, which includes supervision of recurring inspections and evaluation of recurring inspections performance quality, performance of audit investigations and enforcement of the sanctions after the results of recurring 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 supervises translation of the International Standards on Audit in Lithuanian. 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.



	<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>During 2015-2016 AAA was reorganised to AAAPVIM. Until 31 December 2015 AAA had been operated according to the Charter of AAA approved by the Order of Minister of Finance of 26 March 2012. Since the 1 of January 2016 AAAPVIM has taken over all the rights, obligations and functions of AAA. AAAPVIM operates according to the Charter of AAAPVIM, which is approved by the order No. 1K-344 of 23 November 2015 of the Minister of Finance of the Republic of Lithuania.</p>
<p>3. Governing Body Composition and members</p>	<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); (Independent from the audit profession) 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; (Both independent from the audit profession) 3. Mrs. Elena Jankevičienė - auditor, Member of the Lithuanian Association of Auditors, member to substitute - Mrs. Laimutė Tinglum, auditor, Member of the Lithuanian Association of Auditors;

² For the purpose of this Member Profile, the audit profession does not include an individual who 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.



	<p>4. Mr. Saulius Lapšinskas - auditor, President of the Lithuanian Chamber of Auditors, member to substitute - Mrs. Jurgita Kirvaitienė, auditor, Vice President of the Lithuanian Chamber of Auditors;</p> <p>5. Mr. Audrius Linartas - Director of the AAAPVIM, member to substitute - Mrs. Vaida Verseckienė, Head of Audit Quality Inspection Division of the AAAPVIM; (Both independent from the audit profession)</p> <p>6. Mr. Igor Golubajev, Head of Coordination of Legal Activities Division of Legal Institutions` Department of the Ministry of Justice of the Republic of Lithuania; (Independent from the audit profession)</p> <p>7. Mrs. Rima Pavalkienė - auditor, Member of the Board of the Association of small and medium-sized audit companies.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p><u>The eligibility criteria / requirements or composition requirements for the members of the governing body:</u></p> <p>More than a half of the Audit Oversight Committee members must be non-practitioners. Members of the Audit Oversight Committee also must have the experience of at least 3 years working in the sphere of audit, accounting, law and/or finances. According to the Law of the Republic of Lithuania on Audit a non-practitioner shall be a natural person who is knowledgeable in the areas relevant to the statutory audit either because of his past professional skill or, alternatively, is sufficiently knowledgeable in audit and who has at least 3 years: 1) did not carry out the audit and was not employed in the audit firm; 2) was not an owner/one of owners of the audit firm and/or did not have any influence on the management of the audit firm; 3) was not a member of the management body of the Lithuanian Chamber of Auditors.</p> <p>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.³</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
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³ Ibid.



	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>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?</p> <p><u>Safeguards that provide the organization’s overall independence from the audit profession:</u></p> <ul style="list-style-type: none"> - Director of the AAAPVIM must be non-practitioner. - All decisions of the Board can be taken only by the majority of votes of non-practitioners. - All auditors, other than members of governing body, before starting to work in AAAPVIM must suspend the validity of the auditor’s certificate and membership in the Lithuanian Chamber of Auditors. - Members of the Board, employees and other experts that participate in audit oversight activity have obligations to declare all relations with audit profession and not to participate in work and decision making process regarding related auditor and audit firm.
	<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>All members of the Board cannot participate in decision making process regarding related auditor or audit firm. “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 (e.g., in a management or inspection function)?</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:</p>
<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>
<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> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" 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>The AAAPVIM is responsible to carry out investigations of complains about the poorly performed audit of financial statements. The investigations could vary depending from the facts investigated and could be carried out only by the experts of the AAAPVIM. Recurring inspections of the audit carried out by auditors and audit firms are implemented by the AAAPVIM together with the Lithuanian Chamber of Auditors. The AAAPVIM appoints the auditors-controllers, who are proposed by the Lithuanian Chamber of Auditors and who are responsible to carry out recurring inspections. AAAPVIM takes final responsibility for decisions related to giving</p>



	<p>compulsory instructions and imposing disciplinary penalties on auditors and audit firms in case when during the inspection weaknesses were identified in the quality of audit. Inspections of non EU auditors and audit-firms are performed according to the procedure established by the Government of the Republic of Lithuania. The AAAPVIM performs these inspections.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>In order to assure the quality of audit carried out by auditors and audit firms, the Lithuanian Chamber of Auditors, due to the approval and supervision of the AAAPVIM, organizes recurring inspections of the carried out audit in the manner that all auditors and audit firms are to be inspected at least once per 6 years. Recurring inspections of auditors and audit firms, which carry out the audit of public interest entities, are performed at least every 3 years. If the audit performance deficiencies were established during the recurring audit inspection and/or the audit investigation, the next recurring audit inspection shall be done not later than after 3 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 362 auditors and 170 audit firms registered in Lithuania at the end of 2016 year. There are 98 auditors and 58 audit firms included in the annual plan of recurring inspections. In the year 2016 there were 120 audits of public interest entities performed. Total number of audits performed was approximately 4000.</p> <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 2016 the Big4 were auditing most of the public interest entities in Lithuania (PWC- 38 %, Ernst & Young - 20 %, KPMG - 17 % and Deloitte - 10 %).</p>
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <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



	<p><input type="checkbox"/> Other: _____</p>
	<p>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?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>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 profession⁴ 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.</p> <p><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 AAAPVIM approves composition of this Committee and the rules of procedure. Practically, majority of the Committee are non-practitioners. Moreover, 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</i></p>

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	<p>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.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>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 profession⁵ 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.</p> <p><i>Audit and Ethics Standard setting activity is delegated to the Lithuanian Chamber of Auditors (about the Lithuanian Chamber of Auditor – see to 7.2). Lithuanian Chamber of Auditors are responsible for translating into the Lithuanian language the Code of Ethics of Professional Accountants, the International Auditing Standards, the International Quality Control Standard and for publishing them. The AAAPVIM oversees the performance of the Lithuanian Chamber of Auditors in this area, monitor the translation into the Lithuanian language of the Code of Ethics for Professional Accountants, the International Auditing Standards and the International Quality Control Standard and, as necessary, takes actions to guarantee their proper translation. The AAAPVIM has set up the Commission for oversee quality of translation of the International Auditing Standards.</i></p> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>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</p>
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⁵ Ibid.



	<p>audit profession⁶ 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.</p> <p>Activity, related to the <i>Permanent Education of Auditors</i> 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.).</p> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁷ are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</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>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</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,</p>

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⁷ Ibid.



	bankruptcy of natural persons, the protection of employers when their employer becomes insolvent) areas and for registration of professional accountants.
9. Major Events and Activities	9.1 Describe any recent major events and activities: <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 3 investigations of audits in 2016 year. In 2016 year implementing quality assurance of the audit, AAAPVIM, among other, approved annual plan of audit carried out by the auditor and audit firm quality inspections and auditors-controllers, who perform inspections, verified the actual operations of quality inspection plan, reviewed reports of inspections, evaluated decisions regarding imposing disciplinary penalties and giving compulsory instructions, proposed by Lithuanian Chamber of Auditors.</p> <p>Due to new requirements of the Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and requirements of 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 new version of the Law of the Republic of Lithuania on Audit was enacted. According to the new regulation, among other, the AAAPVIM will carry out quality inspections of auditors and audit firms, who performs statutory audit of public-interest entities. New Law enter into force on 1 March 2017. After new version of the Law of the Republic of Lithuania on Audit enter into force, AAAPVIM is planning to accept implementing legislation (relevant procedures of the performance of inspections) and to start to perform inspections of public interest entities auditors and audit firms.</p>