



## TRANSPARENCY REPORT 2015/2014

An audit firm providing statutory audit services to public interest entities (listed entities, credit institutions, insurers and other significant entities and organizations) is required to produce and publish a transparency report.

BDO EESTI AS  
AUDIT FIRM  $\triangle 1$



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In this report, the term “audit“ in phrases such as “audit services” and “audit clients” covers all professional services provided by public accountants.

## ▶ LETTER FROM MANAGING PARTNER

### Audit firm $\triangle 1$ in Estonia

BDO Eesti AS (audit firm, activity licence  $\triangle 1$ ) was the first legal person that obtained the right to offer audit services in Estonia after the country regained its independence. By choosing us, you will gain access to the global experience and expertise of the world's fifth-largest network of audit and advisory firms.

### Steadfast commitment to transparency

As a private entity entrusted with the statutory audit of public interest entities, we acknowledge our special position as professionals. Accordingly, commitment to transparency is embedded in our corporate culture.

### Dedication to development of the profession

The general public's understanding of the role of statutory auditors as well as the nature and quality of their services requires consistent improvement. BDO believes that greater transparency increases the public's trust in statutory auditors and helps improve the credibility and reputation of audit firms. We will continue to publish detailed transparency reports to help increase awareness of the profession, improve the reputation of statutory auditors and meet all relevant legal requirements.

### BDO in Estonia at a glance

Thanks to our international reach and long-term local experience, we can support your business in Estonia with:

- ✓ **Audit services**
- ✓ **Advisory and training services**
- ✓ **Accounting, payroll and business support services**

We have been delivering quality audit, business & financial advisory and support services in Estonia since 1991.

### 500+ clients and 50+ professionals as at 30 June 2015

Over the years, including 24 with the current service offering and more than 35 since establishment, we have become one of the leading audit and advisory firms in the Estonian market. We have over 500 clients including major local and international companies as well as public sector entities. BDO's Estonian offices with their more than 50 professionals provide quality sector-specific services that take into account both industry developments and the latest international trends.



**11** Certified public accountants



**10** Certified public sector auditors or certified internal auditors



**250+**  
Audit clients

BDO Eesti AS is pleased to provide an overview of its organization and activities with a focus on statutory auditing. We believe that you will find our transparency report both informative and interesting. We hope that insights into who we are and what kind of ethics, independence and quality assurance processes we have implemented to ensure the reliability and quality of our audit services will help increase the public's trust in us as we fulfil our role of a statutory auditor.



**SULEV LUIGA** ▶  
BDO Eesti AS Managing Partner,  
Chairman of Management Board

“Thank you for your trust.  
What matters to you, matters to us.”

▶▶ **BDO's global vision is to be the leading provider** ▶▶  
**of exceptional client service**

## ▶ STATEMENTS BY MANAGEMENT AND SUPERVISORY BOARDS

▶ BDO Eesti AS's (audit firm activity licence  $\Delta$ 1) TRANSPARENCY REPORT 2015/2014 has been prepared in accordance with the requirements of section 158 of the Estonian Auditors Activities Act.

▶ An audit firm does not engage in activities other than the professional services and other business activities of a statutory auditor as defined in the Estonian Auditors Activities Act.

▶ BDO Eesti AS provides the services of an audit firm under activity licence no. 1 granted by the Estonian Ministry of Finance on 8 March 2010.

▶ The management and supervisory boards of BDO Eesti AS believe that the risk management and quality assurance environment described in the following sections of this report meets all regulatory requirements and provides a reasonable basis for assuming that the professional services of BDO Eesti AS comply, at all times, with all relevant quality standards.

▶ BDO Eesti AS's annual internal independence review was conducted in June-July 2015; the safeguards required for ensuring independence have been implemented and recorded in professional practice documents. Accordingly, BDO Eesti AS confirms that it has been independent in its professional activities.

▶ BDO Eesti AS also confirms that the information disclosed in this report is, in all material respects, correct as at the date of signature of this report (22 September 2015).

### STATEMENTS BY THE FIRM'S MANAGEMENT AND SUPERVISORY BOARDS:

Management board has prepared TRANSPARENCY REPORT 2015/2014 for the period 1 July 2014–30 June 2015.



**SULEV LUIGA** ▶  
Chairman of Management Board  
sulev.luiga@bdo.ee  
Mobile: +372 504 3175



**SVEN SILING** ▶  
Member of Management Board  
sven.siling@bdo.ee  
Mobile: +372 517 9833



**EGLE VAINULA** ▶  
Member of Management Board  
egle.vainula@bdo.ee  
Mobile: +372 518 5812

Supervisory board has reviewed and approved the report prepared by the management board.



**KÜLLI ROSENBERG** ▶  
Chairwoman of Supervisory Board  
kylli.rosenberg@bdo.ee  
Mobile: +372 5349 0978



**KARIN LUIGA** ▶  
Member of Supervisory Board  
karin.luiga@bdo.ee  
Mobile: +372 505 6330



**KAIRE RISTMETS** ▶  
Member of Supervisory Board  
kaire.ristmets@bdo.ee  
Mobile: +372 518 8678

## ▶ BDO: GLOBALLY LOCAL

### BDO Eesti AS's legal and management structure and owners

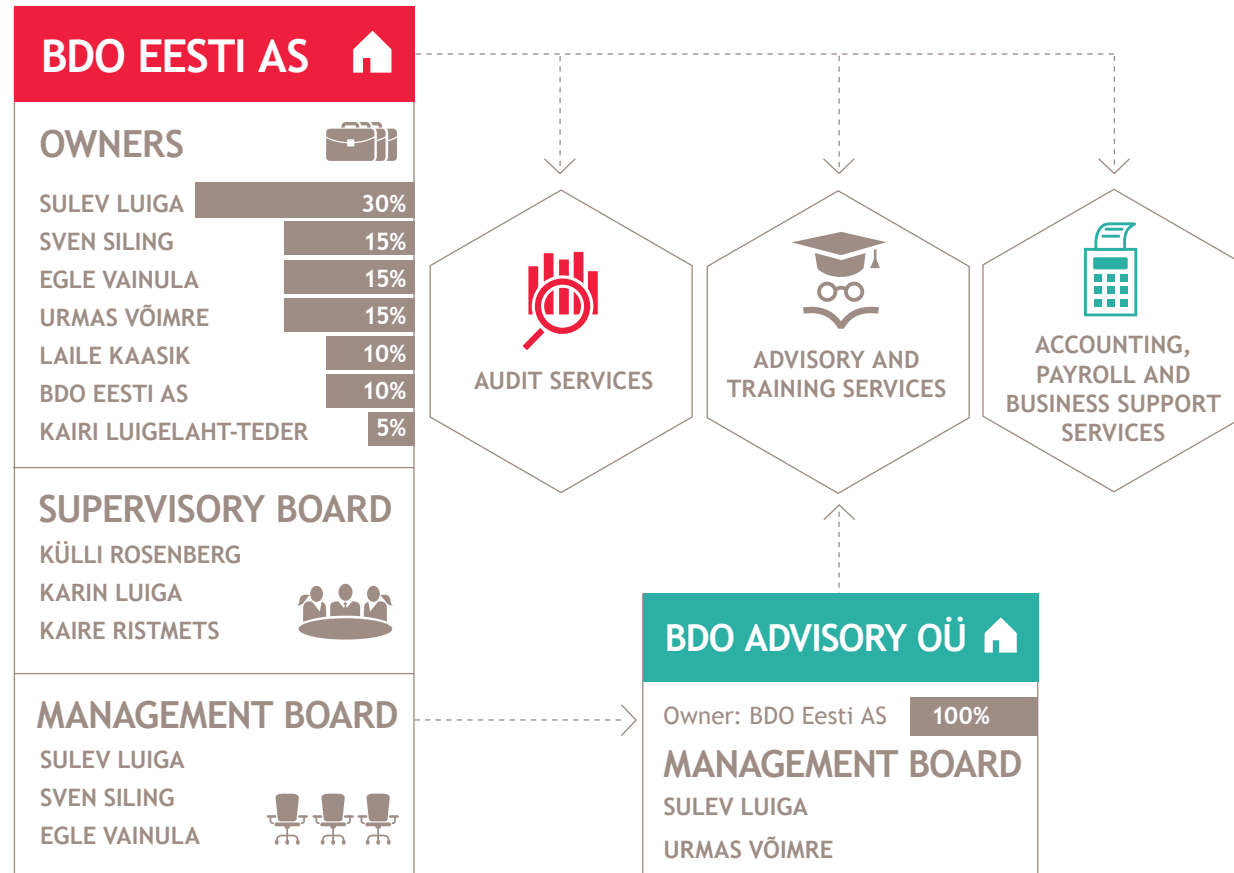
▶ BDO Eesti AS is registered in Estonia (registry number 10309827, audit firm  $\Delta$ 1) and a parent of a group which at 30 June 2015 included a subsidiary, BDO Advisory OÜ, which is engaged in the provision of advisory services. BDO Advisory OÜ (registry number 12252563) is not registered as an audit firm as defined in the Estonian Auditors Activities Act.

▶ BDO Eesti AS is a limited company defined as *aktsiaselts* under Estonian law. Its governing bodies are the general meeting, a 3-member supervisory board and a 3-member management board.

▶ BDO Advisory OÜ is a limited company defined as *osajühing* under Estonian law. Its governing bodies are the general meeting (the sole shareholder is represented by the management board of BDO Eesti AS) and a 2-member management board.

▶ At 30 June 2015, the share capital of BDO Eesti AS amounted to 60,000 euros and consisted of 600 ordinary shares with equal rights and a par value of 100 euros each. 10% of the shares were held by BDO Eesti AS as treasury shares. Treasury shares do not grant the company any rights on the distribution of dividends or voting in general meeting.

30 June 2015



BDO in Estonia has offices in Tallinn and Tartu.

### ✓ COMPLIANCE WITH REQUIREMENTS FOR AUDIT FIRMS

#### Requirement:

A majority (50%+) of the votes represented by shares in an audit firm have to be held by statutory auditors that have obtained their auditor's qualifications in an EEA contracting state or audit firms subject to the unrestricted oversight of a competent authority of an EEA contracting state.

BDO Eesti: **85%+**



#### Requirement:

Where an audit firm's management board has three members, at least two of them have to be statutory auditors that have obtained their auditor's qualifications in an EEA contracting state and are members of the Estonian Association of Auditors.

BDO Eesti: **100%**



## ► BDO EESTI AS'S CONSOLIDATED REVENUE

The financial year of the companies of BDO Eesti AS group covers the period 1 October-30 September. The statutory transparency reporting period of an audit firm covers the period 1 July-30 June.

# 650+

In the reporting period we performed:  
 315+ AUDIT SERVICES ENGAGEMENTS  
 175+ ACCOUNTING SERVICES ENGAGEMENTS  
 155+ ADVISORY AND TRAINING SERVICES ENGAGEMENTS

### BDO Eesti AS's consolidated revenue 1 July-30 June (EUR)

#### AUDIT SERVICES



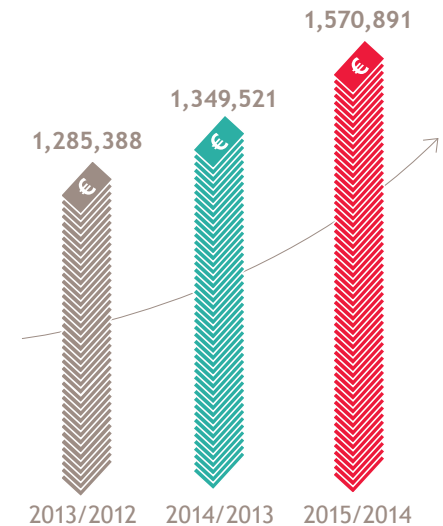
#### ACCOUNTING AND PAYROLL SERVICES



#### ADVISORY AND TRAINING SERVICES



#### TOTAL REVENUE



Average number of BDO Eesti AS's partners and staff in the reporting period, converted to full-time equivalent:

2013/2012	2014/2013	2015/2014
36	39	39

# LEGAL AND STRUCTURAL ARRANGEMENTS IN THE BDO INTERNATIONAL NETWORK

## BDO since 1963

BDO is an international network of public accounting and advisory firms that perform professional services under the name of BDO, which is a registered trademark of Stichting BDO. Founded in 1963, the network has a history of 50+ years. The BDO trademark is an acronym that stands for the names of the network's original members: Binder Hamlyn (United Kingdom), Dijker & Co (Netherlands) and Otte & Co (Germany).

## Governing bodies of the BDO international network

### BDO International Council

BDO International Council comprises one representative from each voting member and represents the members of BDO International Limited in general meeting. The Council approves the annual budget and changes in the Articles and Regulations and appoints the Global Board.

### BDO International Global Board

The Global Board, which is the Board of Directors of BDO International Limited, currently comprises a representative of the network's seven largest member firms, whose appointment for a three-year term is approved by the Council.

The Global Board meets at least four times a year and more frequently if required, oversees the work of the Global Leadership Team and sets policies and priorities for the network.

### BDO International Global Leadership Team

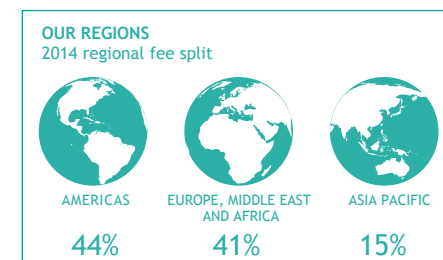
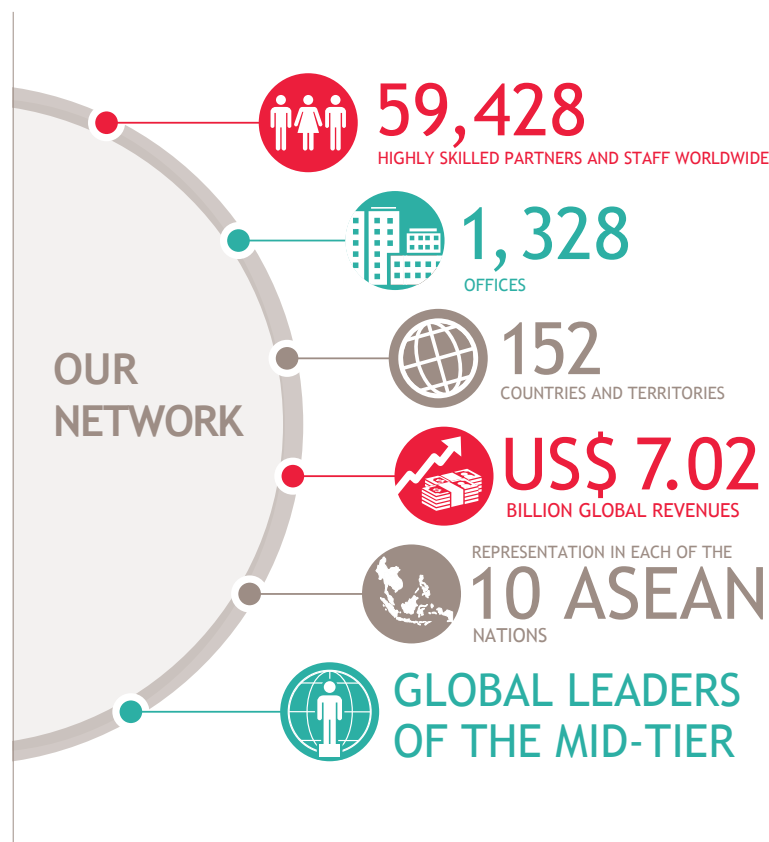
The Global Leadership Team carries out on a daily basis the decisions of the Global Board in the framework of the budget approved by the Council. The Team comprises the Global Heads of Audit & Accounting, Tax, People, Client Service, Network Development and the International Secretary.



## Global knowledge sharing

In addition to their own extensive knowledge, all our professionals can tap the expertise of the BDO international network whose highly recognised experts are just a phone call away. By sharing knowledge, we complement each other in order to:

- ▶ Assist our clients
- ▶ Further improve our professional competence



As at 1 December 2014

## LEGAL AND STRUCTURAL ARRANGEMENTS IN THE BDO INTERNATIONAL NETWORK



**WERNER SCHIESSER** ▶  
Chairman of BDO  
International Council  
werner.schiesser@bdo.ch

Membership of the BDO network is based on 3 core agreements:

**Member firm network agreement** which sets forth requirements for members of the BDO network along with their rights and obligations.

**Services agreement** which specifies the terms and conditions of centrally provided services and contribution to general development of the network.

**Member firm licence agreement** which confers the right and obligation to use the BDO intellectual property, name, logo, visual identity, software and manuals.



**WAYNE BERSON** ▶  
Chairman of BDO  
International Global Board  
wberson@bdo.com

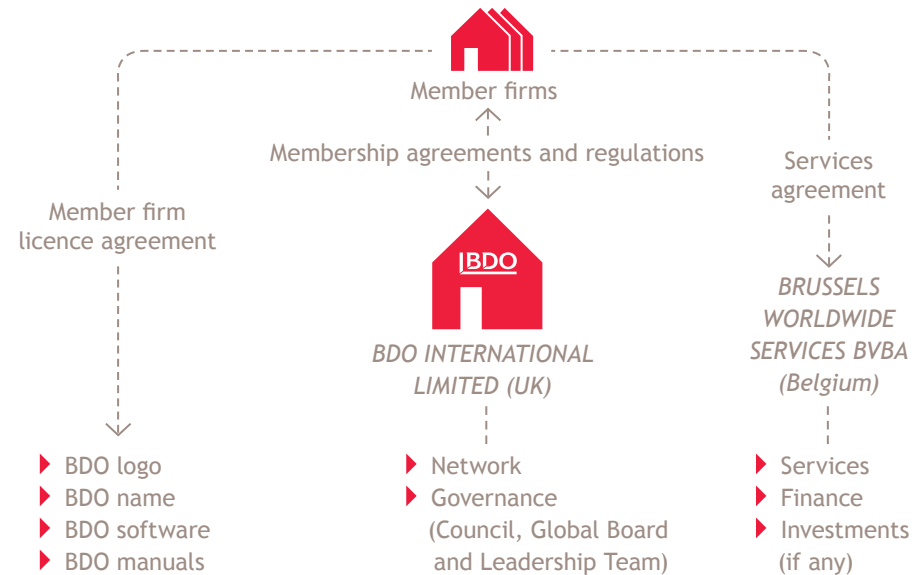


**MARTIN VAN ROEKEL** ▶  
Chief Executive Officer of  
BDO International  
martin.van.roekel@bdointernational.com

▶ To gain and maintain BDO membership, a firm must offer a minimum range of the core services (including audit, tax and advisory), have appropriate quality & risk management systems and professional liability insurance cover, and observe a high standard of professionalism and ethics.

▶ Provision of central services within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium whose statutory seat is in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. The member firms of the BDO network do not have any agency relationship or partnership agreement with BDO International Limited and Brussels Worldwide Services BVBA. Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions.

▶ Through the obligations undertaken by BDO Eesti AS under the network agreements it has signed, the BDO network has significant influence over the operations and policies of BDO Eesti AS. However, in the opinion of the management board, BDO International Limited (or Brussels Worldwide Services BVBA or Stichting BDO) does not have control over BDO Eesti AS in a manner that would cast doubt on the independence of BDO Eesti AS as a provider of audit services.





## ▶ BDO CLIENT SERVICE PHILOSOPHY: WE ARE FOCUSED ON SOLUTIONS

BDO's vision is to be the leader in exceptional client service

- ✓ We are committed to building strong and long-lasting relationships
- ✓ We listen
- ✓ We respond
- ✓ We are proactive
- ✓ We are dedicated to your business

**As professionals, we seek and create opportunities for success**

We appreciate and recognise the strengths of each individual. We assess people based on their performance and offer flexibility in the use of work time. We deliver on the promises made to colleagues and clients. We treat each other as equals and value mutual trust. We support and encourage independent thinking and self-development. We favour the preventive approach to problem-solving. We wish to be an example for others.

**BDO's distinctive feature is a close and personal relationship with the client**

We aim to understand people as well as business and to build lasting relationships, which are based on mutual respect and trust. We care about the success of our clients and are committed to delivering value. Our professional skills and knowledge ensure effective and smooth collaboration.

BDO Eesti AS's management behaves in a manner, which shows that investing in the goals and systems that ensure our service quality is in the best interests of the firm, the auditors and the clients.

### Services enhanced over time

We have been operating in the Estonian audit and advisory services market for almost 25 years and have developed a client-based approach to service offering. Consideration of the specific needs and values of each client allows us to build long-term client relationships.

We offer our solutions in order to help clients focus on what is important, simplify issues that are complex, prevent and mitigate risks and, where necessary, outsource their business support services.



**At BDO, we believe that the financial services of the future are characterised by:**

- Clients' direct access and participation
- Growth in management accounting and reporting
- Paper-free communication
- Significant decrease in manual labour through inter-machine communication
- Reasonable price

## ▶ BDO CLIENT SERVICE PHILOSOPHY: WE ARE FOCUSED ON SOLUTIONS

### Synergy and mutual support

We treat each other with consideration and respect. We stand up for each other and do not have a blame culture. We make time for any colleague who wants to talk through an issue and help each other out by freely giving advice and sharing workloads, ideas, opportunities, knowledge and resources. We ask for help when we need it and act as one firm.

### Additional assurance through honesty and integrity

We consult and communicate in an open manner. This means we are trustworthy and straightforward in all of our working relationships and prudent in our judgment. We give advice we believe in and behave ethically, stay true to our professional standards and avoid conflicts of interest.

### What matters to you, matters to us

BDO values each existing and prospective client. To ensure the best possible cooperation, we apply a personal approach and strive to adjust to the needs of the client. Be it a small everyday matter or a complex time-consuming process – our experience shows that collaboration produces the best outcome.

### Client-focused approach

To make sure that our services are provided as smoothly as possible, at least two professionals are assigned to each client. One is the lead client relationship manager and the other a competent specialist whose role is to complement or fill in for the first. Such an arrangement ensures swift and smooth delivery of the services.

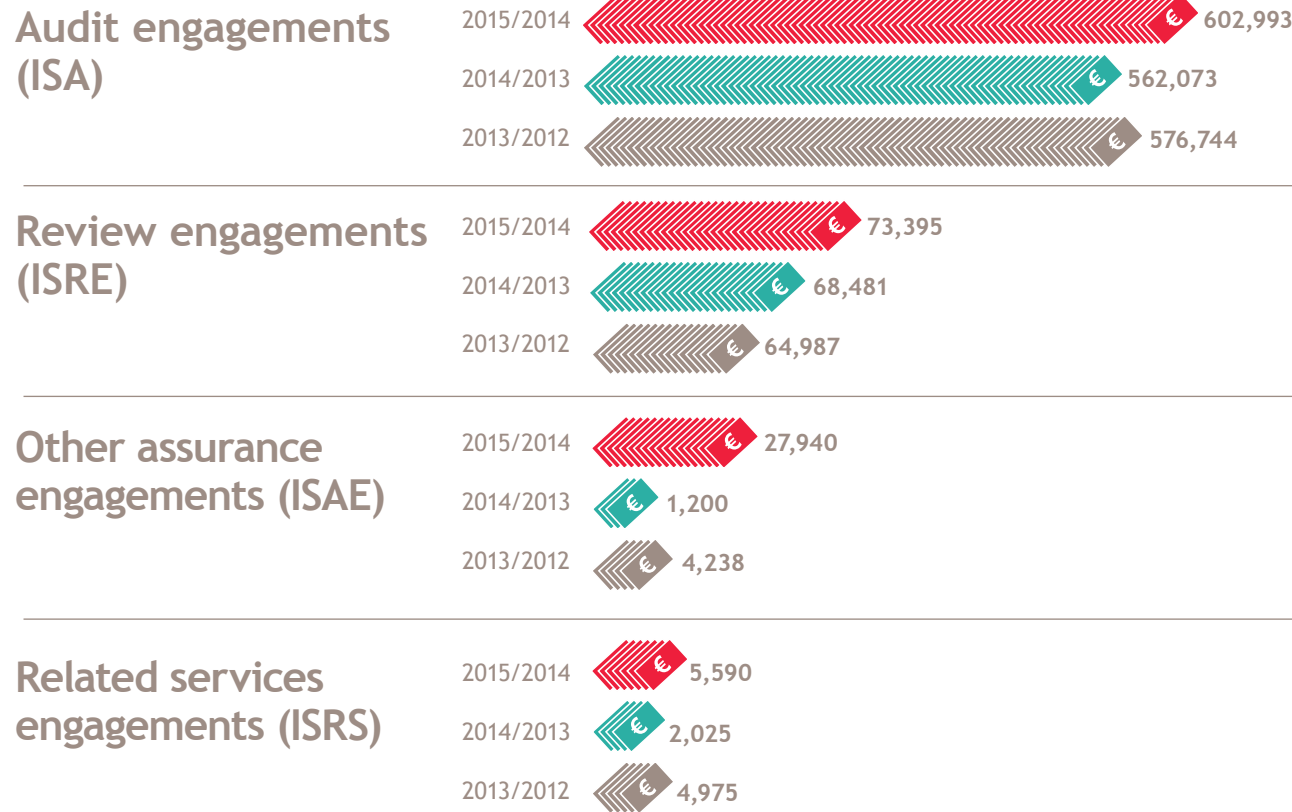


Photo by Gert Kelu

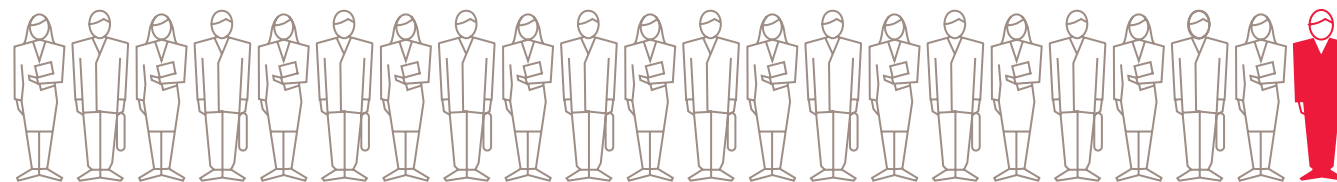
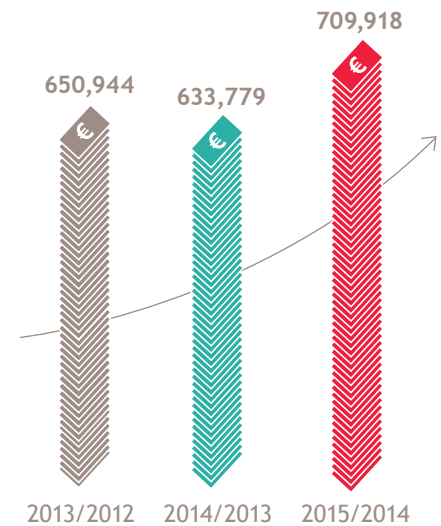
## AUDIT SERVICES AND CERTIFIED AUDITORS

**230** ISA ENGAGEMENTS  
**54** ISRE ENGAGEMENTS  
**29** ISAE ENGAGEMENTS  
**6** ISRS ENGAGEMENTS

BDO Eesti AS's revenue from audit services 1 July-30 June (EUR)



### TOTAL REVENUE FROM AUDIT SERVICES



Average number of partners and staff involved in the provision of audit services in the reporting period, converted to full-time equivalent

2013/2012	2014/2013	2015/2014
16	18	17

## ▶ AUDIT SERVICES AND CERTIFIED AUDITORS



### SVEN SILING ▶

Partner  
 Head of Audit and Training Services  
 Member of Management Board  
 Certified Public Accountant  502  
 Certified Public Sector Auditor  
 sven.siling@bdo.ee  
 Mobile: +372 517 9833



### LAILE KAASIK ▶

Partner  
 Certified Public Accountant  511  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit  
 laile.kaasik@bdo.ee  
 Mobile: +372 5628 8139



### KAIRI LUIGELAHT-TEDER\* ▶

Partner  
 Certified Public Accountant  546  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit  
 kairi.luigelaht-teder@bdo.ee  
 Mobile: +372 521 2828



### REE TEINBERG ▶

Certified Public Accountant  625  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit  
 ree.teinberg@bdo.ee  
 Mobile: +372 521 4391

- ✓ RELIABILITY
- ✓ ACCURACY
- ✓ ASSURANCE

Examining financial performance with the help of an expert helps interpret results and plan and manage change. Financial reporting is like the calling card of the organization. The involvement of an experienced auditor – a certified public accountant – adds reliability to the financial statements.

Members of the BDO network have to comply with the independence standards and the Code of Ethics of the International Federation of Accountants (IFAC). BDO offers the following public accountant's services that are governed by the standards published by IFAC:

- ▶ audits and reviews of financial statements prepared in accordance with the Estonian generally accepted accounting principles (GAAP);
- ▶ audits and reviews of financial statements prepared in accordance with International Financial Reporting Standards (IFRS)
- ▶ special-purpose and other assurance engagements;
- ▶ assurance reporting on packaging reporting;
- ▶ related services.

The management of BDO Eesti AS is willing to enforce all reasonable measures to ensure that the firm consistently stands for quality, independence, objectivity and integrity. Management consistently reminds the partners of the importance of quality assurance. The same message is communicated to all staff on a regular basis.

All members of the BDO network conduct audit engagements using the same audit methodology and process, which ensures methodological uniformity and consistency. The methodology is consistently taught to all partners and staff that provide audit services.

Our methodology is sufficiently flexible, allowing the performance of additional procedures that may be required by local laws and regulations.

All staff that have been granted the right to sign auditor's reports on behalf of the firm must have the appropriate qualifications and the licence of a certified public accountant (CPA) or, where appropriate, the licence of a certified public sector auditor. The CPA that leads an engagement:

- ▶ must be sufficiently competent to perform the engagement;
- ▶ composes the engagement team and is responsible for proper performance of the engagement;
- ▶ is responsible for instructing and supervising the work done by less experienced staff or external parties to whom work is delegated and determining the extent to which their work must be reviewed; and
- ▶ reports to the management board and/or Head of Audit Services in matters concerning the engagement.

## ▶ AUDIT SERVICES AND CERTIFIED AUDITORS

### Audits of financial information (ISA)

International Standards on Auditing (ISA) set out auditors' responsibilities in conducting an audit of financial statements. The objective of an audit is to enhance the degree of confidence in financial statements, which is achieved by the expression of a reasonable assurance opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Reasonable assurance is a high level of assurance.

For example, audits of annual financial statements are performed in accordance with ISA (EE).

### Reviews of financial information (ISRE)

International Standards on Review Engagements (ISRE) set out auditors' responsibilities in conducting a review of financial statements. The objective of a review engagement is to enable an auditor to state with moderate (limited) assurance whether, on the basis of procedures performed, anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework. Moderate (limited) assurance is a lower level of assurance than reasonable assurance.

For example, reviews of annual financial statements are performed in accordance with ISRE (EE).

### Audit and review requirements in the 2015/2014 reporting period (general thresholds)

		Reporting entity's indicators for the financial year		
		Revenue or income	Total assets at reporting date	Average number of employees
STATUTORY AUDIT	At least one indicator exceeding	€6,000,000	€3,000,000	90
	At least two indicators exceeding	€2,000,000	€1,000,000	30
STATUTORY REVIEW	At least one indicator exceeding	€3,000,000	€1,500,000	45
	At least two indicators exceeding	€1,000,000	€500,000	15



#### VELLO METTIS ▶

Certified Public Accountant  $\Delta$  340  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit  
 vello.mettis@bdo.ee  
 Mobile: +372 510 0682



#### EGL E VAINULA ▶

Partner  
 Head of Accounting Services  
 Member of Management Board  
 Certified Public Accountant  $\Delta$  581  
 egle.vainula@bdo.ee  
 Mobile: +372 518 5812



#### SULEV LUIGA ▶

Managing Partner  
 Chairman of Management Board  
 Certified Public Accountant  $\Delta$  229  
 sulev.luiga@bdo.ee  
 Mobile: +372 504 3175



#### MARGIT VIKS\* ▶

Certified Public Accountant  $\Delta$  526  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit



#### JEKATERINA TRUNIN\* ▶

Certified Public Accountant  $\Delta$  608  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit

## ▶ AUDIT SERVICES AND CERTIFIED AUDITORS



### MAI EVER\* ▶

Certified Public Accountant 202  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit



### URVE KIPPER\* ▶

Certified Public Accountant 252  
 Certified Public Sector Auditor  
 Authorised Signatory in Audit

\* In the reporting period, authorised signatories Kairi Luigelaht-Teder, Jekaterina Trunin and Margit Viks were on parental leave.

\* Since the end of the reporting period, Mai Ever has left the firm (authorised signatory until 30 June 2015).

\* Since the end of the reporting period, Urve Kipper has left the firm (authorised signatory until 29 June 2015).

### Other assurance engagements (ISAE)

The objective of International Standards on Assurance Engagements (ISAE) is to establish rules for the performance of assurance engagements other than audits or reviews of historical financial information. Other assurance engagements enable the auditor to express either a reasonable assurance conclusion or moderate assurance conclusion.

For example, assurance engagements to report on packaging reporting are performed in accordance with ISAE (EE).

### Examinations of prospective financial information (ISAE)

The objective of International Standards on Assurance Engagements (ISAE) is also to establish rules for the performance of engagements to examine and report on prospective financial information including examination procedures for best-estimate and hypothetical assumptions. Prospective financial information can be in the form of a forecast, a projection or a combination of both. Due to the uncertainty of the realization of future events, the auditor usually expresses a moderate assurance conclusion on whether the assumptions applied by management are reasonable.

### Related services engagements (ISRS)

International Standards on Related Services (ISRS) set out auditors' responsibilities in conducting related services engagements. The objective of an **engagement to perform agreed-upon procedures** is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results. The report contains the factual findings of the agreed-upon procedures and the recipients of the report have to draw their own conclusions from the auditor's work.

The objective of a **compilation engagement** is to apply the auditor's accounting and financial reporting expertise to assist management in collecting, classifying and summarizing financial information. The procedures applied by the auditor are not designed to express any assurance on the accuracy of the financial information. However, users of the financial information will benefit from the involvement of the auditor because the service is provided with professional competence and due care.

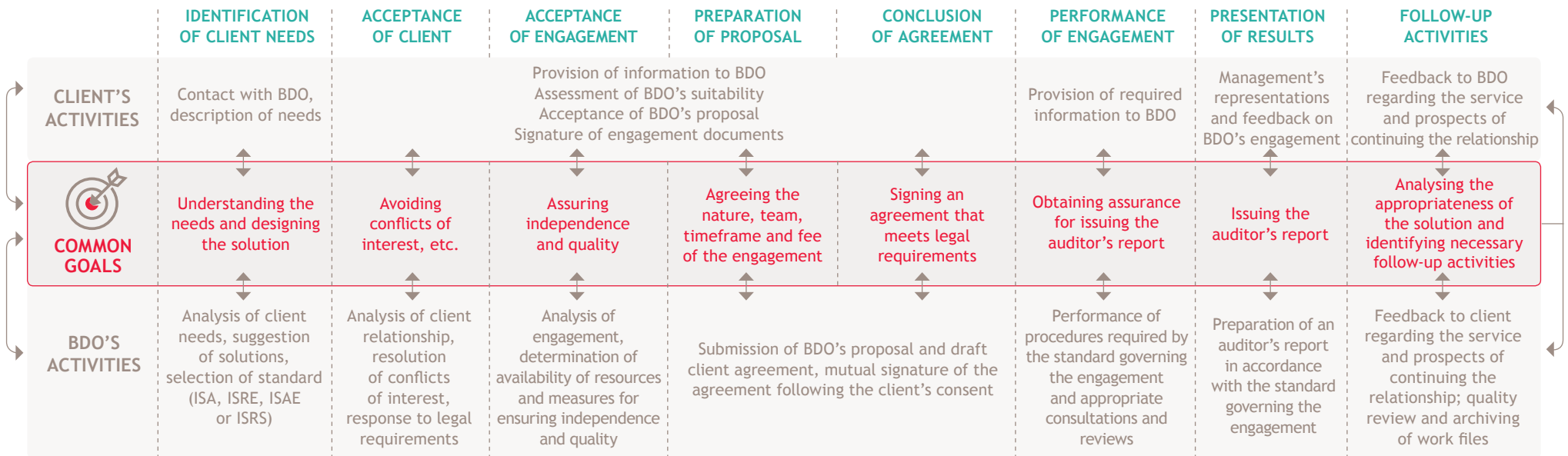
## ▶ AUDIT SERVICES AND CERTIFIED AUDITORS

BDO Eesti AS has established stringent guidelines and rules for accepting new and prospective clients and assessing the risk of engagements, which are designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm:

- ▶ is competent to perform the engagement and has the capabilities (including time and resources) to do so;
- ▶ can comply with relevant ethical requirements; and
- ▶ has considered the integrity of the client and has no basis for concluding that the client lacks integrity.

In BDO Eesti AS's client agreements (including agreements on audit services), the fee is agreed as a fixed amount, in the form of hourly rates or as a combination of the two. The fee charged for audit services depends on the estimated time required for the performance of the engagement and the firm's hourly rates, which are based on the qualifications of the staff assigned to do the work. The time required depends on the specific nature of the engagement, the client's operations and the qualifications of the engagement team.

BDO'S AUDIT SERVICE CHART (BASED ON PROFESSIONAL STANDARDS)



## ▶ AUDIT SERVICES AGREEMENTS WITH PUBLIC INTEREST ENTITIES (PIEs)

The Estonian Auditors Activities Act defines a PIE as follows:

- ▶ a company whose securities are admitted to trading on a regulated securities market as defined in the Securities Market Act;
- ▶ a company, which is an insurer as defined in the Insurance Activities Act;
- ▶ a local government in whose administrative territory there live over 10,000 people as at the reporting date or whose total assets in the separate or consolidated annual accounts exceed 20,000,000 euros as at the reporting date;
- ▶ a ministry as a government accounting entity as defined in the Accounting Act.

In addition, a legal person, excluding the state, is a PIE if according to its separate or consolidated financial statements at least two of the following indicators for the financial year exceed the following thresholds:

- ▶ revenue or income: 66,000,000 euros;
- ▶ total assets as at the reporting date: 33,000,000 euros;
- ▶ average number of employees: 1,000.

A company, foundation, non-profit association or other person where a public sector entity has a majority interest or control is a PIE if according to its separate or consolidated financial statements at least three of the following indicators for the financial year exceed the following thresholds:

- ▶ revenue or income: 14,000,000 euros;
- ▶ total assets as at the reporting date: 7,000,000 euros;
- ▶ average number of employees: 200;
- ▶ number of members of the supervisory board: 8.

PUBLIC INTEREST ENTITIES with whom BDO Eesti AS had an audit services agreement (including an agreement for the performance of a statutory audit) during the period 1 July 2014-30 June 2015:

Client name	Registry number	Total assets EUR	Revenue EUR
Baltic International Trading OÜ	10901841	105,128,741	458,448,179
Estonian Academy of Music and Theatre	74000547	8,609,915	6,368,709
Estonian Unemployment Insurance Fund	74000085	635,666,785	174,640,757
Enterprise Estonia Foundation	90006006	61,767,491	95,286,692
Estonian Defence League	74000725	36,357,000	32,300,000
Kantauro OÜ	10757783	87,215,937	24,262,260
Põltsamaa City Government	75003045	22,566,000	7,020,000
Rakvere City Government	75025064	65,869,021	20,612,704
State Forest Management Centre	70004459	1,269,815,666	160,505,096
Environmental Investment Centre Foundation	90005946	195,678,198	145,833,966
Skinest Grupp AS	11200831	194,382,168	99,909,097
Skinest Rail AS	10293440	189,617,330	99,284,014
University of Tartu	10634036	291,845,651	158,486,953
Viimsi Parish Government	75021250	89,939,400	29,077,000
Võru City Government	75019980	48,212,359	18,656,160



In the reporting period, the number of PIEs served increased by 5.



## ▶ BDO METHODOLOGY: AUDITOR INDEPENDENCE AND SERVICE QUALITY

Implementation and maintenance of the risk management and internal & quality control system are the responsibilities of the firm's management board and Risk Management Partner. The firm assumes that if the rules established by the management board are observed, proper application of their requirements is effective. Information on policies and procedures as well as feedback on the results is communicated to the staff in writing and/or at training courses.

Our risk management and quality control system is in full compliance with the requirements established by the International Federation of Accountants (IFAC). The risk management and quality control system is an integral part of our day-to-day operations.

As a member of the BDO network, we have to observe the network's approved common risk management and quality control standards. These are complemented by local legal and regulatory requirements and, where appropriate and required by a specific engagement, the quality standards of a third country. The methodology is updated according to need so that it would consistently meet the requirements of the changing environment.

To ensure service quality, we apply:

- ▶ the BDO global audit software APT (Audit Process Tool) and the BDO Technical Manuals including the BDO Audit Manual, BDO A&A Policy Manual, BDO Risk Management Manual, etc;
- ▶ regular intra-network Quality Assurance Reviews, which are conducted by professionals from other member firms at least once every three years;
- ▶ a member firm's annual accreditation process, which covers the following areas: audit and accounting services, tax services, advisory services, markets and clients, staff recruitment and development, risk management and governance.

The risk management and internal & quality control system of BDO Eesti AS comprises the following elements:

- ▶ significant ethical requirements to be observed;
- ▶ terms and conditions for accepting and continuing client relationships and engagements;
- ▶ policies for ensuring an appropriate engagement team;
- ▶ quality assurance responsibilities;
- ▶ rules for proper performance of an engagement;
- ▶ supervision and monitoring of client relationships and engagements.

The policies and procedures in place require all partners and staff to:

- ▶ take appropriate steps for ensuring full compliance with relevant quality, ethical and independence requirements or non-acceptance/withdrawal from the client relationship or engagement;
- ▶ notify the Risk Management Partner promptly of any breaches of quality, ethical and independence requirements;
- ▶ involve a competent person (member of the management board or another partner) in assessing the scope of a potential breach.

At least annually, all personnel required to be independent by ethical requirements has to provide a written confirmation of compliance with the firm's quality, ethics and independence policies and procedures. The latest internal independence review was carried out in June-July 2015.

To cover the risks of its professional activities, BDO Eesti AS has acquired appropriate professional liability insurance.

### PARTNERS RESPONSIBLE FOR RISK AND QUALITY MANAGEMENT AT BDO EESTI AS



#### SVEN SILING ▶

Member of Management Board  
Risk Management Partner  
sven.siling@bdo.ee  
Mobile: +372 517 9833



#### SULEV LUIGA ▶

Managing Partner  
Chairman of Management Board  
sulev.luiga@bdo.ee  
Mob: +372 504 3175

### BDO'S GLOBAL QUALITY & RISK MANAGEMENT DIRECTOR:



#### ANDRE DE REGT ▶

Global Quality &  
Risk Management Director  
andre.de.reg@bdo.global

## ▶ BDO METHODOLOGY: AUDITOR INDEPENDENCE AND SERVICE QUALITY

In the firm, compliance with professional, risk management and quality standards is the responsibility of all partners and professional staff. All of them are expected to understand, apply and follow the firm's operating policies and relevant procedures.

As a rule, work quality is ensured with the so-called four-eye principle whereby the work of each engagement team member is reviewed by another team member of at least the same position and competence. In the case of more complex, critical and significant engagements, the engagement partner and team members are entitled/obligated to involve in the work independent experts responsible for advising the team.

### Remuneration

The partners (owners) and staff of BDO Eesti AS receive a fixed monthly salary with additional remuneration or the remuneration of the member of the management board. Additional remuneration depends on the achievement of the key business, quality, development and other targets.

In addition, owners are entitled to dividends and other distributions of net assets in amounts proportionate to their ownership interest.

Remuneration is underpinned by the following principles:

- ▶ employees should consistently contribute to maintaining and enhancing their professional skills;
- ▶ the firm values the skills needed for delivering quality work and relevant professional and industry experience;
- ▶ there may be no interference in the professional work of an auditor that could jeopardise the independence of the auditor or the firm.

BDO Eesti AS supports the auditor responsible for an engagement in preparing appropriate reports and also in situations where this may lead to termination of a client relationship.

## External appraisals of the risk management and internal & quality control system of BDO Eesti AS

The most recent quality assurance review conducted at BDO Eesti AS by the BDO network took place in 2014.

The review covered:

- ▶ compliance of the quality control system with IFAC ISQC 1;
- ▶ compliance of the quality of auditors' professional services with the IFAC standards;
- ▶ compliance of the firm's management systems and policies.



**BDO Eesti AS passed the quality assurance review with the highest rating on a 3-grade scale: "Service quality meets requirements, improvements possible"**

The Estonian Association of Auditors conducted a quality assurance review at BDO Eesti AS in 2014-2015 in respect of the periods 2011/2012, 2012/2013 and 2013/2014.

The external quality control review covered:

- ▶ compliance of the quality control system with IFAC ISQC 1 (EE);
- ▶ compliance of the quality of auditor's professional services with the IFAC (EE) standards.



**BDO Eesti AS passed the quality assurance review with the highest rating on a 3-grade scale: "Service quality meets requirements, improvements possible"**

Earlier BDO Eesti AS has passed:

- ▶ a routine quality assurance review conducted by the Estonian Association of Auditors in 2011, which awarded the firm the highest possible rating;
- ▶ a quality assurance review conducted by the BDO network in 2011, which awarded the firm the highest possible rating;
- ▶ an extraordinary quality assurance review conducted by the Estonian Association of Auditors in 2013, which awarded the firm the highest possible rating.



**BDO Eesti AS passed the quality assurance review with the highest rating on a 3-grade scale: "Service quality meets requirements, improvements possible"**

## ▶ BDO PEOPLE: TEAM DEVELOPMENT AND PROFESSIONALISM

### Employees are BDO's most important assets

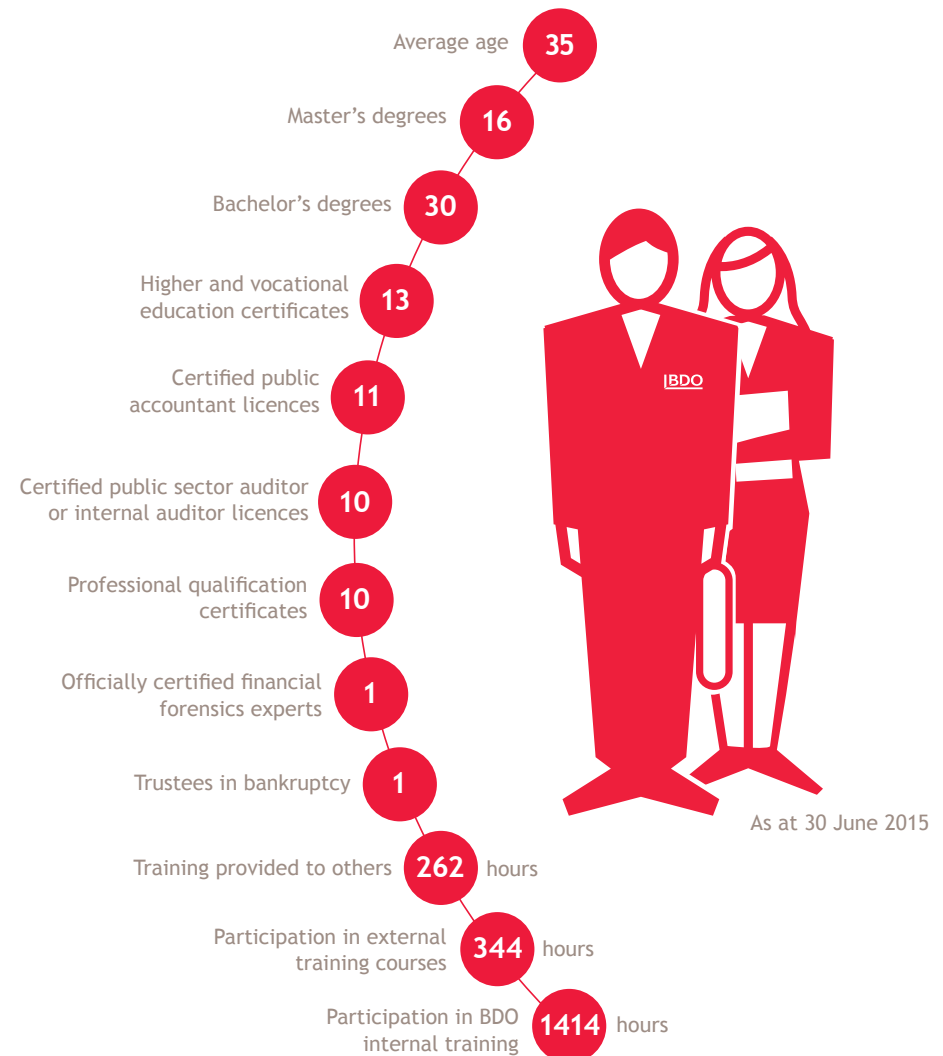
We appreciate the skills, dedication and enthusiasm of our employees because these are a driving force not only for the staff but also the firm. Therefore, BDO invests in a supportive work environment that encourages accomplishment, competitive remuneration, and a diverse range of training options. In addition to professional achievement and development, we value good relations between colleagues and arrange events that allow the staff to spend time together outside the office.

BDO's reputation and success depend on the professionalism and integrity of each partner and staff member. Thus, we have implemented measures designed to provide assurance about the adequacy, competence and integrity of the staff required to:

- ▶ perform engagements in accordance with relevant professional standards and legal and regulatory requirements;
- ▶ issue appropriate reports.

BDO Eesti AS recruits both the best experienced financial specialists and young people interested in gaining experience in finance and becoming certified public accountants, business advisers or (chief) accountants. To be recruited, a candidate must pass an interview, professional and language tests, problem-solving tasks and written presentations.

The objective of the firm's professional development strategy is to help the staff maintain and improve their professional skills and grow their market value. Employees are encouraged to make sure that their professional development and qualifications comply with their role, responsibilities and professional requirements. Besides development through practice, BDO offers a continuing education programme in pre-designed professional and related areas that the staff may supplement with external training courses.



## ▶ BDO PEOPLE: TEAM DEVELOPMENT AND PROFESSIONALISM

Passing on skills, knowledge and experience from experienced professionals to less experienced staff is an important part of our work process and corporate culture, which supports self-improvement and development.

Consulting with parties in- and outside the engagement team is a key element of our engagements and the basis for our success. BDO's audit methodology provides different opportunities for feedback and training throughout the engagement.

The main purpose of continuing education and training is provision of quality client service. Supervision of continuing staff training is an integral part of the annual accreditation process of all BDO member firms.

Annual training plans and programs are prepared and executed by taking into account the employees' individual training needs as well as regulatory training requirements.

### Distribution of roles in the engagement team

In the case of every engagement, the management of the client entity is notified of the lead auditor responsible for the engagement as well as other key members of the team and their roles. Engagement performance efficiency is achieved by assigning more complicated procedures to those team members that yield the best price-quality ratio. The work of less experienced staff is reviewed by more experienced team members. In assigning tasks, the firm takes into account the skills and professional and industry experience required for achieving quality results.

As a rule, an engagement team for the provision of audit services includes one or several staff from each of the following levels:

- ▶ lead auditor (certified public accountant);
- ▶ engagement manager (certified public accountant if necessary);
- ▶ auditor's assistants;
- ▶ specialist(s) from other fields.

An engagement team is composed by taking into account the size, nature and specific features of the activities of the client organization or entity. Experienced team members' instruction and supervision of the less experienced staff includes:

- ▶ coordinating, instructing and guiding;
- ▶ notifying of important matters;
- ▶ reviewing and approving work done and reaching agreement on conclusions.

All specialists involved in an audit engagement are appraised based on their contribution, the quality of documenting their work and the results recorded in the summaries included in the reports prepared by the certified public accountant.

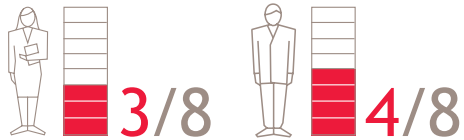
In the case of certain engagements we may apply additional quality assurance measures. For example, where necessary, we may assign an engagement team an independent Engagement Quality Control Reviewer that will support and supervise the team. In such a case, the engagement has to pass a mandatory review before the final report is issued. The conclusion of the engagement and discussions with the independent reviewer will be documented.

### The goal is to grow the market value of the staff



## ▶ BDO PEOPLE: TEAM DEVELOPMENT AND PROFESSIONALISM

In addition to 11 licensed certified public accountants (CPAs), nine of whom are also licensed certified public sector auditors, two BDO employees have passed some of the eight modules of the CPA examination:



On 19 August 2014, Urmas Võimre, BDO Eesti AS's partner and Head of Tax and Advisory Services, was registered as an officially certified financial forensics expert qualified to identify the cause and origin of insolvency, assess corporate rehabilitation plans and determine the value of shares and intangible assets.

The list of experts is maintained and administered by the Estonian Forensic Science Institute, a state agency administered by the Ministry of Justice.



On 9 May 2015, BDO Eesti AS's accountants Helen Aariste and Olga Chirkova successfully passed the certification examination and were awarded the qualification of Level 5 Accountant.

The examination was taken by 159 people and only 59.7% of them passed. Therefore, we are particularly pleased to state that in one part of the examination, Helen achieved the maximum points. At 30 June 2015, BDO Eesti AS had 10 certified accountants.



Photo by Gert Keltu



We prioritise language skills in the recruitment process and enhance our people's language skills through regular in-house language training.



On 8 February 2015, the Examination Committee of the Estonian Chamber of Bailiffs and Trustees in Bankruptcy confirmed that BDO Eesti AS's partner and Head of Tax and Advisory Services Urmas Võimre had successfully passed the examination of a trustee in bankruptcy.

## BDO'S OTHER BUSINESS

BDO Eesti AS's other business revenue 1 July-30 June (EUR)

### Accounting, payroll and business support services



### Financial, risk and business advisory services



### Tax advisory service

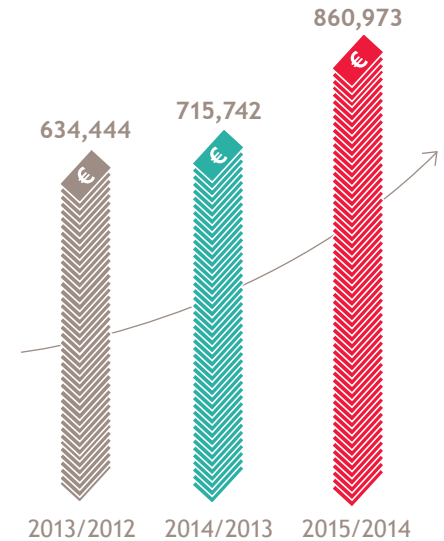


### Training services



- In addition to audit services BDO Eesti AS offers:
- ▶ Accounting, payroll and business support services
  - ▶ Tax advisory services, tax audits and reviews
  - ▶ Financial and business advisory services
  - ▶ Liquidation and trustee in bankruptcy services
  - ▶ Risk advisory and internal audit services
  - ▶ Training and lecturer services

### TOTAL REVENUE FROM OTHER BUSINESS



Average number of partners and staff involved in other business in the reporting period, converted to full-time equivalent:

2013/2012	2014/2013	2015/2014
15	15	17

## ▶ BDO'S OTHER BUSINESS

### Accounting, payroll and business support services:

- ✓ COMPLIANCE WITH REQUIREMENT
- ✓ CONFORMITY WITH DEADLINES
- ✓ PEACE OF MIND

BDO's accounting, payroll and business support services are designed for both major multinational and smaller local companies. Our specialists' dedication and experience will let you focus on your core business and be assured that your finances are in professional hands. We tailor our solutions to the needs and profile of each specific client.



#### BDO's portfolio of solutions comprises:

- ▶ Financial and tax accounting and reporting services in accordance with the Estonian GAAP or IFRS
- ▶ Payroll accounting and reporting services – (monthly) computation and disbursement of salaries, preparation and submission of tax returns
- ▶ Design and implementation of an organization-specific accounting and reporting system, management and cost accounting/reporting
- ▶ Agreed/selected accounting and reporting services; intra-group accounting, etc.
- ▶ Other business support services (including business address service)

### Tax advisory services, tax audits and reviews:

- ✓ PRAGMATIC APPROACH
- ✓ LEGAL COMPLIANCE
- ✓ TAX EFFICIENCY

Expert tax advice is invaluable for your business. When you expand geographically or diversify your business, you can benefit from the expertise of the BDO international network. We offer appropriate tax assistance to both local and cross-border businesses.



#### BDO's tax experts offer the following competencies:

- ▶ Solving day-to-day tax issues (e.g. submission of refund claims, completion of tax returns, etc)
- ▶ Preparing explanation requests and inquiries for submission to the tax authorities, Ministry of Finance or Chancellor of Justice
- ▶ Representing the client in tax audits and tax disputes with the tax authorities
- ▶ Handling registrations (VAT payer, non-resident employer, permanent establishment)
- ▶ Providing international tax advice (including transfer pricing and labour mobility)
- ▶ Representing non-residents in tax matters
- ▶ Performing tax audits and reviews



#### EGLE VAINULA ▶

Partner  
 Head of Accounting Services  
 Member of Management Board  
 Certified Public Accountant  $\Delta$  581  
 egle.vainula@bdo.ee  
 Mobile: +372 518 5812



#### URMAS VÕIMRE ▶

Partner  
 Head of Tax and Advisory Services  
 Officially Certified  
 Financial Forensics Expert  
 Trustee in Bankruptcy  
 urmas.voimre@bdo.ee  
 Mobile: +372 514 7987

## ▶ BDO'S OTHER BUSINESS



### URMAS VÕIMRE ▶

Partner  
Head of Tax and Advisory Services  
Officially Certified Financial Forensics Expert  
Trustee in Bankruptcy  
urmas.voimre@bdo.ee  
Mobile: +372 514 7987



### SULEV LUIGA ▶

Managing Partner, CEO  
Certified Public Accountant △ 229  
sulev.luiga@bdo.ee  
Mobile: +372 504 3175



### ANNA-MARI OOMER ▶

Head of Risk Advisory Services  
Certified Public Sector Internal Auditor 1059  
BDO Advisory OÜ Authorised Signatory in Risk Advisory Services and Internal Audit  
annamari.oomer@bdo.ee  
Mobile: +372 5669 0104

### Financial and business advisory services:

- ✓ RESULT
- ✓ GROWTH IN VALUE
- ✓ PREPAREDNESS FOR CHANGE

The most successful transactions are generally attributable to excellent coordination of knowledge, needs and opportunities. To implement change successfully, it is critically important to be prepared and have expert support. Tested cross-service skills will help you maintain focus on growing value and managing risks within a tight timeframe.



**BDO's solutions cover  
the entire life cycle of an organization:**

- ▶ Business and investment valuation
- ▶ Financial position analysis and business plan preparation
- ▶ Due diligence and transaction advisory services
- ▶ Establishment, mergers and acquisitions, de-mergers, dissolutions and sales of legal entities, business performance analysis, client's representation and advice in M&A processes
- ▶ Advice on matters pertaining to commercial law, tax law, law of obligations and other business-related issues
- ▶ Preparation of expert's opinions for negotiations and disputes
- ▶ Advice on corporate rehabilitation, reorganization and bankruptcy proceedings including representation of creditor's/debtor's interests, preparation of rehabilitation/reorganization plans, etc.
- ▶ Services of a trustee in bankruptcy

### Risk advisory and internal audit services:

- ✓ AWARENESS
- ✓ DUE CONSIDERATION
- ✓ READINESS

A competitive business landscape and rapidly changing regulatory environment create additional challenges that require organizations to prevent fraud and respond to threats that have realized. These matters are best entrusted to qualified risk management professionals. Diverse and extensive experience enables them to select the best solutions that are appropriate in the circumstances.



**BDO's service offering includes:**

- ▶ Risk assessment and management
- ▶ Internal audit (including compliance, performance and follow-up audits)
- ▶ Internal control system assessment and enhancement (processes, procedures, controls, information exchange, reporting, compliance, etc)
- ▶ Forensic services including identification of fraud risks, advising on prevention of conflicts of interest, etc.
- ▶ Audits of EU projects
- ▶ Audits of the management and control systems of organizations implementing EU funds



## ▶ BDO'S OTHER BUSINESS

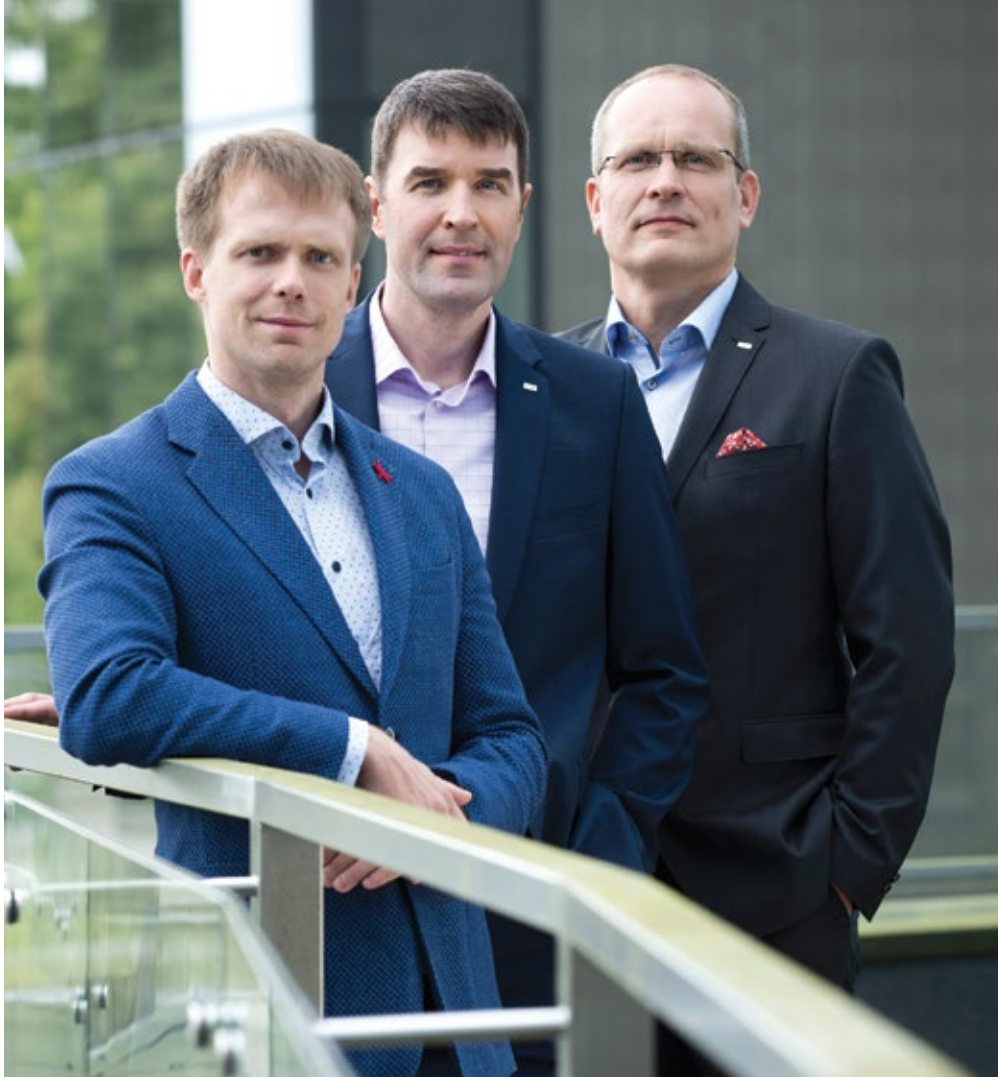


Photo by Gert Keltu

### Training and lecturer services:

- ✓ EXPERTISE
- ✓ COMPETITIVE EDGE
- ✓ APPLICABILITY

Our training concept is to provide the audience with knowledge and skills in topical areas by giving real-life examples along with alternative approaches. Consistent self-improvement and education improves your competitiveness and, thus, helps increase your market value.



Based on your needs,  
BDO can offer:

- ▶ Bespoke training solutions that meet your organization's specific needs
- ▶ Training and seminar planning, arrangement and moderation services
- ▶ Experienced practitioners as visiting lecturers for conferences, seminars and training events
- ▶ One-to-one training

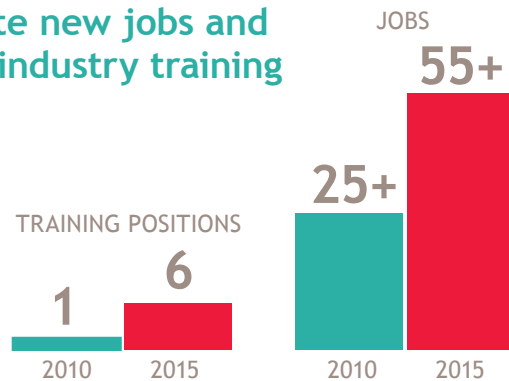


#### SVEN SILING ▶

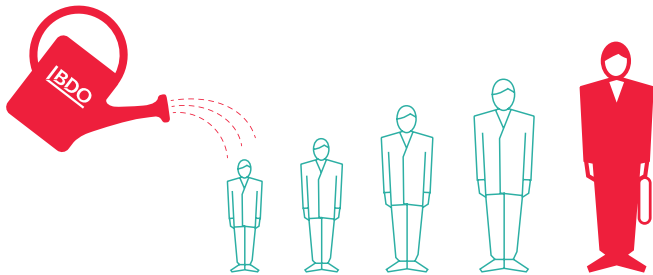
Partner  
Head of Audit and Training Services  
Member of Management Board  
Certified Public Accountant  $\Delta$  502  
Certified Public Sector Auditor  
Mobile: +372 517 9833

## ▶ BDO'S CONTRIBUTION TO DEVELOPMENT OF THE ESTONIAN ACCOUNTANCY INDUSTRY

### We create new jobs and provide industry training



### We invest in the future of the industry



BDO works closely with professional bodies, universities and students. We believe that by sharing our knowledge through lectures and seminars, we contribute to the education and availability of future specialists and enable diverse input in the creation of common visions. We recognise the value of offering industry training because this has supplied us with quite a few of our current specialists.



### We contribute to service design

BDO has been a lead sponsor of the Estonian Design Awards competition in the category of service design since 2012.

### Membership and active involvement in the work of professional bodies:



- ▶ Egle Vainula - Estonian Association of Accountants
- ▶ Sven Siling - Estonian Association of Auditors
- ▶ Laile Kaasik - Examination Committee of Professional Accountant's Qualification Examination

See also:

<http://www.bdo.ee/en/about-us/memberships>



**260+** Lecturer hours  
**15+** Lecturers

See also:

<http://www.bdo.ee/en/about-us/giving-back-society/>

### ● EUROPEAN ○ BUSINESS ○ AWARDS

BDO Eesti AS was the only audit and advisory firm from Estonia that was named as a finalist of the European Business Awards competition.

In the framework of the European Business Awards, organised for the eighth time to recognise outstanding European enterprises from different sectors for their excellence and innovation, 709 enterprises from 33 European countries including nine from Estonia were named as National Champions.



The Estonian competitiveness ranking lists the most successful Estonian companies and sets them as an example for others. The purpose of composing the scoreboard is to help improve the competitiveness of Estonian companies and thereby stimulate economic development.

In 2014, 472 companies submitted their data and request for entering the competition. BDO Eesti AS reached the 14th place in the category of business service and real estate companies, surpassing all its main competitors.

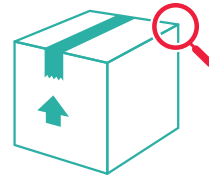
## ► BDO'S CONTRIBUTION TO DEVELOPMENT OF THE ESTONIAN ACCOUNTANCY INDUSTRY



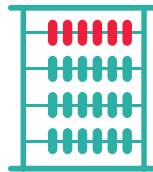
For the first time, we compiled a handbook mainly aimed at foreign investors: *Doing Business in Estonia 2014*.

The publication provides a wide range of information about the Estonian business environment and macro-economy.

See also: <http://bdo.ee/en/2014/05/doing-business-in-estonia/>



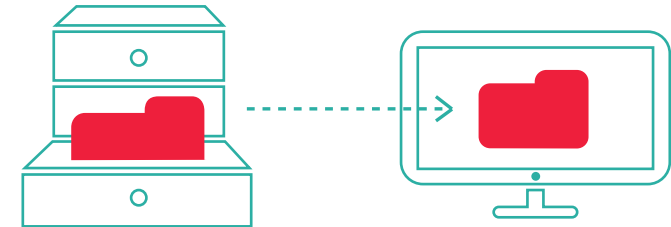
A new service of 2015/2014: ASSURANCE REPORTING ON PACKAGING REPORTING



A new service of 2015/2014: TAX REPRESENTATIVE service



New services of 2015/2014: START-UP services Incl. BDO WAR ROOM In cooperation with SEB Pank AS



We helped several clients streamline their financial accounting processes through greater automation that rendered the operations more paper-free.



The Annual Statement 2014/2013 of BDO Eesti AS group was unique, distinctive and innovative among the management reports of Estonian audit and accounting firms.

See also: [http://bdo.ee/static/BDO\\_Tegevusaruanne\\_20151.pdf](http://bdo.ee/static/BDO_Tegevusaruanne_20151.pdf)



**1,200+**  
SUBSCRIBERS

BDO's specialists under the leadership of editor in chief Egle Vainula compile one of the most popular handbooks published by business paper Äripäev – the accountancy handbook - and reply to the subscribers' questions in an online forum. In addition, our payroll services team contributes to the publication of Äripäev's payroll newsletter *Palk*.



BDO Eesti AS  
Audit firm activity licence no.  $\Delta$ 1  
Registry no. 10309827  
VAT no. EE100081343

BDO Advisory OÜ  
Registry no. 12252563  
VAT no. EE100081343

BDO in Tallinn  
A.H. Tammsaare tee 47  
11316 Tallinn  
Tel: +372 627 5500  
Fax: +372 627 5501  
adm@bdo.ee  
www.bdo.ee

BDO in Tartu  
Aleksandri 9  
51004 Tartu

facebook

LinkedIn



Original photo: Kaupo Kalda

Photos: Gert Kelu, Kaupo Kalda  
Design: Risto Luhalep