

Audit Committee Report
Canadian Chamber of Commerce in Latvia
Riga, September 6, 2016

To the members of the Canadian Chamber of Commerce in Latvia (CanCham):

The Audit Committee of the CanCham consisting of Henrik Mjoman, Haralds Ozols and Juris Paegle met on August 30, 2016, with J. Paegle not being present and elected Haralds Ozols as chairman and Henrik Mjoman as secretary.

The Audit Committee has reviewed the financial information provided by Indra Sproģe-Kalviņa and the operations of the CanCham Board of Directors which is chaired by Ed Kalvins and includes Irena Cīrule, Samuel Davidovich, Valters Kronbergs and Indra Sproģe-Kalviņa as members of the board for the period from the last Annual General Meeting on September 23, 2015 to August 22nd, 2016.

The report is divided into three sections:

1. General observations
2. Financials
3. Procedural

1. General observations

We have read the Annual Report dated August 21st, 2016, and have not identified any discrepancies between the information in the report and the information that is known to us.

Events: From gathering information via the CanCham website and the Board members Face Book group, the Audit Committee has counted 17 events after the September 23, 2015 AGM, up until August 18, 2016.

Opinion: 17 events in 10 months is a good result compared to other years and according to Chairman Ed Kalvins attendance is going up, with the last event bringing together 50 people.

Membership: According to the Annual Report prepared by Ed Kalvins, current membership stands at 55.

Recomendation: Membership has increased significantly during the period covered by this report. However, as the finders fees being paid for new member recruitment is a source of considerable strife amongst board members, it is suggested to discuss this at the AGM.

2. Financials

The following financial information was audited:

- bank statements
- financial binder containing invoices, contracts, summaries, etc

Opinion: Having reviewed the financial statements provided by Indra Sproģe-Kalviņa the Audit Committee has not found any information lacking and the statements appear to provide a true and accurate statement of the financial transactions of the CanCham in Latvia.

The Chamber has also applied for and been granted VAT payer's status.

3. Procedural

It is ultimately the responsibility of the Chairman of the Board of Directors to provide leadership to the chamber and to ensure the sustainability and development of the CanCham through his or her own actions or through delegating to other Board or CanCham members in compliance to the CanCham statutes and the laws of Latvia.

The governing law is "Biedrību un nodibinājumu likums" (Associations and Foundations Law) and the relevant CanCham statutes of which the current version has been submitted to the Companies registry on October 12th, 2009.

The Audit Committee notes numerous occurrences of non-compliance to both laws and statutes and several instances of questionable practices. While we understand the argument that "this is the way we did it before", and that some of these instances are the result of a lack of resources to ensure compliance, the goal of this report is to seek solutions to ensure compliance in the future.

We recognize that the current Board commenced a review of the statutes and laws on July 21st, 2016 and have taken measures to ensure compliance. This Audit Report is to be a part of that process.

It is a recommendation of this report that the next Board prepare a handbook or operating procedure manual, which spells out standard procedures which the Board must take into account during day to day operations as well as procedures related to the AGM and documentation regarding governing institutions.

Non-compliance issues related to the statutes, laws or regulations

1. **AGM of September 23, 2015:** The statutes state that there are three board members. Five were elected. Three are registered in the Registry which does not allow for the registration of additional board members without a statute change.

Recommendation: modify the statutes to reflect a minimum of 5 board members, but the total should be an odd number to reduce occurrences of deadlock in voting.

2. **AGM of September 23, 2015:** The statutes state that the Canadian Embassy may appoint an honorary representative to the Board, meaning that this person does not have a vote. Past practice is that the Embassy pays membership dues and a representative stands for election to the board.

Recommendation: Clarification and a discussion with the Embassy is needed to determine if the Embassy wants to be a regular member with regular voting rights or simply appoint a representative to the board.

3. **AGM of September 23, 2015:** It has been noted that several documents were not available at the AGM.

Recommendation: to ensure compliance and avoid problems with any official audits, this report recommends that future boards work to collect any missing documents to ensure that all documents are available if and when required.

4. **AGM of September 23, 2015:** The law requires that at least one Audit Committee member have a financial background. This is not the case currently.

Recommendation: ensure compliance

5. **Membership:** The statutes state that all new members must be approved by the Board. This is not being done.

Recommendation: ensure compliance

6. **Board meetings:** The statutes require a minimum of 4 Board meetings per year. Board meetings in the current year have taken place in the second half of the year with the result that issues that should be addressed at Board meetings did not get addressed.

Recommendation: The new Board should meet within two weeks of the AGM to set a schedule of regular meetings, agree on decision-making processes outside Board meetings, and address technical issues relating to the budget for the next year. Further meetings can then be called on an as-required/requested basis.

7. **Financial commitments:** Financial commitments are being made for outsourcing accounting tasks and paying commissions for attracting new members without the approval of the AGM or the Board.

Recommendation: Within 2 weeks of the AGM, the Board must approve a budget.

Recommendation: Ensure that any significant deviations from an approved budget are reviewed and approved by the Board.

Recommendation: All financial obligations must be approved by the Board.

Recommendation: Financial obligations must not extend beyond the mandate of one Board's tenure.

Non-compliance issues related to accepted practices:

1. AGM of September 23, 2015: Several Board and Audit Committee members were elected to their positions in absentia and without their written consent to stand for elected office.
Recommendation: ensure written confirmations are received.
2. Statutes: The statutes are only available in the Latvian language.
Recommendation: Translate the statutes into English.
3. **Statute availability:** Statutes were not readily available to either Board members or the membership.
Recommendation: Post English and Latvian versions of the statutes in the CanCham web site and they must be available at any General Members meeting.
4. **Decision-making:** Some decisions have been taken by using Face Book likes within the Board's Facebook closed group.
Opinion: While this may be a useful method to communicate quickly, it lacks the opportunity for meaningful discussion and not all Board members are active Face Book users.
Recommendation: If any method other than regular Board meetings is used for decision making, all Board members need to agree to such methods.



Haralds Ozols

Henrik Mjoman

Juris Paegle