

Action Plan developed by the Georgian Federation of Professional Accountants and Auditors (GFPAA)

Compliance with the International Federation of Accountants (IFAC) Principles of Membership Commitment (SMO).

GFPAA Action Plan 2022-2024

General information about the Action Plans

SMO Action Plans are developed by IFAC Members and Associates to demonstrate compliance with the Principles of Membership Commitment (SMO). The SMO requires IFAC Members and Associates, under the auspices of IFAC, to promote the adoption and implementation of International Standards and other pronouncements issued by independent standards-setting boards as well as the International Accounting Standards Board (IASB), as well as quality assurance (QA) reviews and Establishing investigation and disciplinary (I&D) systems.

IFAC Members and Associates conduct self-assessments against the requirements of SMOs and identify areas where, if any, improvements are needed. Based on the results of the assessment, Members and Associates should develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

The SMO Action Plans are continuously updated, providing a comprehensive description of the accounting profession and its legislative and regulatory environment, as well as actions taken by IFAC Members and Associates to adopt and implement international standards and best practices.

Regular updating of SMO Action Plans is required as part of IFAC's Member Compliance Program.

Use of Information

Please refer to the Disclaimer published on the IFAC website.

ACTION PLAN

IFAC Member:	Georgian Federation of Professional Accountants and Auditors (GFPAA)
Approved by Governing Body:	GFPAA Board
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GLOSSARY

ACCA	Association of Certified Chartered Accountants
CPD	Continuing Professional Development
EC	Ethics Committee
EC	Educational Committee
ECC	Education and Certification Committee
ED	Executive Director
EDC	Ethics and Disciplinary Investigation Committee
GFPAA	Georgian Federation of Professional Accountants and Auditors
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IAASB	International Audit & Assurance Standards Board
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISQC	International Standard on Quality Control
PIE	Public Interested Entity
QA	Quality Assurance
QAC	Quality Assurance Committee
QARC	Quality Assurance Review Committee
QC	Quality Control
SARAS	Service for Accounting, Reporting and Auditing Supervision
SC	Standards Committee
SMO	Statement of Membership Obligations
TSU	Tbilisi State University

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Action Plan Subject: SMO 1–Quality Assurance

Action Plan Objective: Development and maintenance of GFPAA Quality Assurance Review System

Starting from June 2016 series of substantial legislative changes have been made to the regulation of auditing profession in Georgia, since the preceding law from June 2012 is no longer valid and the new law is in place. According to the new law of Georgia on Accounting, Auditing and Reporting (#5386-III, 8 June 2016) (New Law) auditing profession is regulated by the newly established Public Oversight Authority Service for Accounting, Reporting and Auditing Supervision (SARAS) at the Ministry of Finance.

The SARAS took over all of the regulatory functions that were previously vested to Accredited Professional Organizations until 2016, specifically: establish and implement the quality review system, approve quality reviewers, perform quality reviews of audit firms and maintain the auditors register. With this law ISAs, IFRS and IFRS for SMEs is adopted in full as well as the IESBA Code of Ethics and Quality Control system (ISQC 1), the translation and implementation of which is the responsibility of SARAS.

By the New Law individual auditors are obligated to be members at professional organizations whereas audit firms can do so at their discretion.

Two organizations have been recognized in the country in today's situation: Georgian Federation of Professional Accountants and Auditors (GFPAA) and Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM).

Currently, in accordance with the legislation, certification is carried out by only one professional organization (de facto) GFPAA.

The recognition criteria of a professional organization in the country are:

1. These organizations must have internal policies, systems and procedures which ensure that:
 - A) The requirements for professional certification and continuing professional education are met; and
 - B) The members comply with the requirements of the Code of Ethics for Professional Accountants (IESBA)

Code) and Quality Control Systems.

2. They must have a Register of member auditors and certified accountants, and the rules for disciplinary actions and identifying infringement of the law by member auditors.
3. They are obliged to publish the annual financial statements and the statement of performance.
4. The majority of members of the governing body of the professional organization are auditors and/or certified accountants.

In 2020, the IFAC manual "Focus on Business - Principles of Effective Management of the Organization of Professional Accountants" - recommendations for implementing best management practices - was translated into Georgian and published on the GFPAA website and in the monthly magazine.

In order to gradually implement the best governance practices in accordance with the IFAC guidelines, the GFPAA Board has prepared a draft amendment to the charter in 2021, which has been published for consideration and will be discussed for approval at the general meeting in December 2022.

According to the draft of amendments, no more than the following should be elected as members of the board (except for the chairman):

- 1 member from the academic sector, with whom the Federation has signed a memorandum of cooperation;
- 2 members from the accountants employed in the business (except for the auditor/audit firm employee);
- 2 members from the corporate member Big Four of GFPAA;
- 6 members from the corporate member-audit firms of GFPAA (except the Big Four) and/or self-employed auditors.

According to the New Law professional organizations have limited role and authority which includes the certification and continuing professional education of its members (professional accountants). And instead of quality control reviews which GFPAA did in the past, new role is to support member audit firms in quality control improvements, which includes: consultations, trainings, assistance to access Georgian version of audit program; preliminary review of quality control system's compliance with legislative requirements and appropriate recommendations by the experts invited by GFPAA; ethical norms and issues of disciplinary investigations of members.

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The legislative changes affected the GFPAA position and the name of the committee was changed into: „Quality Assurance Committee” (QAC).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Supporting GFPAA Member Firms in Implementing Quality Control Standards</i>					
1	2020		2022	QAC Chairman	QAC Members
2	2020	<p>Support to corporate members to implement ISQC 1.</p> <p>Within the support of Small and Medium Practices in 2020-2022:</p> <p>1. Several dozen publications published by IFAC, ACCA, World Bank have been translated and published on GFPAA's website and monthly magazine, including:</p> <ul style="list-style-type: none"> • Development/overview of new quality management standards by the International Auditing and Assurance Standards Board (IAASB) • International Quality Management Standard (ISQM) 2 - Overview of deal quality (ISQM 2) • Accelerating the use of assurance services for integrated reporting in the interest of society • Preparing the Professionals for the future: Challenges facing individuals in private practice and opportunities for professional organizations to assist them. • Covid-19 –The path to recovery for Small and Medium Practice firms' 	2022	GFPAA Committees and executive structure	Invited translators and experts, Donor organizations

	<ul style="list-style-type: none"> • Practice Transformation Action Plan • Support of small and medium-sized companies in the conditions of Covid-19 • Information related to sustainable development for small enterprises 7 Guidelines for Starting a Consulting Practice • An analytical picture of the specialization of small firms with an increased focus on business consulting services, etc.; <p>2. More than 10 webinars were held with the joint efforts of the World Bank and the GFPAA. between them:</p> <ul style="list-style-type: none"> • New international standards of quality management: raising the level of quality management • "The Future of Small and Medium-Sized Audit Firms: Business Diversification through New Service Offerings." • The future of SMPs: lessons learned from the crisis and the transformation of practice • "The future of small and medium audit firms: networks, mergers and absorption". • How to show SMEs the value of your advice, etc.; <p>3. For quality control of Small and Medium-sized enterprises 14 trainings were held, totaling 126 hours, including:</p> <ul style="list-style-type: none"> • Practical training on the use of the HAT audit manual • Practical training with the audit program regarding the use of the HAT audit methodology • Preparation for new quality management standards: QMS 1 - quality tasks and quality risks and Deal Quality 			
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		<p>overview</p> <ul style="list-style-type: none"> • International Quality Management Standard (IQMS) 2 Deal Quality overview; • Trainings for Small and Medium-sized audit firms in the IFAC guidelines for quality control, etc.; <p>Also, these topics are covered in CPD courses that are held every year. Full information on the mentioned topics can be found on the following links: Please see the links: http://baf.ge/site/index.php?tid=6&color=blue&lid=6&sid=21 http://baf.ge/site/index.php?tid=6&color=blue&lid=6&sid=22 https://saras.gov.ge/ka/Home/Manuals</p> <p>4. In 2020-2022, a preliminary review of the quality control system of 12 corporate members was conducted and a diagnostic report was submitted.</p>			
3	Ongoing	Periodic training of corporate members' representatives in ISQM1 and ISQM2 and preparing corporate members for SARAS quality assurance review by providing preliminary review of QA system and giving recommendations.	Ongoing	QARC Chairman	QARC Members
	Review	<i>of GFPAA's Compliance Information</i>			
4	Ongoing	Continue to ensure that GFPAA Quality Assurance Review System continues to be in line with the revised SMO1 requirements. This includes periodic review of the operation of the QA system and updating the Action Plan for future activities as necessary.	Ongoing	QARC Chairman	QARC Members

Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
Scope of the system 1. At a minimum, mandatory QA reviews are required for all mandatory audit of financial statements.	X			is a function of SARAS and is performed by it
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	X			performed by SARAS
3. Most up to latest versions of ISQM 1 and other relevant ISAs are adopted as the quality control standards.	X			performed by SARAS
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	X			is performed by GFPAA
Review cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	X			performed by SARAS
6. For cycle-based approach, quality control reviews are required to take place minimum at least every six years (and every three years for audits of public interest entities).	X			performed by SARAS
QA Review Team 7. Independence of the QA Team is assessed and documented.	X			performed by SARAS

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Requirements	Y	N	Partially	Comments
8. QA Team possesses appropriate level of expertise.			X	performed by GFPAA
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	X			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	X			performed by SARAS
Corrective and disciplinary actions				
11. Firms/partners that have undergone a review are required to make timely adjustments to comply with the recommendations of the review report.	X			
12. QA review system is linked to the Investigation and Discipline system.	X			
Consideration of Public Oversight				performed by SARAS
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	X			
Regular review of implementation and effectiveness				performed by SARAS
14. Regular reviews of implementation and effectiveness of the system are performed.	X			

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Publications issued by the IAESB

Action Plan Objective: Further development and maintenance of GFPAA Educational System

Background

Educational system and professional certification standard of GFPAA are based on the Normative #9 of the International Federation of Accountants- “Pre-Certification Education, Tests of Professional Competence and Practical Experience” and the National Requirements for Professional Accountants’ Qualifications adopted by the United Nations Trade and Development Conference. Professional certification standard of GFPAA does not conflict with the professional certification standard approved by the Professional Regulatory Organization (SARAS) in Georgia.

A certified public accountant is a person who has the right to be or is a member of a recognized professional organization of accountants and/or auditors, or is recognized as such by a regulatory body (SARAS).

GFPAA member “Certified Accountant” means that for a certain moment the person meets the certification requirements established for their field of activity and has the appropriate competence in such areas of professional services as: production, trade, public, state or education sector.

Competence is determined by the accountant's knowledge, experience and professional dignity. The knowledge and skills of a professional accountant are tested by passing qualifying exams, which are conducted in accordance with certification standards.

The period of validity of the certificate is indefinite, provided that the certified professional accountant annually undergoes continuing education in GFPAA, in accordance with the continuing education standard. The conditions for suspension of a certificate for the GFPAA member are determined by the Membership Bylaws,

the Disciplinary Investigation and Professional Ethics Committee bylaws, as well as in accordance with the continuing professional education standard for a full GFPAA member.

The accounting academic programs of most Universities, at a fundamental level, comply with IES requirements. GFPAA continues to work actively with universities to ensure full compliance of all programs. For this purpose, in 2022, under the joint organization of GFPAA and the World Bank, important events were held, namely:

- Within the framework of the joint financial inclusion and accountability project of the European Union and the World Bank, memorandums of mutual cooperation (mutual recognition of programs) were signed between GFPAA and 7 universities in the field of education and professional certification. According to the memorandums, students will be given full exemptions for the first and second level of the professional certification program, after the universities meet the criteria necessary for the recognition of the subjects;
- The universities that have signed the memorandum were given free of charge educational literature for the modules of the GFPAA professional certification program (1080 sets);
- In June-July 2022, 46 lecturers of the universities that signed the memorandum were trained in the methodology of teaching the modules of the professional certification program, etc.

GFPAA Professional Education and Certification System (IES 2-6):

Professional education policies and procedures are established by GFPAA Education Committee, which according to the Charter of Accountants (Internal Statutory Act) recognizes the International Education Standards (IES) and the qualification requirements for certified members are fully based on it. It is allowed to use both IES in English (original) and IES translated into Georgian. IES was last translated into Georgian in 2018, see the link:

<http://baf.ge/site/index.php?tid=67&color=blue&lid=67&sid=67>

The certification program is fully based on the program of Association of Chartered Certified Accountants (ACCA), whose literature (Publications of Kaplan Publishing , BPP) is translated into Georgian. The certification program is renewed every 3 years, or sooner in accordance with changes in the ACCA program or in the legislation inside the country. The need to change the program is also highlighted by a survey of employers who employ certified accountants in at least two areas: audit firms and other employers. The GFPAA Certification Program was last

updated this year (2022).

Details of our certification program can be found at the following link:

<http://baf.ge/site/index.php?tid=33&color=green&lid=33&sid=33>

GFPAA activities in the field of professional development/education comply with the requirements of EU Directives and International Education Standards (IES 2-6) established by the International Federation of Accountants (IFAC). A person's qualifications are confirmed through professional certification. In GFPAA, since 2003, professional development/education of accountants has been taking place on the basis of the ACCA program. The certification manual modules (11 modules) have been translated into Georgian and are periodically updated. In addition to the 11 translated modules, the certification program includes mandatory Georgian Business Law and Georgian Taxation. For professional certification (recognition as a professional accountant), it is mandatory for the applicant to confirm the knowledge of the topics covered by the International Education Standards (IES) and the certification program. The program includes three stages of certification (level 1, 2 and 3). Out of 13 modules of the program, the applicant has the right to receive exemptions in 8 modules (in the 1st and 2nd level modules), in case of confirmation of similar knowledge obtained in universities in accordance with the established rules. Passing the exams in GFPAA in the 5 exam modules of the highest level of certification (stage 3) is mandatory and it is impossible to be exempted in them.

The certification examination process is planned and fully implemented by an independent body – GFPAA Examination Commission. Internal supervision of the Commission's activities is carried out by the GFPAA Education Committee's Certification Oversight Board.

External monitoring of GFPAA certification process is carried out by the Supervisory Service (SARAS). The vocational education program and the certification process are recognized by the Supervisory Service (SARAS).

Candidates for GFPAA full membership (CPAs) must have completed a certification program, met the requirements of IES 5 (at least three years of practical experience or at least 2 years of professional practical experience plus at least 1 year of internship), and must undergo a final assessment.

GFPAA Continuing Education System (IES - 7)

GFPAA continuing education standard stipulates that a member of the organization completes a continuing professional development requirement (CPD) as a component requirement for continuing membership as a professional accountant. The standard introduces the concept of CPD appropriate (relevant), verifiable and acceptable action and outcome evaluation of knowledge.

All GFPAA member professional accountants are committed to developing and maintaining their professional competence at a level appropriate to the nature of their work and their professional commitment. This obligation applies to all professional accountants, regardless of whether they are engaged in the traditional field of accounting or in another field.

GFPAA itself provides suitable continuing professional development programs for professional accountants and facilitates access to programs offered by others.

GFPAA uses two approaches to achieve continuing professional development. In particular:

- a) Attendance-based approach and
- b) Result-based approach.

A professional accountant who fails to demonstrate the development and maintenance of professional competence under an outcome-based approach will be subject to continuing professional development under the attendance-based approach. For this purpose, GFPAA arranges organized seminars for professional accountants once a year.

Professional accountants subject to continuing professional development with an outcome-based approach are required by GFPAA to periodically demonstrate, with appropriate evidence, the development and maintenance of appropriate competency that:

- a) is impartially verified by a competent source; and
- b) is reasonably applicable to a competent assessment method.

Until 2020, the continuing education standard established the same approach/requirement for all certified

individuals (regardless of employment field). Starting from 2020, this approach has been changed by the standard for member professional accountants:

- A. **A Certified Accountant employed in the business** shall complete at least 90 hours of continuing education (or its equivalent unit of study) for each of 3 (three) continuous calendar years in order to fulfill the continuing education requirement.

- b. **An employee (auditor) in the public sector**, in order to fulfill the continuing education requirement, is obliged to complete at least 120 hours of continuing education (or its equivalent study units) every 3 (three) continuous calendar years.

Monitoring and sanctioning.

GFPAA carries out systematic checks on compliance with the **CPD** requirements of professional accountants and sets appropriate sanctions for non-compliance. To this end, the GFPAA Education Committee has a Supervisory Board established to monitor and enforce compliance with CPD requirements. Also, the process is monitored by SARAS.

To ensure control, GFPAA requires professional accountants to provide an annual report on commitment to continuing professional development. It is not the duty of a professional accountant to submit such a report, who participates in a training seminar organized by GFPAA within the framework of the attendance-based approach.

If the professional accountant does not comply with the mandatory requirement, a sanction will be applied to him.

The first step for a professional accountant who does not comply with mandatory continuing professional development is to apply within a reasonable time for compliance with the mandatory requirement.

GFPAA membership suspension/expulsion applies to a professional accountant who, after being referred by GFPAA, continues to ignore continuing professional development.

Competency requirements for audit professionals (IES 8)

According to the legislation, requirements for certified persons (auditors) wishing to be employed in the public sector are established by SARAS. Novice auditors are required to comply with the requirements of IES 8, “Professional Competence for Engagement Partners Responsible for Audits of Financial Statements”. In particular, the novice auditor is obliged to submit to SARAS the practice sheet issued by the supervising auditor to confirm the practical experience and competence of the candidate/certified accountant.

When performing the functions of a supervising auditor, the person must be a transaction/deal partner of the auditing firm and/or a self-employed auditor.

Legal requirements regarding professional education and certification:

SARAS is required by law to recognize the certification and continuing education programs of professional organizations in accordance with the requirements of the EU Directive and the IFAC International Education Standard. The professional certification standard defines the required study disciplines, the examination process and the rules of exemptions. The continuing education standard defines the appropriate program and the manner of its implementation.

The rules for obtaining the status of a Certified Accountant are contained in the "Professional Certification Standard" approved by SARAS. It is posted on the SARAS and GFPAA websites:

https://www.saras.gov.ge/Content/files/Professional_Certification_Standard_2017.09.21_ENG.pdf

<http://baf.ge/site/index.php?tid=1&color=blue&lid=1&sid=1&artid=173>

A brief description of the main requirements of this standard, see on the link:

<https://saras.gov.ge/Content/files/bugaltruli-agricxvis-angarishgebis-da-auditis-shesaxeb-kanoni.pdf>

Professional certification is carried out by professional organizations whose certification programs and/or

examination procedures meet the standards established by SARAS, and which are recognized in accordance with the SARAS Order "Rules for the Recognition of Certification Programs and Examination Processes" in 2017.

Currently, only GFPAA is recognized as an examination body.

By law, the continuing education process is provided by recognized professional organizations whose continuing education programs are recognized and monitored for compliance with established rules and legislation by SARAS.

CPD system requirements and monitoring rules are established by SARAS adopted in 2017 According to the statutory act "Continuing Education Standard" which is posted on the website.

See the link:

[Continuing Educational Standard](#)

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Strengthening the Professional Accountancy Education Program</i>					
5	2018	The IES was last translated in 2018, in accordance with the requirements of the IFAC translation policy. See the link: http://baf.ge/site/index.php?tid=67&color=blue&lid=67&sid=67	2019	EC Chairman	EC members ACCA program lecturers
<i>CPD Activities</i>					

6	2019 2017	Post to GFPAA’s website New System of CPD monitoring and discipline. The new CPD System requirements and monitoring rules are set by the SARAS, according to the normative act “Continuing Educational Standard”, adopted in 2017, which is updated in 2020 and posted on the site. The link: Continuing Educational Standard	2020 2020	GFPAA EC	GFPAA Administration
7	2017	Implement New System of CPD monitoring and discipline. Fully effective from 2020.	2020	EC Chairman	EC Members
8	2017	Review existing CPD System to align with new requirements of SARAS.	annually	EC Chairman	EC Members
9	2017	CPD System is approved by SARAS.	annually	EC Chairman	EC Members

10	2017	<p>GFPAA recognize CPD System of audit firms whose CPD Systems are in compliance with SARAS Requirements.</p> <p>To implement ROSC recommendations, with the joint collaboration of professional organizations and universities and with the help of SARAS normative acts, the following are done:</p> <p>(i) Compliance of accounting academic programs with IES and Professional Educational Program at the fundamental level (the 1st -3rd modules of the certification program) is met by a part of the universities. January 2023 is established by the normative act adopted by SARAS as the deadline for achieving full compliance if university programs;</p> <p>(ii) Continuing Professional Education and training is fully in line with IES and is ensured by the requirements of the “Continuing Education Standard” adopted in 2017 by the SARAS, and is monitored by SARAS;</p> <p>(iii) We, professional organizations and the Big four companies, are jointly developing CPD programs, which are being reviewed and approved by SARAS. Thus ensuring a unified approach to CPD programs in the country. Since 2017 the EY Georgia has been preparing approved CPD program training materials and conducting trainings at GFPAA premises, on the base of contract.</p> <p>The link: http://baf.ge/site/index.php?tid=34&color=green&lid=34&sid=34&artid=32 http://baf.ge/site/index.php?tid=34&color=green&lid=34&sid=34</p>	Ongoing	EC Chairman	EC Members
<i>Maintaining Ongoing Processes</i>					

11	Ongoing	Continue for maintaining the ongoing Convergence with IES Requirements and publishing manuals of translations of renewed ACCA Papers in the form of literature. Action Plan might be expanded in the future if necessary and Compliance Information will be reviewed and updated periodically.	Ongoing	EC Chairman	EC Members
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Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB

Action Plan Objective: Further improve and maintain processes for ongoing convergence with IAASB Pronouncements

The Law of Georgia on „Accounting, Reporting and Auditing” sets the legal framework in Georgia, according to internationally recognized standards, for accounting, preparing and filing financial and management reports, reports on payments to government according to this Law, professional certification, auditing (service) and its quality assurance, public oversight and enforcement in these areas.

PIEs, first and second category enterprises and groups of the first and second categories are obliged to have an audit of their financial statements/consolidated financial statements performed in accordance with the procedure specified under Article 15 of this Law unless provided otherwise in the respective regulatory normative acts.

Banks, financial institutions, listed companies, insurance undertakings, etc. have PIE status and they are subject to additional/separate requirements by the Law.

According to the Law on Accounting, Reporting and Auditing the SARAS has the legal mandate for setting auditing standards in the jurisdiction.

The ISA 2020 has been already translated and adopted by SARAS.

Translation of ISA into the Georgian Language is carried out according to IFAC Policy on Translations.

Other pronouncements issued by the IAASB such as International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE), International Standards on Related Services (ISRS), and International Standards on Quality Management (ISQM 1) were translated in 2018 and are adopted by the SARAS.

International Standards for Quality Management (ISQM 2) were translated in 2022 and are published on the GFPAA and SARAS websites.

In order to study auditing standards and implement them in the Georgian jurisdiction, GFPAA actively cooperates with international organizations and conducts various trainings and workshops, in particular:

- In 2019, GFPAA conducted “Audit and Assurance” trainings with donors - EU for Georgia and the World Bank;
- Within the framework of the project funded by the Institute of Chartered Accountants of England and Wales (ICAEW) and the Asian Development Bank (ADB), the ICAEW Representative in 2019 conducted 2 trainings for trainers and in 2020 conducted trainings for companies and auditors who were interested in improving audit quality;
- For audit companies, in 2017 GFPAA translated into Georgian the audit software program “E-dok”, which is available for audit companies, also in 2019-2020 conducted periodic trainings on how to use the program;
- To assist small audit firms, GFPAA translated into Georgian and posted an ISA-related audit manual on its website, which was offered by the UK audit firm HAT and was possible to publish it in Georgian as part of a joint project. The manual is free of charge and audit firms can download it from GFPAA website;
- Trainings related to the use of the HAT Manual were delivered to all audit firms and practitioners throughout 2020 within the framework of the ADB-funded project, with the joint efforts of GFPAA and his partner ICAEW.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption of International Auditing and Assurance Standards Board Pronouncements</i>					
GFPAA supports SARAS in the adoption of International Auditing and Assurance Standards, in such processes as translation and implementation of these standards, conducting trainings on using the standards and so on.					
ISA-s are constantly updated in Georgian language within 6 months if there are made any changes. This is prescribed by the Law of Georgia on Accounting, Reporting and Auditing and it is an obligation of SARAS.					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>GFPAA Assisting SARAS with the Implementation of the Standards</i>					
12	2017	Prepare audit software training materials.	2022	GFPAA Administration	
13	2017	Trainings in audit software of GFPAA members were held.	2019-2022	Invited Lecturers	
14	2016	Seminars to the members on the topics of quality control systems and code of ethics have been holding.	Periodicaly	Invited Lecturers	
<i>Review of GFPAA's Compliance Information</i>					
15	Ongoing	Perform periodic review of GFPAA response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Periodicaly	SC Chairman	SC members

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants

Action Plan Objective: Further improve and maintain processes to ensure ongoing convergence with the IESBA Code of Ethics

The version 2020 of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) has been adopted without change. The translation of the code of professional ethics into Georgian and its implementation will be ensured by the supervision service SARAS within 6 months from the update of its original. GFPAA participates in all necessary activities related to translation expertise and implementation of the Code of Ethics. The use of the English version of this Code is permitted by law.

IESBA Code is recognized by the Law of Georgia on „Accounting, Reporting and Auditing” and is mandatory for all certified accountants/ auditors/ audit firms to oblige and to comply with the Code of Ethics for Professional Accountants (IESBA Code) established by the International Federation of Accountants (IFAC) while providing professional services.

Adherence to IESBA principles is required by: „Accounting, Reporting and Auditing Law of Georgia”, Professional Certification Standards (GFPAA, SARAS), Continuing Education Standards (GFPAA, SARAS), GFPAA Membership Policy and Procedures Charter, GFPAA Member Discipline and Violation Rules that establish and include ethical requirements for professional accountants in our jurisdiction.

The 2020 version of the IESBA Code is in effect, which has been translated into Georgian in compliance with IFAC's translation policy requirements. The 2021 version of the IESBA Code has been translated.

The relevant links:

<https://saras.gov.ge/Content/files/bugaltruli-agricxvis-angarishgebis-da-auditis-shesaxeb-kanoni.pdf>

https://www.saras.gov.ge/Content/files/Professional_Certification_Standard_2017.09.21_ENG.pdf

<http://baf.ge/site/index.php?tid=67&color=blue&lid=67&sid=67>

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>GFPAA is Supporting SARAS in Implementation of the Code of Ethics</i>					
16	Ongoing	GFPAA collaborates with SARAS in all necessary activities related to the translation, expertise of the Code of Ethics and implementation of it in practice; Preparation of trainings materials for updated Code of Ethics. We conduct 8-10 hour seminars and targeted trainings each year. Members of the GFPAA are informed about the latest developments of Code of Ethics on GFPAA monthly magazine “Accounting Journal” and GFPAA website.	Ongoing		
17	Ongoing	New Code of Ethics’ provisions is included in CPD courses. 2021 IESBA Code has been included in IPD and CPD programs.	Ongoing		

Maintaining Ongoing Processes

18	Ongoing	Providing information on updating the code of ethics and new requirements to members, conducting webinars and trainings.	Ongoing	EQRC Chairman	EQRC members
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Review of GFPAA’s Compliance Information

19	Ongoing	Perform periodic review of GFPAA response to the SMO 4 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	EQRC Chairman	EQRC members
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Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements
Issued by the IPSASB

Action Plan Objective: Further improve and maintain processes for ongoing compliance with IPSASs

According to Georgian legislation the Ministry of Finance of Georgia is responsible for establishing public sector International Accounting Standards (IPSAS).

By the order No.108 of the Minister of Finance of Georgia dated May 5, 2020, the instruction "On the production of financial accounting and reporting by budgetary organizations on the basis of International Public Sector Accounting Standards (IPSAS)" was approved. The instructions approved by this order should guide the preparation of financial accounting and reporting:

- a) the Budgetary organizations of the central government of Georgia - for reflecting the economic events of 2020 and subsequent years;
- b) the Budgetary organizations of the Autonomous Republic of Georgia and local authorities - to reflect the economic events of 2021 and subsequent years."

Entities conduct accounting and prepare financial statements using the accrual method based on IPSAS 2018 version.

A GFPAA representative is a member of the Methodological Council at the Ministry of Finance and participates in consultations regarding the practical implementation of IPSAS. GFPAA experts were also invited to the IPSAS translation process, and we played an active role in this process.

#	Start Date	Actions	Completion	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					

20	Ongoing	<p>Maintain and improve relationship with the Ministry of Finance for establishment of IPSASs.</p> <p>GFPAA always participates in the meetings organized by Ministry of Finance.</p> <p>Members who provide services to the public sector are certified persons and receive consulting services from a consulting group operating in the GFPAA, in addition to the assistance provided to certified persons.</p> <p>Consulting services</p> <p>For members' consultation service there are employed 3 personnel at the head office of GFPAA. Members' consultation hours are:</p> <ul style="list-style-type: none"> - 15:00-19:00 from Monday to Friday for those who come to GFPAA office; - 10:00-19:00 from Monday to Friday by phone call; - For written questions about certain issues there are written answers, which are published in the monthly issue of GFPAA magazine "Accounting". <p>GFPAA committees are also involved in consultation services (Audit Committee; Standards and Practices Committee; Taxation Committee; Ethics and Discipline Committee) where the consultants' drafts of written answers on specific questions are reviewed prior to their publication.</p> <p>Regional members' consulting services are also available on location. Each regional branch has 1 consultant for consulting services in place.</p>	Ongoing	GFPAA ED	GFPAA ED
21	Ongoing	<p>Perform periodic review of GFPAA response to the IFAC SMO 5 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.</p>	Ongoing	GFPAA ED	GFPAA ED

Action Plan Subject: SMO 6–Investigation and Discipline

Action Plan Objective: Development and maintenance of GFPAA Investigation and Discipline System

According to the New Law Professional organizations are responsible to react on any deviations from established requirements by its members and apply disciplinary actions accordingly. The rules of detecting deviations and applying disciplinary actions are established by GFPAA as agreed with SARAS.

GFPAA Ethics and Disciplinary Committee provide investigation/review of violations and disciplinary matters.

In 2017, GFPAA Ethics and Disciplinary Committee developed and approved "Rules for Identifying Violations by GFPAA Members and Establishing Disciplinary Responsibilities Against Them", which is also agreed with SARAS.

In 2019-2020, the research and disciplinary system was refined and perfected, namely:

- An appeals body independent of the disciplinary and investigation committee was established;
- Both "complaint-based" and "information-based" approaches apply;
- There is a special disciplinary commission/entity that makes a disciplinary decision on the case reported as a result of the investigation (it includes both professional accountants and non-accountants - lawyers, business representatives, etc.);
- Deadlines for the completion of all work are established

It is known to the public that the jurisdiction has a system of investigation and discipline. Also, the results of research and disciplinary production are available to the public.

Monitoring, investigation and enforcement mechanisms:

The committee makes decisions on the following issues by the majority of votes of the members present at the meeting:

- a) Initiation of research;

- b) Selection/appointment of the person conducting the research;
- c) Termination of disciplinary proceedings at the investigation stage;
- d) Approval of the list of persons to be invited to review the fact of inappropriate behavior;
- e) Determining the composition of the commission reviewing the fact of inappropriate behavior (hereinafter - the commission) and appointing the date of the review;
- f) Declaring the disciplinary proceedings as completed;
- g) Content of information to be published on the results of the completed disciplinary proceedings.

A range of sanctions against a GFPAA member who commits inappropriate behavior:

- a) Instruction - a written appeal to the respondent with an instruction to stop or not to repeat the inappropriate behavior;
- b) Obligation - a written request to the respondent to stop or not to repeat the inappropriate behavior
- c) Public warning - publication of a statement on the GFPAA website to warn the respondent (may contain the content of a severe warning) to stop or not to repeat the inappropriate behavior;
- d) Suspension of membership - restriction of the use of the GFPAA member's name for a specified period (maximum 3 years) and publication of an announcement on the GFPAA website;
- e) Expulsion - canceling GFPAA membership and publishing an announcement about it on GFPAA website.

Examples of key enforcement actions in 2020-2022:

6 cases of possible misconduct or disciplinary misconduct by members were discussed. Of which 2 were investigated, one of which was related to "inappropriate behavior of a professional accountant" and the other to "possible violation of the code of ethics and quality control system". Based on the investigation, the following decisions were made by the disciplinary committee:

- In the first case, "referral - a written request to the respondent to stop or not to repeat the inappropriate behavior;
- In the second case, an Obligation - a written request to the respondent to stop or not to repeat the inappropriate behavior.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Strengthening the I&D Mechanisms</i>					
22	ongoing	Raising awareness among members and the public about GFPAA I&D mechanisms..	ongoing	Chairman of EDC Committee	Executive Director
23	2017	Post the Policy Statement of the system of Investigation and Discipline on GFPAA's website.	ongoing	GFPAA ED	GFPAA Administration
24	2017	Support functioning of the system of Investigation and Discipline.	Permanent	EDC and QARC Chairmen	QARC members EDC
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Continue working on the improvement of Investigation and Discipline System. Action plan might be expanded in the future, as necessary and Compliance Information will be reviewed and updated.	Ongoing	Ethics and Disciplinary Investigation Committee EDC Chairman QARC Chairman	EDC members QARC members
<i>Review of GFPAA's Compliance Information</i>					
26	Ongoing	Perform periodic review of GFPAA response to the SMO 6 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	Ethics and Disciplinary Investigation Committee EDC Chairman QARC Chairman GFPAA ED	EDC members QARC members

Self-Assessment of I&D system for professional accountants in the Republic of Georgia according to the Main Requirements of SMO 6 (2022)

Requirements	Y	N	Partially	Comments
Scope of the system				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	X			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	X			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	X			
4. Link with the results of QA reviews has been established.	X			
Investigative process				
5. A committee or similar body exists for performing investigations.	X			
6. Members of a committee are independent of the subject of the investigation and other related parties.	X			
Disciplinary process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	X			
8. Members of the committee/entity include professional accountants as well as non- accountants.	X			
9. The tribunal exhibits independence of the subject of the investigation and other related parties	X			

Requirements	Y	N	Partially	Comments
<p>Sanctions</p> <p>10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include: (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.</p>	X			
<p>Rights of representation and appeal</p> <p>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.</p>	X			
<p>Administrative Processes</p> <p>12. Timeframe targets for disposal of all cases are set.</p>	X			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	X			
14. Protocols of investigations and disciplinary processes are established.	X			
<p>Public Interest Considerations</p> <p>15. The public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>	X			
16. A process for the independent review of complaints on which there was no follow- up is established.	X			
17. The results of the investigative and disciplinary proceedings are made available to the public.	X			
<p>Liaison with Outside Bodies</p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>			X	
<p>Regular review of implementation and effectiveness</p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	X			

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Publications issued by the IASB

Action Plan Objective: Further improve and maintain processes for adoption and implementation

Under the New Law, entities break down in size categories for the purpose of applying the financial reporting standards.

- a) PIEs and first category entities are to conduct their accounting and financial reporting in accordance with International Financial Reporting Standards (IFRS).
- b) Second and third category entities are to conduct their accounting and financial reporting in accordance with IFRS for SMEs. They are also allowed to applying the International Financial Reporting Standards (IFRS).
- c) Fourth category entities and non-entrepreneur (noncommercial) legal entities are to conduct their accounting and financial reporting in accordance with the standards set by the SARAS.

We use:

- 1. IFRS 2020
- 2. IFRS for SME 2015
- 3. The standards set by the SARAS for the Fourth category entities and non-entrepreneur (noncommercial) legal entities

SARAS is responsible for translating the standards and introducing them into action.

IFRS is involved in IPD and CPD programs. The programs are updated according to 2021 latest versions of standards.

#	Start Date	Actions	Completion Date	Responsibility	Resource
27	Permanently	GFPAA has standards and practice committee which studies what the members want and plans relevant topic trainings and seminars. GFPAA has consultants experienced to advise members on practical sides of implementing IFRS and IFRS for SMEs.	Permanently	Committees of Education, Standards and Practice	Members of Committee, GFPAA Consultants, Trainers
28	Permanently	Include in CPD courses IFRS for SMEs.	Permanently		
29		<p>Conducting trainings in IFRS, basically in peripheral regions:</p> <p>2020 IFRS for Small- and Medium-Sized Entities – 28 hours;</p> <p>2021 IFRS for Small- and Medium-Sized Entities – 24 hours;</p> <p>2022 FRS for Small- and Medium-Sized Entities – 21 hours;</p>			
<i>Review of GFPAA's Compliance Information</i>					
30	Ongoing	Perform periodic review of GFPAA response to the SMO 7 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	SC Chairman	SC members

Action Plan Subject: GFPAA Other Activities

Action Plan Objective: Further strengthen GFPAA position as leading professional body in Country and internationally

GFPAA organized a number of conferences during last decade to share experience of neighboring countries as well as leading professional organizations. GFPAA board members and executive team also attended a number of conferences including Accountants' 17th, 18th, 19th, 20th and 21st world congresses.

Such conferences are:

1. 5-6 November 2009, Georgia. "Accounting and audit regulation - sharing experience" conference was organized by GFPAA and representatives of UK, Germany, Poland, Turkey, Serbia, Lithuania, Uzbekistan, Russia, Ukraine, Azerbaijan and Armenia attended it.
2. 16-18 November 2009, Georgia. "Enhancing Financial Disclosure Standards in Armenia, Azerbaijan, and Georgia" conference was organized by GFPAA and ADB and representatives of Azerbaijan, Armenia and Georgia attended it.
3. Chairman of GFPAA board participated in conference "Investment attractiveness of Ukraine and investment climate strengthening. IFRS and IAS for Economics Improvement" held on 7-8 July 2010 in Kiev, Ukraine.
4. GFPAA representatives attended Accountants' 17th World Congress held in Istanbul on November, 2006 and the 18th World Congress held in Malaysia on November 8, 2010.
5. Chairman of GFPAA board participated and was the panelist of International Financial Forum "Accountants Creating Value" held on 31 March 2011 in Kiev, Ukraine.
6. Chairman of GFPAA board attended and made presentation at International Conference on "Prospects for Development of Accounting, Auditing and Analysis in the Context of Euro integration", held on 19 May 2011 in Odessa, Ukraine.
7. GFPAA representatives attended and participated in both Standard Setting events in London (2011 and 2013) from the former Soviet Union republics, where they also participated in the individual country meetings between IAASB, IASB and IFAC staff.
8. Five representatives from the GFPAA attended Accountants' 19th World Congress, which was held on November 2014 in Italy.
9. On 20-21 May 2016 GFPAA hosted the International Conference "20 years of professional Development – Euro integration and profession challenges". The main object of the conference was the representatives from

government structures and accounting and audit sphere to learn more about the international practices. That would facilitate to develop improved profession regulation legislative base according to Euro Directives. The conference representatives discussed the key provisions of the draft law “About the audit of accounting and financial reporting”. The draft law was initiated by the government of Georgia.

The participants and representatives were from ACCA, IFRS, World Bank, the parliament and government of Georgia and professional organizations.

10. On 22 May 2016 was held 20-year anniversary arrangements of GFPAA. The participants were: Financial Audit Chamber of Romania, Samara State Institute o professional accountants, financial managers and economists, Audit Chamber of Azerbaijan, Audit Association of Estonia, Chartered Accountants Institute of Israel, Audit Chamber of Kazakhstan, Accountants Association of Poland, Professional Accountants and auditors Federation of Ukraine, representatives from Georgian government, nongovernmental sector, member companies and academic sphere.
11. 5-6 April 2016: International Conference held in Baku, Azerbaijan “Actual challenges of audit regulation today”.
12. 26-27 April 2017: Learning providers’ Global conference 2017 organized by ACCA in London.
13. On 30-31 May 2017 STAREPP program in Vienna participated the chairman of GFPAA board and the chairman of education committee.
14. On 6-7 June 2017 was held 2nd Congress in Warsaw, Poland to celebrate 110 anniversary of Accountants Association of Poland. During the Congress was ratified the memorandum of cooperation between 8 central and eastern European countries (Georgia, Ukraine, Romania, Latvia, Lithuania, Estonia, Serbia and Poland).
15. Four representatives from the GFPAA attended Accountants’ 20th World Congress, which was held on November 2018 in Sidney, Australia.
16. In 2020-2022, GFPAA representatives were involved in more than 10 webinars organized by IFAC, World Bank and ACCA.
17. IFAC information and other materials were translated and posted on GFPAA website and published in the monthly magazine "Accounting".
18. In June 2022, memorandums of cooperation (mutual recognition of programs) in the field of education and professional certification were signed between GFPAA and 7 leading universities.
19. In June-July 2022, 46 lecturers from the leading Universities were trained by GFPAA in the methodology of teaching professional certification modules, etc.;
20. In November of the current year, a joint event of business associations and GFPAA is planned - "Profession

for small and medium-sized businesses". Themes of the event:

- Current issues of financial stability of small and medium-sized businesses in terms of professional services;
- Review of the results of the research on the needs of small and medium-sized businesses on professional services and perspectives of cooperation with the business associations;
- Outlining measures supporting cooperation in the professional field with associations of small and medium-sized businesses, including in the regions.

21. In November 2022, GFPAA representatives will participate into Accountants' 21st World Congress, holding in Mumbai India, under the auspices of IFAC and into the event planned within the framework of STAREP under the auspices the World Bank, in Austria.

GFPAA cooperates with SARAS and in 2017 on contract basis it translated and delivered to SARAS:

- IFRS 2017
- ISA 2017
- IFRS SME 2015

The GFPAA representatives take part in preparation of accounting standards drafts for non-entrepreneurs legal entities and micro enterprises. GFPAA is also involved in discussions to establish new audit and accounting regulations in practice.

Representatives of the relevant committees of GFPAA participated in the expertise of the translated materials of ISA, IFRS IESBA Code, ISQC 1 and ISQC 2 translated by SARAS in 2019-2022.

Lavrenti Tchumburidze
Executive Director
GFPAA