

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates 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.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the Disclaimer published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	Georgian Federation of Professional Accountants and Auditors (GFPAA)
<b>Approved by Governing Body:</b>	GFPAA Board
<b>Original Publish Date:</b>	April 2010
<b>Last Updated:</b>	December 2019
<b>Next Update:</b>	December 2021

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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

## **GLOSSARY**

<b>ACCA</b>	Association of Certified Chartered Accountants
<b>CPD</b>	Continuing Professional Development
<b>EC</b>	Ethics Committee
<b>ECC</b>	Education and Certification Committee
<b>ED</b>	Executive Director
<b>GFPAA</b>	Georgian Federation of Professional Accountants and Auditors
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IAASB</b>	International Audit & Assurance Standards Board
<b>IES</b>	International Education Standards
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISA</b>	International Standards on Auditing
<b>ISQC</b>	International Standard on Quality Control
<b>QA</b>	Quality Assurance
<b>QARC</b>	Quality Assurance Review Committee
<b>QC</b>	Quality Control
<b>SC</b>	Standards Committee
<b>TSU</b>	Tbilisi State University

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Development and maintenance of GFPAA Quality Assurance Review System

**Background:**

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-IIIb, 8 June 2016) (New Law) auditing profession is regulated by the newly established Public Oversight Authority (SARAS) at the Ministry of Finance.

The SARAS took over all functions previously assigned to Accredited Professional Organizations, 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 ISQC 1.

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 (Up to 2019 there were three professional organizations, one of them, the GAIAA, is no longer functioning, and its members went to those two organizations). The recognition criteria 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.

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 compliance with legislative requirements and proper recommendations by invited GFPAA experts.

The legislative changes affected the GFPAA position and the organization's name was changed accordingly. From the name: Quality Assurance Review Committee the word "Review" was removed and correspondingly was changed the regulations and functions.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Supporting GFPAA Member Firms in Implementing Quality Control Standards</i>					
1	2017	<p>Provide training in <i>IFAC's Guide to Quality Control for Small- and Medium-Sized Practices</i>.</p> <p>Quality Control trainings in 2017-2019:</p> <p>2017 Audit and Assurance – 40 hours; Quality Control implementation in Small- and Medium-Sized Practices – 32 hours; IESBA Code – 12 hours;</p> <p>2018 Using the ISA in audits of Small- and Medium-Sized Entities – 24 hours; Related procedures engagement (SMOs) – 16 hours; Practice Models, Associations and Networks (SMPs) – 20 hours; IESBA Code – 8 hours;</p> <p>2019 Audit Methodology for SMPs (HAT Audit Manual) – 32 hours; Audit procedures using audit programs – 28 hours; Audit and Assurance – 36 hours; IESBA Code – 8 hours;</p> <p>Planned trainings and themes: Incorporating audit methodology into the audit program using walkthrough examples – 32 hours.</p>	2019	QARC Chairman	QARC Members

2	2017	<p>Support and provide guidance to corporate members to implement ISQC 1.</p> <p>Manuals:</p> <ol style="list-style-type: none"> <li>1. HAT Audit Methodology Manual</li> <li>2. Code of Ethics for Professional Accountants (2018)</li> <li>3. Quality Control Implementation Guide for SMPs</li> <li>4. Comparing Audit, Review, Compilation and Agreed-Upon Procedures Services</li> <li>5. Focusing on Performance</li> <li>6. Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities</li> <li>7. Article for IFAC member organizations – Review Engagements for SMEs: Limited Assurance</li> <li>8. Agreed-upon Procedures Engagements (SMPs)</li> <li>9. Practice Models, Associations and Networks (Module 2) (SMPs)</li> <li>10. Guide to Compilation Engagements</li> <li>11. Planning For Your Firm (Module 1)</li> <li>12. Client Relationship Management (Module 6)</li> <li>13. Building and Growing Your Firm (Module 3)</li> </ol> <p>Please see the links:  <a href="http://baf.ge/site/index.php?tid=6&amp;color=blue&amp;lid=6&amp;sid=21">http://baf.ge/site/index.php?tid=6&amp;color=blue&amp;lid=6&amp;sid=21</a>  <a href="http://baf.ge/site/index.php?tid=6&amp;color=blue&amp;lid=6&amp;sid=22">http://baf.ge/site/index.php?tid=6&amp;color=blue&amp;lid=6&amp;sid=22</a></p>	2019	GFPAA Committees and executive structure	Invited translators and experts
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#	Start Date	Actions	Completion Date	Responsibility	Resource
3	Ongoing	<p>Periodic training of corporate members' representatives in ISQC1 and preparing corporate members for SARAS quality assurance review by providing preliminary review of QA system and giving recommendations.</p> <p>A preliminary review of the quality control system of 18 corporate members has been conducted in 2018-2019 and the diagnostic reports have been submitted.</p> <p>In the last three years (2017-2019), 12 trainings, totaling 256 hours, have been conducted for the Quality Control of SMEs.</p> <p>Key issues of trainings were: Audit and Assurance Services; Quality Control Standards; Audit Methodology; Audit program and others.</p> <p>Also these topics were covered in CPD courses, which are conducted annually.</p>	Ongoing	QARC Chairman	QARC Members
<i>Review 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
<b>Scope of the system</b> 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	X			
<b>Quality Control Standards and Other Quality Control Guidance</b> 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	X			
3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.	X			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	X			
<b>Review cycle</b> 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	X			
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).	X			
<b>QA Review Team</b> 7. Independence of the QA Team is assessed and documented.			X	

Requirements	Y	N	Partially	Comments
8. QA Team possesses appropriate levels of expertise.	<b>X</b>			
<b>Reporting</b> 9. Documentation of evidence supporting the quality control review report is required.	<b>X</b>			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	<b>X</b>			
<b>Corrective and disciplinary actions</b> 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	<b>X</b>			
12. QA review system is linked to the Investigation and Discipline system.	<b>X</b>			
<b>Consideration of Public Oversight</b> 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.	<b>X</b>			
<b>Regular review of implementation and effectiveness</b> 14. Regular reviews of implementation and effectiveness of the system are performed.	<b>X</b>			

- Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB
- Action Plan Objective:** Further development and maintenance of GFPAA Educational System

**Background:**

In Georgia, accountants and auditors study of accountancy in the high schools in compliance with the Education Law in Georgia. Accountants and auditors professional development and certification is the prerogative of recognized professional organizations in accordance with the Georgian Law on Accounting and Reporting. De facto, such organization is GFPAA at the moment.

Nowadays two professional organizations have been recognized: The Georgian Federation of Professional Accountants and Auditors (GFPAA) and the Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM).

The recognition criteria 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.

Candidates for GFPAA’s full membership (certifies professional accountants) have to complete a Georgian language qualification based on translations of the ACCA syllabus, meet a three-year practical experience and undergo a final assessment.

The details of our certification program you can see on the following link:

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

The certification program is updated no later than 3 years, or earlier, in accordance with the changes made in the legislation and other regulations (standards).

The need to change the program is also identified through a survey of the employers, who employ certified accountants, in at least two directions:

- audit firms; and
- other employers.

The GFPAA certification program was last updated in 2018-2019.

We have the requirements for our members to have minimum 120 CPD hours during 3 years period. Breach of this requirement may result in suspending membership.

GFPAA is regularly translating and adopting IES pronouncements.

The IES was translated in 2018, the link: <http://baf.ge/site/index.php?tid=67&color=blue&lid=67&sid=67>

According to the New Law there are new requirements regarding professional education and certification:

Certified accountant – an individual, who according to the Supervisory Service requirements for professional certification, is certified by a professional organization of accountants or/and auditors or recognized as such by this law and after certification proves his/her qualification in accordance with the continuing education standard.

The rules for obtaining a certified accountant’s status are set out in the “Professional Certification Standard” approved by the SARAS. It is posted on the SARAS and GFPAA sites:

[https://www.saras.gov.ge/Content/files/Professional\\_Certification\\_Standard\\_2017.09.21\\_ENG.pdf](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 basic requirements of this Standard:

#### *Certified Accountants*

The law recognizes the qualification of a Certified Accountant, who is defined as an individual certified by a professional organization in accordance with the Professional Certification Standard set by SARAS or is recognized as such under the Law No. 5386, and who can prove their qualification after certification in accordance with the [Continuous Education Standard](#). Certified accountants must be members of one of the professional organizations.

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

According to the requirements of European Union Directive and IFAC’s International Education Standard, the SARAS sets professional certification and continuing education standards to recognize and sustain an individual’s certification as professional accountant. Professional certification standard defines the required study disciplines, the rules of examination process, exemptions, documents to be submitted and the rule of awarding certificates. Continuing education standard defines the respective program and the rule of its execution. Individual’s qualification is proved according to professional certification which can be performed by professional organizations whose certification programs or/and examination process meets the requirements set by the SARAS and is adopted in accordance with respective rule, also set by the SARAS.

The SARAS is entitled to recognize specialized examination bodies solely for the purpose of conducting the examination process. Professional organizations with recognized certification programs only, are entitled to conducting professional certification on the basis of examination results held by specialized examination bodies. Professional organization can be recognized as specialized examination body according to Article 2 of the New Law.

The Professional Certification Standard defines the subjects for professional certification, the rules for carrying out the exam process, the rules for exemption from exams and tests, the documents to be submitted for professional certification and the rule on certificate issuance. Professional certification is conducted by professional organizations whose certification programs or/ and examination procedures meet the standards set by SARAS and which are recognized in accordance with the [SARAS Order on Approving Procedure for Recognition of Certification Programs and Examination Process, 2017.](#)

The criteria for recognition as an examining body are set out in the Article 18 “Conducting Examination Process” of the “Professional Certification Standard” approved by the SARAS.

Link: <https://matsne.gov.ge/ka/document/view/3811685?publication=0>

Currently only GFPAA is recognized as an examination body.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Strengthening the Professional Accountancy Education Program</i>					
5	2018	<p>Translate all revised Education Standards. The translation was performed in accordance with the IFAC Translation Policy.</p> <p>The IES was translated in 2018, The link: <a href="http://baf.ge/site/index.php?tid=67&amp;color=blue&amp;lid=67&amp;sid=67">http://baf.ge/site/index.php?tid=67&amp;color=blue&amp;lid=67&amp;sid=67</a></p>	2019	EC Chairman	EC members ACCA program lecturers
<i>CPD Activities</i>					
6	2017	<p>Post to GFPAA’s website New System of CPD monitoring and discipline.</p> <p>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 posted on the site.</p> <p>The link: <a href="#">Continuing Educational Standard</a></p>	2019	GFPAA EC	GFPAA Administration
7	2017	Implement New System of CPD monitoring and discipline.	2019	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) Accounting academic programs of universities are in line with IES and Professional Educational Program at the fundamental level (at Modules 1-3 of the Certification program). The deadline for achieving full compliance with university programs, as prescribed by the SARAS normative act, is January 2022;</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 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:  <a href="http://baf.ge/site/index.php?tid=34&amp;color=green&amp;lid=34&amp;sid=34&amp;artid=32">http://baf.ge/site/index.php?tid=34&amp;color=green&amp;lid=34&amp;sid=34&amp;artid=32</a>  <a href="http://baf.ge/site/index.php?tid=34&amp;color=green&amp;lid=34&amp;sid=34">http://baf.ge/site/index.php?tid=34&amp;color=green&amp;lid=34&amp;sid=34</a></p>	Ongoing	EC Chairman	EC Members
<i>Maintaining Ongoing Processes</i>					

*Action Plan Developed by  
Georgian Federation of Professional Accountants and Auditors (GFPAA)*

11	Ongoing	Continue for maintaining the ongoing Convergence with IES Requirements and publishing Translations of renewed ACCA Papers. 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

**Background:**

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 2018 has been already translated and adopted.

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 Control (ISQC 1) were translated in 2018 and are adopted by the SARAS.

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), in 2019 the ICAEW Representative conducted 2 trainings for trainers who in 2020 will conduct trainings for companies and auditors who are interested in improving audit quality.
- For audit companies, in 2017 GFPAA translated into Georgian the audit program “E-dok”, which is available for audit companies, also conducted 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 will be 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.

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#	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.					
ISAs 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 has 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.	2018	GFPAA Administration	
13	2017	Training in audit software of GFPAA members.	2018	Invited Lecturer	
14	2016	Seminars to the members on the topics of quality control systems and code of ethics.	Periodically	Invited Lecturer	
<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.	Ongoing	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

**Background:**

This is an obligation of SARAS and GFPAA supports it in all activities that are needed: Law of Georgia on Accounting, Reporting and Auditing, Professional Certification Standard (SARAS), Continuous Education Standard (SARAS), GFPAA statement on Membership Policies and Procedures, and Rules for Disciplinary and infringement by GFPAA members set and incorporate ethical requirements for professional accountants in the jurisdiction. IESBA is recognized by the Law of Georgia on Accounting, Reporting and Auditing and is mandatory for all certified entities within the jurisdiction of Georgia. The version 2018 of the IESBA Code has been adopted. The ongoing process for the amendments to the IESBA Code is governed by the Law of Georgia on Accounting, Reporting and Auditing and the SARAS Regulations. Translation of the IESBA Code 2018 was into Georgian language. The IFAC Policy on Translations has been followed. The relevant links:  
<https://saras.gov.ge/Content/files/bugaltruli-agricxvis-angarishgebis-da-auditis-shesaxe-b-kanoni.pdf>  
[https://www.saras.gov.ge/Content/files/Professional\\_Certification\\_Standard\\_2017.09.21\\_ENG.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
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*GFPAA is Supporting SARAS in Implementation of the Code of Ethics*

16	Ongoing	Prepare trainings materials for new Code of Ethics. We conduct 8-10 hour seminars and targeted trainings each year.  Members of the GFPAA will be informed about the latest developments and new documents on GFPAA monthly magazine “Accounting Journal” and GFPAA website.	Ongoing		
17	Ongoing	Include new Code of Ethics provisions in CPD courses. 2018 IESBA Code has been included in IPD and CPD	Ongoing		

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
18	Ongoing	Update GFPAA Code of Ethics regarding new requirements. Expand the Action plan in the future as necessary, review and update Compliance Information.	Ongoing	EQRC Chairman	EQRC members
<i>Review of GFPAA's Compliance Information</i>					
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

**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

**Background:**

According to Georgian legislation the Ministry of Finance of Georgia is responsible for establishing public sector accounting standards. IPSASs are not adopted in Georgia. However, at the initiative of the GFPAA IPSASs 2004 were translated, but they have not been introduced in the public sector so far. The accounting based on the old Soviet period is still used in the public sector.

According to the Strategic Plan of the Ministry of Finance of Georgia implementation of IPSAS in Georgia will be finalized by the year 2020. GFPAA representative is the member of Methodological Council at the Ministry of Finance and is involved in advising regarding practical implementation of IPSAS. The Ministry of Finance announced tender on translation of IPSAS. Within a few months’ period the first stage of this plan will commence (translation of IPSAS). The GFPAA takes part in the tender for IPSASs translation into Georgian and successfully passed the first and second stages of the tender. At the final stage, which was held on 20 May 2011, there were two participants – the GFPAA and the Translation Back Office (Argentina). At the end the Ministry of Finance hired translators and start to translate IPSAS themselves, but GFPAA experts were invited in this group and we played an active role in the process.

The implementation of IPSASs is going periodically and is planned to be completed in 2020.

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

20 Ongoing

Maintain and improve relationship with the Ministry of Finance for establishment of IPSASs. Expand the Action plan in the future as necessary, review and update Compliance Information.

GFPAA always participates in the meetings organized by Ministry of Finance.

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.

Consulting services

For members' consultation service there are employed 3 personnel at the head office of GFPAA. Members'

consultation hours are:

- 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".

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 question

are reviewed prior to their publication.

Regional members' consulting services are also available on location. Each regional branch has 1 consultant for consulting services in place.

Ongoing

GFPAA ED

GFPAA ED

*Review of GFPAA's Compliance Information*

*Action Plan Developed by  
Georgian Federation of Professional Accountants and Auditors (GFPAA)*

21	Ongoing	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.	Ongoing	GFPAA ED	GFPAA ED
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**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Development and maintenance of GFPAA Investigation and Discipline System

**Background:**

GFPAA works on development of the Investigation and Discipline mechanism (I&D) for its members. Though that activity is limited to introducing regulations by the Membership and Ethics and Disciplinary Committee.

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. Rules of detecting deviations and applying disciplinary actions shall be established by professional organizations as negotiated with SARAS.

In 2017 GFPAA Ethics and Disciplinary committee worked out and approved “the Rules for identifying delinquencies from the side of GFPAA members and determining disciplinary responsibilities against them”, which was also agreed with SARAS.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Strengthening the I&amp;D Mechanisms</i>					
22	ongoing	Raise members and the public’s awareness of GFPAA I&D mechanisms.	ongoing	Chairman of EDC Committee	Executive Director

#	Start Date	Actions	Completion Date	Responsibility	Resource
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 against the Main Requirements of SMO 6 (2019)**

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

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	<b>X</b>			
<b>Sanctions</b> 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.	<b>X</b>			
<b>Rights of representation and appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	<b>X</b>			
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	<b>X</b>			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	<b>X</b>			
14. Records of investigations and disciplinary processes are established.	<b>X</b>			
<b>Public Interest Considerations</b> 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	<b>X</b>			

Requirements	Y	N	Partially	Comments
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			
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.			X	
<b>Regular review of implementation and effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.			X	

**Self-Assessment of GFPAA I&D system against the Main Requirements of SMO 6 (2016)**

Requirements	Y	N	Partially	Comments
<b>Scope of the system</b> 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			
<b>Initiation of Proceedings</b> 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	

<b>Investigative process</b> 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			
<b>Disciplinary process</b> 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		

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	<b>X</b>			
<b>Sanctions</b> 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.	<b>X</b>			
<b>Rights of representation and appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	<b>X</b>			
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	<b>X</b>			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	<b>X</b>			
14. Records of investigations and disciplinary processes are established.	<b>X</b>			
<b>Public Interest Considerations</b> 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.			<b>X</b>	

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
16. A process for the independent review of complaints on which there was no follow- up is established.		<b>X</b>		
17. The results of the investigative and disciplinary proceedings are made available to the public.	<b>X</b>			
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.			<b>X</b>	
<b>Regular review of implementation and effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.		<b>X</b>		

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Further improve and maintain processes for adoption and implementation

**Background:**

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 2018
- 2. IFRS for SME 2015
- 3. The standards set by the SARAS for the Fourth category entities and non-entrepreneur (noncommercial) legal entities
- 4. The standards set by the SARAS for the micro entities

SARAS is responsible for translating the standards.

IFRS is involved in IPD and CPD programs. The programs are updated according to 2019 latest versions of standards.

#	Start Date	Actions	Completion Date	Responsibility	Resource
27		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		

#	Start Date	Actions	Completion Date	Responsibility	Resource
28		Include in CPD courses IFRS for SMEs.	Permanently		
29		Conducting trainings in IFRS, basically in peripheral regions  2017 IFRS for Small- and Medium-Sized Entities – 32 hours;  2018 FRS for Small- and Medium-Sized Entities – 24 hours;  2019 FRS for Small- and Medium-Sized Entities – 20 hours;			
<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

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**Background:**

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' 18<sup>th</sup> and 19<sup>th</sup> 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 Executive Director and executive team members attended Accountants' 18<sup>th</sup> 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 will attend and make presentation at International Conference on "Prospects for Development of Accounting, Auditing and Analysis in the Context of Euro integration", w 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' 19<sup>th</sup> 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 2<sup>nd</sup> 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).

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.

GPFPA is also involved in discussions to establish new audit and accounting regulations in practice.

Lavrenti Tchumburidze  
Executive Director

