

IFIAR 2022 Member Profile – SARAS

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Georgia
2. Member¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Service for Accounting, Reporting and Auditing Supervision (SARAS)</p> <p>ბუღალტრული აღრიცხვის, ანგარიშგებისა და აუდიტის ზედამხედველობის სამსახური</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>0193 Tbilisi, 1 Aleksidze St., Tbilisi, Georgia</p> <p>Tel.: +995 32 226 22 26 Email: info@saras.gov.ge Website: www.saras.gov.ge</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations, which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>SARAS was established in 2016 as a subdivision of the Ministry of Finance of Georgia (MoF), in accordance with the Georgian Law on Accounting, Reporting and Auditing (the Law), which came into effect on June 25, 2016. According to the Law, SARAS is responsible for the oversight of all auditors and audit firms, including those involved in PIE and non-PIE audits SARAS’s mission is to enhance the reliability of financial and management information toward making effective economic decisions through implementation of international standards.</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>SARAS main responsibilities with respect to audit regulation include:</p> <ul style="list-style-type: none"> • Administering the registry of auditors (individuals) and audit firms (responsible for both PIE and non-PIE audits); • Endorsement of accounting, auditing and other related professional standards; • Performing audit quality inspections of PIE and non-PIE audit firms; • Investigation and sanctioning of auditors/ audit firms (of both PIEs and non-PIEs); • Setting standards/rules for the recognition of professional certification programs, examination process and CPD based on IFAC's IESs. <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>												
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board Members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The Members of the SARAS Board (the Board) represent the following governmental bodies and sectors:</p> <table border="1" data-bbox="581 1499 1370 1743"> <thead> <tr style="background-color: #D3D3D3;"> <th>Nominating body</th> <th>Nominees</th> </tr> </thead> <tbody> <tr> <td>Ministry of Finance (Chair)</td> <td>1</td> </tr> <tr> <td>Board of National Bank</td> <td>1</td> </tr> <tr> <td>Ministry of Economy and Sustainable Development</td> <td>1</td> </tr> <tr> <td>Insurance State Supervision Service</td> <td>1</td> </tr> <tr> <td>Professional Organizations</td> <td>1</td> </tr> </tbody> </table>	Nominating body	Nominees	Ministry of Finance (Chair)	1	Board of National Bank	1	Ministry of Economy and Sustainable Development	1	Insurance State Supervision Service	1	Professional Organizations	1
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² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<table border="0"> <tr> <td>Business Associations</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Academia</td> <td style="text-align: right;"><u>1</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">7</td> </tr> </table> <p>According to the general provisions of the Law, practitioners are not allowed to be Members of the Board.</p>	Business Associations	1	Academia	<u>1</u>	Total	7
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	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>In line with the Directive 2006/43/EC of the European Parliament and of the Council, the Law (paragraph 3, article 21) states that the Board shall be independent from the audit profession and consist of 7 Members. A Board Member has to be a non-practitioner, experienced and competent in the areas of financial accounting and reporting, auditing, economics, finance, business administration or law, with at least 7-years of experience in the field. A person convicted in terrorism financing, illicit income legalization or other economic, serious or particularly serious crimes is not authorized to become a Member of the Board. A Board Member and his/ her family members are not allowed to hold share or have voting rights in an audit firm that is subject to supervision by the Service.</p> <p>The process of Board Member selection is as follows: the Minister of Finance submits candidates recommended by the relevant governmental bodies (4 candidates), business, professional and academic sectors (1 candidate per each sector) to the Prime Minister, who approves the recommended candidates within 2 weeks following the nomination.</p> <p>Upon a recommendation from the Board, the Minister of Finance recommends a candidate for the position of SARAS Chief Executive Officer (CEO) to the Prime Minister. The CEO of the SARAS has to be a non-practitioner and meet the requirements set by the law, in particular:</p> <ul style="list-style-type: none"> • have a higher education degree specialising in accounting, audit, economics, finance, or banking; • possess at least 5 years of managerial experience in audit; • not have been convicted of terrorism financing and/or illicit income legalization or other economic, serious or particularly serious crimes; • The CEO and his/her family members are not entitled to hold share or voting right in audit firms that is subject to supervision by the Service. 						

	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: center;">N/A</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>Individuals to be appointed as a Board Member or in the position of CEO of SARAS must be non-practitioners.</p> <p>As defined by the Law a non-practitioner means: any natural person who for at least three successive years prior to appointment and as a Member of the Board has not carried out audit service, has not held voting rights in an audit firm, has not been a member of the management or oversight body of an audit firm, or otherwise associated with it.</p> <hr/> <p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
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	<p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>SARAS is a subdivision of the MoF and is a 100% state budget funded entity. The draft budget document is approved as part of the annual budget legislation by the Parliament of Georgia.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.). • If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight: <p>The recurring inspections of PIE audit firms shall be conducted by SARAS. The Law determines inspection (or monitoring) as an assessment of the compliance of the processes/procedures applied by an auditor/audit firm with the requirements of ISQC, ISA and related services, Code of Ethics, other requirements of the Law, the reasonableness of the remuneration received for professional services specified by the Law,</p>

	<p>The inspection of PIE audit firms must be performed at least once every 3 years (planned inspection). SARAS can commence monitoring on risk-based approach at any appropriate time. The inspection shall be relevant to the scale and complexity of the firm. The results of monitoring become publicly available on State Registry of Auditors/Audit Firms within five days upon SARAS decision. The PIE audits can be performed by only those audit firms, which pass successfully the monitoring and meet the additional requirements set by SARAS.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Both PIE and non-PIE audit firms/individuals are subject to inspections. Inspections of PIE audit firms and large entities shall be done at least once every 3 years, whereas audits of other category entities are subject to inspection at least once every 6 years.</p> <p>According to the Law, the entities are divided into 4 size categories (large, medium, small and micro) in line with the criteria set by the EU Directive 2013/34/EU.</p>
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>There are 135 public interest entities registered in Georgia, including 15 commercial banks, 18 Insurance companies, 39 microfinance and 2 other finance institutions, 20 (of which, 4 commercial banks & 1 insurance) Companies registered at the Georgian Stock Exchange and 47 entities defined by the Georgian Government.</p> <p>The number of non-PIE large and medium sized entities subject to statutory audit is around 712.</p> <p>PIE audits can be performed by only those audit firms, which pass successfully the quality inspection and meet the additional requirements. Auditors (acting individually) can perform only non-PIE audits.</p> <p>Both PIE and non-PIE audit firms/individuals are subject to audit quality inspection. Inspection of PIE audit firms and first category (large) entities must be performed at least once every 3 years, whereas others are subject to inspection once every 6 years.</p>

	<p>Currently, the number of registered audit firms is 268, including 14 firms authorized to audit PIEs.</p> <p>The number of registered auditors is 454, including 106 auditors conducting audit individually.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <table border="1" data-bbox="609 646 1304 1377"> <thead> <tr> <th>N</th> <th>Company</th> <th>Market Share* (%)</th> </tr> </thead> <tbody> <tr><td>1</td><td>EY</td><td>13.82</td></tr> <tr><td>2</td><td>BDO</td><td>13.76</td></tr> <tr><td>3</td><td>PwC</td><td>13.32</td></tr> <tr><td>4</td><td>KPMG</td><td>7.70</td></tr> <tr><td>5</td><td>Deloitte</td><td>7.58</td></tr> <tr><td>6</td><td>Nexia TA</td><td>5.54</td></tr> <tr><td>7</td><td>RSM</td><td>2.45</td></tr> <tr><td>8</td><td>Grant Thornton</td><td>1.90</td></tr> <tr><td>9</td><td>Baker Tilly</td><td>1.28</td></tr> <tr><td>10</td><td>PKF Kaizen</td><td>1.18</td></tr> <tr> <td colspan="2">* - All services included</td> <td>68.53</td> </tr> </tbody> </table>	N	Company	Market Share* (%)	1	EY	13.82	2	BDO	13.76	3	PwC	13.32	4	KPMG	7.70	5	Deloitte	7.58	6	Nexia TA	5.54	7	RSM	2.45	8	Grant Thornton	1.90	9	Baker Tilly	1.28	10	PKF Kaizen	1.18	* - All services included		68.53
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<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: Entities’ Reporting Supervision 																																				

	<p>7.2 If the Member has the responsibility for Registration/Licensing, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures. <p>A legal entity registered in Georgia, a branch of a foreign enterprise or a natural person can perform audit services in Georgia only after registration in the Registry of Auditors/Audit Firms.</p> <p>SARAS is the only authorized body for the registration of auditors and audit firms and defines the registration process.</p> <p>SARAS performs registration compliance monitoring and has relevant enforcement functions, including sanctioning, suspension and de-registration.</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>SARAS is the only professional standard setting body for audit services and ethics, whose role includes:</p>
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	<ul style="list-style-type: none"> Adopting IFAC’s Code of Ethics, ISQC1, ISA, and other service standards as normative acts in Georgian language; Monitoring of professional organizations’ internal policies’ compliance with the Code of Ethics and IFAC’s other related regulations.
	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>Permanent education of auditors (i.e. CPD - Continuous Professional Development) is performed on mandatory bases by professional accountants’ organizations (PAOs) or audit firms recognised by PAOs. The membership at PAO is mandatory requirement for the auditors.</p> <p>SARAS is the only oversight body for professional education of auditors and its responsibilities include:</p> <ul style="list-style-type: none"> Setting local standards for professional certification, examination procedures and permanent education in accordance with the International Education Standards set by IFAC, and the requirements of the relevant EU Directive; Recognition of PAOs certification, examinations processes and CPD programs ; Monitoring of compliance with the local standards by PAOs; Enforcement, including sanctioning and suspension.
	<p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved,

	<p>including the regulatory reporting process that led to disciplinary action.</p> <ul style="list-style-type: none"> If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>For violating of the Law and specific standards, by-laws of SARAS revealed through observation, investigation or inspection processes SARAS shall, simultaneously or separately, or in a sequential manner (depending on the seriousness of the violation and the potential risk, except for the cases provided for by the Law) apply the following sanctions to auditor/audit firm/engagement partner:</p> <ul style="list-style-type: none"> written warning public warning monetary fine (up to 5,000 GEL) suspension for up to three years termination <p>All kind of sanctions applied by SARAS must be reflected on State Registry of Auditors/Audit firms.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>SARAS responsibilities include financial and non-financial reporting regulation, including:</p> <ul style="list-style-type: none"> Administering of the reporting portal for entities' financial statements and non-financial information; The translation/adoption of IFRS, IFRS for SMEs and local accounting standards for micro entities, and guidelines for Non-Financial Information (NFI); The high-level review of submitted statements; Oversight of AML compliance by the certified accountants.

9. Major Events and Activities	
9. Major Events and Activities	9.1 Describe any recent major events and activities: The major events and activities conducted by SARAS in 2021 include the following: <ul style="list-style-type: none">• completed 32 quality inspection;• Legislation gap analyses performed in terms of further approximation with the audit and accounting EU directives;• Up to 800 entities' 2020 audited annual reports of PIEs, large and medium sized entities published at the SARAS reporting portal reportal.ge, average submission rate by all kind of entities comprise 90%;• The latest IFRS standards translated into Georgian language and adopted by SARAS;• On the initiative of SARAS with the support of the World Bank held a series of webinars for SMPs, on the topic of the future of SMPs.