

IFIAR 2024 Member Profile – SARAS

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| 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>ბუღალტრული აღრიცხვის, ანგარიშგებისა და აუდიტის ზედამხედველობის სამსახური</p> <p>Service for Accounting, Reporting and Auditing Supervision (SARAS)</p> <p>2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member’s website:</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> <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> <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); |

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.

| | <ul style="list-style-type: none"> • 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 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input type="checkbox"/> Licensing</p> <p><input checked="" type="checkbox"/> Registration</p> <p><input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input checked="" type="checkbox"/> Other: _ Entities' Reporting Supervision _</p> | | | | | | | | | | | | | | | | | | |
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| <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, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p> <p>The Members of the SARAS Board (the Board) represent the following governmental bodies and sectors:</p> <table border="1"> <thead> <tr> <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> <tr> <td>Business Associations</td> <td>1</td> </tr> <tr> <td>Academia</td> <td>1</td> </tr> <tr> <td>Total</td> <td>7</td> </tr> </tbody> </table> <p>According to the general provisions of the Law, practitioners are not allowed to be Members of the Board.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does</p> | 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 | Business Associations | 1 | Academia | 1 | Total | 7 |
| 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 | | | | | | | | | | | | | | | | | | |
| Business Associations | 1 | | | | | | | | | | | | | | | | | | |
| Academia | 1 | | | | | | | | | | | | | | | | | | |
| Total | 7 | | | | | | | | | | | | | | | | | | |

national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.

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.

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.

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:

- 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.

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| | <p>3.3 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> |
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| <p>4. Independence safeguards</p> | <p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>The member of the governing body has to be a non-practitioner and meet the requirements set by the law, in particular:</p> <ul style="list-style-type: none"> • The member of governing body and his/her family members are not entitled to hold share or voting right in audit firms that is subject to supervision by SARAS. • Members of the governing body are not participated in the review or the resolution of a matter if there is a conflict of interests regarding the subject matter of the dispute. <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input type="checkbox"/> Same set of requirements <input checked="" type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <p>SARAS carries out the monitoring of the quality management system of an auditor/audit firm through a person who, for the continuous period of at least a year before the start of the activity, has not carried out audit services, has not held voting rights in an audit firm, has not been employed as a member of the management body or supervisory board of an audit firm, or has been otherwise associated with an audit firm, and who is</p> |

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| | <p>disinterested with regard to the results of the monitoring of the quality management system, and who meets the qualification requirements defined by SARAS.</p> <p>A person shall be prohibited from conducting the monitoring of the quality management system, if he/she has been a partner/shareholder, engagement partner, or an employee of an auditor/audit firm, or has been otherwise associated with the auditor/audit firm, whose quality management system is being monitored during three years after the completion of such relations.</p> <p>4.2 Are there any additional safeguards in place that provide for the Member’s overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p> |
| <p>5. Funding Arrangements</p> | <p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</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> <p>5.2 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>6. Audit 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 137 public interest entities registered in Georgia, including 15 commercial banks, 18 Insurance companies, 34 microfinance and 6 other finance institutions, 18 Companies registered at the Georgian Stock Exchange and 46 entities defined by the Georgian Government.</p> <p>The number of non-PIE large and medium sized entities subject to statutory audit is around 779.</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.

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.

Currently, the number of registered audit firms is 270, including 15 firms authorized to audit PIEs.

The number of registered auditors is 444, including 100 auditors conducting audit individually.

6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.

| N | Company | Market Share* (%) |
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| 1 | PWC | 13.65 |
| 2 | EY | 12.92 |
| 3 | KPMG | 9.19 |
| 4 | Nexia TA | 7.20 |
| 5 | Deloitte | 5.25 |
| 6 | BDO | 4.21** |
| 7 | Grant Thornton | 2.94 |
| 8 | RSM | 2.91 |
| 9 | Moore | 1.53 |
| 10 | Baker Tilly | 1.47 |
| * - All services included ** - Local BDO has separated audit and other service businesses. The number represents revenue of Audit business. | | 61.27 |

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| 7. Inspection System | <p>7.1 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> |
| | <p>7.2 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> <p>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</p> <p>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 by the Member:</p> <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 ISQM, 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>7.3 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> |

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| | <p>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</p> <p> <input checked="" type="checkbox"/> Employees of the Member <input type="checkbox"/> Professional body </p> <p> <input type="checkbox"/> Third Parties <input type="checkbox"/> Other </p> <p>Please explain below:</p> <p>The monitoring of quality management systems are conducted by employees of SARAS.</p> |
| <p>8. Licensing</p> | <p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</p> <p> <input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition. 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> <p style="text-align: center;">N/A</p> |
| <p>9. Registration</p> | <p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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> <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> |

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| | <p>SARAS performs registration compliance monitoring and has relevant enforcement functions, including sanctioning, suspension and de-registration.</p> |
| <p>10. Audits and/or Ethics Standard Setting</p> | <p>10.1 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> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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> <p>SARAS is the only professional standard setting body for audit services and ethics, whose role includes:</p> <ul style="list-style-type: none"> • Adopting IFAC’s Code of Ethics, ISQM1 and ISQM2, 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>11. Permanent Education / Continuous Training of Auditors</p> | <p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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> <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> |

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| | <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>12. Enforcement</p> | <p>12.1 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> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</p> <p>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> <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>13. Other Responsibilities in Audit Oversight or Audit Regulation</p> | <p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p> |

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| 14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation | <p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> 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. |
| 15. Member Update for public information (if any) | <p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member’s organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of 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> |