



IFIAR 2017 Member Profile – SARAS

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Georgia
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Service for Accounting, Reporting and Auditing Supervision (SARAS) ბუღალტრული აღრიცხვის, ანგარიშგებისა და აუდიტის ზედამხედველობის სამსახური SARAS Georgia has been admitted as an Associate Member to IFIAR in April 2017.
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Postal address: 0193 Tbilisi, 1 Aleksidze St. , Tbilisi, Georgia Telephone number: +995 32 226 24 52 Link to the website: www.saras.gov.ge Contact: Mr. Yuri Dolidze (CEO) Email: y.dolidze@saras.gov.ge , Tel: +995 32 2262448, +995 599 535
	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: SARAS was established in September 2016 as subdivision of the Ministry of Finance of Georgia (MoF), in accordance with the Georgian law on Accounting, Reporting and Auditing (the Law), which is effective since June 24, 2016. According to the Law, SARAS is responsible for the oversight of all kinds of auditors and audit firms, including those involved in 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.



	<p>SARAS's mission is to enhance effective economic decision making through establishing information resources containing financial and management data, the reliability of which is increased by a supervision system based on International Standards and practices.</p> <p>SARAS main responsibilities with respect to audit regulation include:</p> <ul style="list-style-type: none"> • Administering the register of auditors (individuals) and audit firms (responsible for both PIE and non-PIE audits); • Endorsement of accounting, auditing and other related professional standards; • Setting additional requirements for PIE audits; • Performing audit quality inspections of PIE and non-PIE auditors; • 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. <hr/> <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 not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p>The Members of the SARAS Board (the Board) represent the following governmental bodies and sectors:</p>

² For the purpose of this Member Profile, the audit profession does not include an individual who 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.



Nominating body	Nominees
Ministry of Finance (Chair)	1
Council 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
<p>Furthermore, by the decision of the Board, 2 practitioners are invited to the Board without voting rights, based on the nomination of professional organizations, until the end of 2017.</p>	
<p>According to the general provisions of the Law, practitioners are not allowed to be Members of the Board. However, for temporary purposes, a provisional clause of the Law allows one practitioner on the Board with voting rights, and two practitioners without voting rights, only for a one year term, which expires by August 2017 and by the end of 2017 respectively.</p>	
<p>Before August 2017 the ratio of non-practitioners to practitioners as per voting rights will be 6-1.</p>	
<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, heavy or aggravated crimes is not authorized to become a Member of the Board. A Board Member and his/ her family members are not allowed to hold stock, have voting rights in an audit firm, or to be registered as an auditor.</p>	
<p>The process of Board Member selection is as follows: the Minister of Finance submits candidates recommended by the relevant government bodies (4 candidates) and business, professional and</p>	



	<p>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, heavy or aggravated crimes; • the CEO and his/her family members are not entitled to hold stock, capital 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.³</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
	<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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<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>Practitioners are allowed to be Members of the Board only for a limited period of time. The provisional clause of the Law allows one practitioner with voting rights, which expires in August 2017, and two without voting rights, which will expire by the end of 2017.</p>
	<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>

³ Ibid.



	<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 on 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 as a Member of the Board has not carried out audit service, has not held voting rights in an audit firm, has not been employed by an audit firm, has not been a member of the management or oversight body of an audit firm, or otherwise associated with it.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (e.g., in a management or inspection function)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail:</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, which includes activity programs, sub-programs, measures, cost breakdowns, indicators, measurement criteria and risk estimates for each of the above, is initiated by the SARAS, agreed with the MoF subject to approval by the Government and finally once initiated is approved as part of the annual budget legislation by the Parliament.</p> <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>



5. Inspection System	<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> <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> <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:</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 subject to inspection. Inspection of PIE audit firms shall be done once in 3 years, whereas others are subject to inspection once in 6 years.</p>
6. Audit and Financial Market	<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 around 260 public interest entities registered in Georgia, including 17 commercial banks, 15 Insurance companies, up to 100 microfinance and other finance institutions and 120 Joint Stock Companies registered at the Georgian Stock Exchange.</p> <p>The number of non-PIE large and medium sized entities subject to statutory audit is around 300.</p> <p>PIE audits can be performed by only those audit firms, which pass successfully the quality inspection and meet the PIE audit 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 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 213, including 17 firms temporarily authorized to audit PIEs.</p> <p>The number of registered auditors is 388, including 94 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="597 667 1295 1409"> <thead> <tr> <th>N</th> <th>Company</th> <th>Market Share (%)</th> </tr> </thead> <tbody> <tr><td>1</td><td>EY Georgia</td><td>25.96</td></tr> <tr><td>2</td><td>PwC</td><td>13.24</td></tr> <tr><td>3</td><td>KPMG Georgia</td><td>10.25</td></tr> <tr><td>4</td><td>BDO</td><td>9.43</td></tr> <tr><td>5</td><td>Deloitte & Touche</td><td>9.29</td></tr> <tr><td>6</td><td>Financial Management Group</td><td>7.09</td></tr> <tr><td>7</td><td>Grant Thornton</td><td>3.25</td></tr> <tr><td>8</td><td>RSM Capto</td><td>2.70</td></tr> <tr><td>9</td><td>Tsodnisa</td><td>2.62</td></tr> <tr><td>10</td><td>Baker Tilly Georgia</td><td>2.34</td></tr> <tr> <td colspan="2">Total:</td><td>86.17%</td></tr> </tbody> </table>	N	Company	Market Share (%)	1	EY Georgia	25.96	2	PwC	13.24	3	KPMG Georgia	10.25	4	BDO	9.43	5	Deloitte & Touche	9.29	6	Financial Management Group	7.09	7	Grant Thornton	3.25	8	RSM Capto	2.70	9	Tsodnisa	2.62	10	Baker Tilly Georgia	2.34	Total:		86.17%
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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> <p>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 profession⁴ 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 service in Georgia only after registration in the Auditors' Register.</p> <p>SARAS is the only authorized body for registering auditors and audit firms, the process for which is defined by SARAS and includes:</p> <ul style="list-style-type: none"> • Filling of a registration form on SARAS's web-page; • having professional indemnity; • submitting hard copies of a signed registration form and other documents in accordance with the SARAS regulations. <p>SARAS performs registration compliance monitoring and has relevant enforcement functions, including sanctioning, suspension and de-registration.</p> <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> <p>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 profession⁵ 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>
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⁴ For the purpose of this Member Profile, the audit profession does not include an individual who 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.

⁵ Ibid.



	<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, 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. <hr/> <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> <p>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 profession⁶ 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 regulator of professional education, whose responsibilities include:</p> <ul style="list-style-type: none"> • Setting local standards for professional certification, examination procedures and continuous education in accordance with the International Education Standards set by IFAC, and the requirements of the relevant EU Directive and Regulation; • Recognition of certification and CPD program, and examinations processes; • Monitoring of compliance with the local standards by professional organizations and examination bodies; • Enforcement, including sanctioning and suspension.
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	<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> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁷ 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>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>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.
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>The Service for Accounting, Reporting and Auditing Supervision was established in September 2016 and since then has performed various activities such as:</p> <ul style="list-style-type: none"> • Holding 3 Board meetings • Promulgating normative acts, including on: <ul style="list-style-type: none"> - auditor/audit firms registration, - professional indemnity; - simplified certification for experienced practitioners.

⁷ Ibid.



	<ul style="list-style-type: none">• Drafting various normative acts and presenting to professional society for public discussion, including on:<ul style="list-style-type: none">- quality inspection,- professional education standards;- auditor's annual return.• Negotiating licence terms with IFAC and IFRS Foundation;• Designing and running a state Register of Auditors/Audit Firms;• Granting temporary PIE audit permissions to 17 audit firms;• Designing a reporting portal for entities' financial statements and NFI• Participating in World Bank workshops• Participating in the IFIAR Tokyo plenary meeting in April 2017• Handling various meetings and work
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