

Georgian Federation of Professional Accountants and Auditors  
(GFPAA)

**Independent Auditor's Report**

and

**Financial Statements**

**for the Year that Ended on December 31, 2016**

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## **Auditor's Opinion**

**To the Executive Director of Georgian Federation of Professional Accountants and Auditors**

### **Opinion**

We have audited the accompanying financial statements of Georgian Federation of Professional Accountants and Auditors, which comprise statement of financial condition as at December 31, 2016, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Georgian Federation of Professional Accountants and Auditors as at December 31, 2016, and (of) its financial performance and its cash flows for the year then ended in accordance with simplified accounting standards for small entities.

### **Basis for Auditor's Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities as defined under the standards are described in detail in the section 'Auditor's Responsibility for the Audit of Financial Statement' of the Auditor's conclusion. We are independent from the Georgian Federation of Professional Accountants and Auditors in compliance with the Code of Ethics issued by International Ethics Standards Board for Accountants (IESBA) and those ethical norms, which are related to the audit of the financial statements conducted by us, besides, we fulfilled other ethical obligations envisaged by the norms and the Code of Ethics by IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

### **Management's Responsibility for the Financial Statements**

Management is responsible for preparation and fair presentation of the financial statements in accordance with simplified accounting standards for small entities, as well as for establishment of such internal control that it considers necessary for preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements are free from material misstatement whether due to fraud or error and to prepare auditor's conclusion, which contains our opinion. The reasonable assurance represents high level assurance but it does not a guarantee that audit conducted in accordance with ISA will always reveal any such misstatement. The misstatements might be caused due to fraud or error and they are considered material if it is reasonably expected that they, together or separately, will have impact on the economic decisions of those users, who rely on these financial statements.

Iv. Gachechiladze

Auditor, Director  
Intellect-Audit, Audit Company

Tbilisi  
May 15, 2017

**Balance Sheet of Georgian Federation of Professional Accountants and Auditors (GFPAA), Non-commercial Legal Entity, as of December 31, 2016 (in GEL)**

<b>Assets</b>		<b>31.12.2016</b>		<b>31.12.2015</b>	
<b>Non-Current Assets</b>					
Property, Plant and Equipment, Net	1)	82,921		93,963	
Intangible Assets	2)	6,572		7,586	
Investments in Other Entities		306,400		306,400	
<b>Total Non-Current Assets</b>			395,893		407,949
<b>Current Assets</b>					
Inventory	3)	72,197		104,115	
Receivables and Prepayments	4)	330,913		208,241	
Cash and Cash Equivalents	5)	646,997		746,214	
<b>Total Current Assets</b>			1,050,107		1,058,570
<b>Total Assets</b>			<b>1,446,000</b>		<b>1,466,519</b>
<b>Equity and Liabilities</b>					
<b>Capital and Reserves</b>					
GFPAA Development Fund		1,353,473		1,254,495	
Current Year Profit/Loss		-24,570		98,978	
<b>Total Capital and Reserves</b>			<b>1,328,903</b>		<b>1,353,473</b>
<b>Non-current Liabilities</b>					
Deferred Income Tax		0		0	
Deferred Income	6)	3,830		3,830	
<b>Total Non-Current Liabilities</b>			<b>3,830</b>		<b>3,830</b>
<b>Current Liabilities</b>					
Trade and Other Payables	7)	111,901		104,800	
Tax Liabilities	8)	1,366		4,416	
<b>Total Current Liabilities</b>			<b>113,267</b>		<b>109,216</b>
<b>Total Equity and Liabilities</b>			<b>1,446,000</b>		<b>1,466,519</b>

### Income Statement

For the Year Ended on December 31, 2016 (in GEL)

		2016	2015
Revenue	9)	536,122	475,064
Other Income	10)	389,685	554,642
Changes in Inventory and Work-in-progress		(31,918)	(9,258)
Work Completed and Capitalized		-	-
Purchase of Inventory		(80,964)	(78,951)
Salary Expense		(449,755)	(494,920)
Depreciation and Amortization Expense		(22,738)	(24,077)
Purchased Service Expense		(256,512)	(178,368)
Foreign Exchange Difference Expense		(22,352)	(6,833)
Tax Expense		(892)	(979)
Other Operating Expenses	11)	(85,246)	(137,342)
Profit-Loss from Operating Activities		(24,570)	98,978
Financial Costs			
Profit-Loss Before Taxation		(24,570)	98,978
Profit Tax			
Net Profit-Loss of the Reporting Period		(24,570)	98,978

## Cash Flow Statement

For the Year Ended on December 31, 2016

	2016		2015	
Cash Flows from Operating Activities				
Cash receipts from customers	613522		510187	12)
Membership fees	130133		141824	
Dividend received	87983		127500	
Other operating income	49373		41354	
Exchange rate difference	(20178)		149339	
Cash paid to suppliers	(133833)		(91577)	
Salaries paid	(376977)		(420781)	
Membership fees paid	(12087)		(11115)	13)
Payment of administrative and other non-operating expenses	(260517)		(118728)	14)
Taxes paid	(163767)		(157479)	15)
Net cash from operating activities		-86,348	170,524	
Cash flows from investing activities				
Proceeds from selling non-current assets	0		0	
Purchase of property, plant and equipment	(12869)		(19220)	
Net cash flows from investing activities		(12,869)	(19,220)	
Net increase in cash and cash equivalents		-99217	151,304	
Cash and cash equivalents at the beginning of the reporting period		746214	594910	
Cash and cash equivalents at the end of the reporting period		646997	746214	

## Statement of Changes in Equity

For the Year Ended on December 31, 2016

	Equity	GFPAA Development Fund
Balance at 31.12.2014	-	1,254,495
Transfer to previous years reserves	-	
Current period net profit-loss	-	98,978.00
Balance at 31.12.2015	-	1,353,473
Transfer to previous years reserves		
Current period net profit-loss		(24,570.00)
Balance at 31.12.2016	-	1,328,903

### Notes to the Annual Financial Statements

#### 1. General Note

According to the Georgian legislation GFPAA represents non-commercial legal entity (union). It carries out its activities on Georgia's territory through head office (in Tbilisi) and 7 regional and district branches. GFPAA, as a professional organization, prepares regulating normative acts related to accounting and audit in Georgia's private sector, lobbies legislation, translates and publishes the international standards of financial accounting and audit. Economic activity represents its supplementary activity, which is mainly related to training of specialists and professional certification. This consolidated balance sheet of the GFPAA and its branches was prepared on the bases of simplified accounting standards for small entities using accounting policy and chart of accounts prepared in advance.

#### 2. Methods used in preparation of the financial statements and in making estimates

##### Basis for consolidation

The consolidated balance includes statements of the branches. Namely, it includes the following branches:

- Ajara Autonomous Republic Branch;
- Imereti Regional Branch;
- Samegrelo-Zemo Svaneti Regional Branch;
- Kakheti Regional Branch;

- Rustavi District Branch;
- Poti District Branch;
- Gori District Branch.

Receivables and liabilities due to related party transactions are eliminated in the consolidated financial statements.

### **Property, Plant and Equipment**

Property, plant and equipment is reflected in the balance at purchase cost, reduced by accumulated depreciation. Depreciation is calculated using straight-line depreciation method. Useful life of the property, plant and equipment is defined individually and varies from 2 to 10 years. Depreciation rate by the PPE groups are as follows:

#	Group	Depreciation Rate %
1	Office equipment	20-30
2	Furniture and fixtures	25-50
3	Vehicles	10-15

Investments in other entities are reflected in the balance sheet at nominal cost.

### **Inventory**

Inventory is reflected in the balance sheet at lower of the cost of purchase/production and net realization value at the balance sheet date. FIFO method was used in valuing the inventory.

### **Receivables and prepayments**

Receivables and prepayments are carried at nominal value.

### **Cash and cash equivalents**

Cash is carried at nominal value. Foreign currency denominated cash is translated into local currency using exchange rate at the balance sheet date.

### **Liabilities**

Current liabilities are carried at the amount, which is due within 12 months after the balance sheet date. Non-current liabilities represent deferred income (which equals to the book value of assets received as grant or contributions).

## Income

Income from realization is recognized when GFPAA transfers risks. Income is reduced by discounts and returns. Such income as cash grant is reflected in income when it is used. Non-cash income received as assets is carried in the financial statements in line with their sale and depreciation. Membership fees are accrued as of the last day of the reporting period.

## Expenses

Expenses related to the generation of income are represented as expense items in the financial statements.

## Notes to the Balance Sheet

### Non-Current Assets

#### 1) Property, Plant and Equipment

	Name	Balance at 31.12.16	Additions	Disposals	Balance at 31.12.15
	Purchase Cost				
1	Library	4,631	156		4,475
2	Office equipment	109,607	10,167	3,166	102,606
3	Furniture and fixtures	89,266	419	314	89,161
4	Vehicles	48,739	-	-	48,739
	Total	252,243	10,742	3,480	244,981
	Depreciation	Balance at 31.12.16	Depreciation charged	Depreciation written off	Balance at 31.12.15
1	Library	-			-
2	Office equipment	78,389	10,121	3,109	71,377
3	Furniture and fixtures	65,733	6,806	314	59,241
4	Vehicles	25,200	4,800	-	20,400
	Total	169,322	21,727	3,423	151,018
	Book Value	82,921			93,963

*Depreciation of property, plant and equipment is charged using straight-line method, assets are reflected in the balance sheet at cost reduced by accumulated depreciation. Assets have not been tested on impairment.*

## 2) Intangible Assets

	<b>Item</b>	<b>Balance at 31.12.16</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at 31.12.15</b>
	Purchase cost				
1	Accounting software 'Oris'	3,254			3,254
2	Accounting software 'Superfin'	618			618
3	Software ICS	2,225			2,225
4	License Strados Studio	5,467			5,467
	<b>Total</b>	<b>11,564</b>	<b>-</b>	<b>-</b>	<b>11,564</b>
	<b>Amortization</b>	<b>Balance at 31.12.16</b>	<b>Amortization charged</b>	<b>Amortization written off</b>	<b>Balance at 31.12.15</b>
1	Accounting software 'Oris'	2,077	168		1,909
2	Accounting software 'Superfin'	713	123	-	590
3	Software ICS	1,108	176		932
4	License Strados Studio	1,094	547		547
	<b>Total</b>	<b>4,992</b>	<b>1,014</b>	<b>-</b>	<b>3,978</b>
	<b>Book Value</b>	<b>6,572</b>			<b>7,586</b>

Amortization of intangible assets is charged using straight-line method, assets are carried in the balance sheet at cost reduced by accumulated amortization.

### **Current Assets**

Note #3

Inventory consists of the following main groups:

<b>Item</b>	<b>Amount</b>		<b>Amount</b>
	<b>2016</b>		<b>2015</b>
Goods, audit standards	843		1834
Oris software	1724		2985
Products, books	69180		97246
Other inventory	450		2050
<b>Total Inventory</b>	<b>72197</b>		<b>104115</b>

Books received as contribution and accounting software Oris make up the goods balance. Products balance includes – International Financial Reporting Standards, Quality Assurance and Audit Standards and ACCA textbooks, and other inventory consists of fuel balance.

Note #4

### Receivables and prepayments

Accounts receivables is broken down as follows:

Item	2016	2015
Receivables from supply and services	38304	34412
Receivables from members	348894	232965
Adjustment of the doubtful receivables (membership)	-69013	-69546
Personnel receivables	250	2072
Issued loan	0	0
Prepayments to suppliers	7983	3817
Prepaid expenses		
Prepaid taxes	4495	4521

Note. #5

### Cash and cash equivalents

Cash and cash equivalents of GFPAA are deposited in Georgian banks in the domestic and foreign currencies located in Tbilisi and its banks. Their structure is as following:

Item	2016	2015
Cash at hand	55	100
Local currency in bank	635993	338650
Foreign currency in bank	10949	407464
Total cash and cash equivalents	646997	746214

GFPAA uses the practice of converting cash to foreign currency in order to avoid expected loss due to local currency devaluation.

**Deferred Income**

Deferred income includes the following future incomes:

Note #6

**Deferred Income**

Item	2016	2015
Property, Plant and Equipment purchased with grant	19	19
Contributed books	615	615
Contributed Property, Plant and Equipment	229	229
ACCA textbooks (published using grant money)	0	0
Other books published using grant	2967	2967
<b>Total deferred income</b>	<b>3830</b>	<b>3830</b>

Property, Plant and Equipment purchased by grants will be recognized in future by the amount of depreciation charge, and contributed books and books published using grants – at cost of sold products.

**Trade and other liabilities**

Trade and other liabilities are broken down as follows:

Note #7

**Trade and other liabilities**

Item	2016	2015
Liabilities for supplies and services received	11267	15553
Advances received	98904	88074
Outstanding salaries	0	0
Liabilities against personnel	0	0
Other liabilities	1730	1173
<b>Total trade and other liabilities</b>	<b>111901</b>	<b>104800</b>

**Tax Liabilities**

The tax liabilities include taxes to be paid at the end of the reporting period, which are not due by the balance sheet date. They are broken down as follows

Note #8

**Tax liabilities**

Item	2016	2015
Income tax payable	0	0
Property tax payable	0	0
Income tax payable	0	134
VAT payable	1366	4283
Social tax payable		
<b>Total tax liabilities</b>	<b>1366</b>	<b>4417</b>

## 4. Annexes to Comprehensive Income Statement

**Revenue**

Revenue received through selling of goods, services and works is broken down as follows:

Note #9

**Revenue**

Item	2016	2015
Realization	105445	74955
Teaching process	303180	284270
Other operating income	127497	115839
<b>Total Revenue:</b>	<b>536122</b>	<b>475064</b>

Realization includes revenue from realization of goods as well as own produce. Teaching process revenue includes all revenues generated from all types of educational programs and examinations of GFPAA.

**Other operating income**

Other operating income includes income received from various sources. They are broken down as follows:

Note 10

**Other operating income**

Name	2016	2015
Membership fee of corporate members	131080	109692
Membership fee of real and associated members	108184	101550
Membership	3740	3345
Dividend	87983	134211
Interest income	55984	38849
Income from realization of books purchased by contributions and grants	0	156
Depreciation of property, plant and equipment purchased by contributions and grants	0	0
Non-claim income	1400	13762
Contributions	0	0
Exchange rate difference	1314	153077
Other income		0
<b>Total other operating income:</b>	<b>389685</b>	<b>554642</b>

Membership fees consists of accrued membership fees.

**Other operating expenses**

Other operating expenses includes expenses related to members and non-operating expenses.

Note 11

**Other operating expenses**

Name	2016	2015
Membership fee paid (IFAC)	11983	11115
Written off membership fees	307	100205
Written off PPE	57	237
Charity and assistance	1358	1715
Bad debts	1920	10296
Non-operating expenses	1220	788
Representational expenses	2272	2001
Income tax paid on behalf of non-resident legal entities	4348	50
Income tax on dividends received 5%	4399	6711
Members conference costs	57382	4224

Total other operating expenses:		85246	137342
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### Income taxes

According to the tax code GFPAA pays 15 percent income tax. According to annual results losses before tax amounted to GEL (24570), tax adjustment amounted to (242685) and tax losses amounted to (267255).

Tax adjustments were applied to incomes, which were not subject of taxation: membership fees GEL 243004; dividends GEL 87983; bank interest GEL 55984; transfer free of charge GEL (820) (in total GEL 386151).

Adjustments were made to those expenses also, which are not subject to exemption for tax reasons: dividend income tax GEL 4398; membership fee paid to IFAC GEL 11983; membership fee written off for members who quit GEL 307; salary of personnel hired in relation with GFPAA members GEL 28300; quality control related expenses GEL 1600; members conference expense GEL 57382; business trip expenses of board members GEL 4523; expenses incurred on non-economic activity GEL 11095; charity and assistance GEL 973; written of non-current assets GEL 57; teaching materials purchased from micro-business GEL 1452; representational expenses GEL 2272; VAT not deducted GEL 5250; non-resident income GEL 4348; bad debt GEL 1920; also difference between accounting and tax depreciation of PPE GEL 11238; non-current assets with purchase cost less than GEL (5932); translation cost of quality control materials published on the web-site GEL 2300; (total GEL 143466).

## 1. Annexes to the Cash Flow Statement

Note 12

### Cash received from customers

Item	2016	2015
Realization of literature	99614	42840
Cash received for teaching and certification	124403	79184
ACCA examinations	260247	216535
Payment of accounts payables	11070	22021
Installation of Oris software	112167	39315
Advances received	6021	110292
<b>Total cash received from customers</b>	<b>613522</b>	<b>510187</b>

Note 13

**Membership fees paid**

Item	2016	2015
IFAC membership fee	12087	11115

This is membership fee paid to international organizations (International Federation of Accountants).

Note 14

**Payment of administrative and other non-operating expenses**

Item	2016	2015
Rent	98487	85676
Public utilities	11170	9103
Translation of materials published on web-site	11600	0
“Code”	680	946
Royalty	10165	565
Business trip	5090	3137
Advertisement	4152	3944
Copying costs	132	621
Computer expenses	1250	502
Tax and other literature	696	670
Bank charges	1394	1190
Charity	1368	1715
Conference costs	57173	5384
Vehicle maintenance costs	4751	2044
Audit services	3956	2500
Audit seminar	45326	0
Enhancement of qualification of personnel	560	701
Repair works	2055	0
Other non-operating expenses	512	30
Total	260517	118728

**Taxes paid**

<b>Item</b>	<b>2016</b>	<b>2015</b>
Profit tax	3712	17
Property tax	980	1000
VAT due	57205	49016
Income tax	101870	107446
<b>Total taxes:</b>	<b>163767</b>	<b>157479</b>

**Statement of Financial Position**

as of December 31, 2016

Name of company: **Georgian Federation of Professional Accountants and Auditors**

Organizational-legal form: **Non-commercial legal entity (union)**

Legal address: **61 Tsereteli Str., Tbilisi**

Field (type of activity): **Service**

Unit of measurement: **GEL**

Executive Director: **Lavrenti Tchumburidze**

Chief Accountant: **Ketevan Abesalavili**

## Progress Report 2016 for the Georgian Federation of Professional Accountants and Auditors (GFPAA)

### Brief Organizational Overview

GFPAA is a membership based professional body (non-commercial legal entity) that carries out its activities through head office (in Tbilisi) and 7 regional and district branches. General meeting of members is the highest management authority, GFPAA board defines policy and strategic action plan and executive management is responsible for management and implementation of the policy and the plan. As of December 31, 2016 GFPAA membership consisted of the following: 6,770 physical entities, accountants and auditors (including 421 real members and 6,350 associated members); 98 audit companies (corporate members). GFPAA has been a **member of International Federation of Accountants (IFAC) since 2000.**

Mission of the GFPAA, as defined by its charter, is **support to business development through improvement of investment environment**, which envisages the following:

- Creation of favorable environment for establishment of international best practice of accounting and audit in Georgia's private sector;
- Achievement of high professional level of accountants employed in audit and business for provision of quality service to society;

**Stemming from the mission, main directions of the GFPAA activities are the following:**

- A. Establishment of international best practice in accounting and audit fields and active participation in reforms, lobbying for legislation regulating the profession. Translation and publishing of internationally accepted literature for professional certification and international standards of accounting and audit;
- B. Provision of consulting services for members of the organization, professional certification, enhancement of qualification and service quality and protection of members' interests;
- C. Conduct economic activities related to the profession in order to maintain financial independence.

Since its establishment the GFPAA has been actively cooperating with international organizations related to accounting and audit fields, with the Government of Georgia and non-governmental organizations as well as academic sector and has signed respective memorandums.



Main partners of the GFPAA are the following organizations:

- International Federation of Accountants (IFAC)
- Association of Chartered and Certified Accountants (ACCA)

BPP Learning Media – publishing enterprise

- International Financial Accounting Standards Board
- USAID
- Financial Accounting Reform Center of the World Bank
- State Audit Office
- LEPL State Audit Institute
- Ivane Javakhishvili Tbilisi State University
- Institute of Professional Accountants
- International Black Sea University
- Sokhumi State University
- Akhaltsikhe State Teaching University, etc.

GFPAA conducts its activities on the basis of **internal policy, systems and management procedures** prepared and approved by the Board, Executive Director and respective Committees, which ensures:

- a) Meeting demand with regard to professional certification and continuous education;
- b) Meeting requirements of the IESBA Code of Ethics and quality control system by members of professional bodies;
- c) Efficient management of economic activities.

#### **Summary of the performance before the reporting period (1996-2015)**

*The following was accomplished with GFPAA initiative and its direct involvement:*

- International Accounting standards and International Standards of Audit were adopted as Georgia's national standards;
- Georgian laws were adopted:  
Law on Regulation of accounting and reporting (1999), and  
Law on Audit of Accounting and Financial Reporting (2012)
- Professional self-regulation principles were established;
- Professional Accountants' Institute and monthly scientific-practical magazine for accountants were established;
- Continuous teaching system for training of specialists and professional certification was established;
- ACCA program was adopted to Georgian reality, which was promoted and acknowledged by ACCA. It has been leading the ACCA program since 2003;

- Normative base for service quality control checking was developed and implemented;
- International standards financial reporting and audit were translated and published. Materials required for their application are being prepared and published;
- GFPAA, since it was established, lobbies legislative base regulating the profession;
- 12 international conferences were conducted on regulation of the profession, professional certification, and quality control issues.

## Performance in the Reporting Period (2016)

### 1. General meeting of members

General meeting (21st) of GFPAA was held on May 21, 2016 at Courtyard Marriott. 157 delegates out of 211 invited delegates attended the meeting (quorum – 106 delegates).

**Mr. Zurab Lalazashvili**, Chairman of the GFPAA Board presented report on the performance of GFPAA. The meeting evaluated GFPAA performance during the reporting period through voting. The results of the voting: positive evaluation – 157 delegates, negative – 0; abstained – 0.

The revision commission presented report on the results of GFPAA revision. The commission provided positive evaluation to the GFPAA performance till May 20, 2016 period.

Invited auditor presented results of the audit of GFPAA financial statements 2015. After the presentation of the reports the meeting voted and gave positive assessment to GFPAA performance during the reporting period: positive evaluation – 156 delegates, negative – 0; abstained – 1.

After hearing and approving the reports the following persons were awarded honor credentials for special contribution to the GFPAA activities during its 20 years of operation:

1. **Babale Alavardashvili** – for contribution in translation of international accounting and audit standards into Georgian and in their application;
2. **Marina Revazishvili** – for contribution in promoting adapted ACCA program;
3. **Mariam Tsiklashvili** – for contributing to training of cadres in International Accounting Standards in Georgia;
4. **Marina Mchedlishvili** – for contributing to training of cadres in International Accounting Standards in Georgia;
5. **Ekaterine Tsamalashvili** - for contributing to training of cadres in International Accounting Standards in Georgia.

## 2. Review of the Board Activities

The activities carried out by the board can be broken down in two parts:

### ***1. Fulfilment of obligations under the Action Plan 2015-2016 agreed with IFAC***

In line with the IFAC requirements to its members GFPAA prepares 2 years' action plan consisting of 7 sections, covering all aspects of GFPAA activities. GFPAA committees are in charge of implementation of main projects defined by the action plan. Their activities during the reporting period will be reviewed below. IFAC conducts supervision of implementation of the action plan and its periodic evaluation. The IFAC positively evaluated GFPAA's performance in 2016 with one exception – there were certain remarks related to disciplinary scrutiny. The board considered the remarks and respective committee was requested to operate in line with new rules.

### ***2. Support to establishment of international accounting and audit practice in the country stemming from the GFPAA mission***

Joint efforts by professional organizations, state bodies and international donor organizations is necessary in order to ensure compliance of legislation regulating accounting and audit to the requirements of Euro Directives, which is envisaged by *the Association Agreement between the EU and European Atomic Energy Community and Their Member States*. With this regard, the following shall be noted in the first half of the reporting year:

a. Cooperation of the board with the Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP) under the World Bank Center for Financial Reporting (CFRR). The program envisages support to financial reporting reform, improvement of legislative base and establishment of international best practice in the areas of financial reporting and audit in partner countries (Armenia, Azerbaijan, Belorussia, Georgia, Moldova and Ukraine).

Our organization was actively involved in the project in the first half of the reporting period and we participated in different conferences (see below) where we had opportunity to get familiar with the international best practice in the field of regulation of professional regulations.

b. Cooperation with interagency working group of the Ministry of Finance in preparation of draft law on Accounting, Financial Reporting and Audit.

Since August 2016 GFPAA actively cooperates with Accounting, Financial Reporting and Audit Supervision Service of the Ministry of Finance. 2 persons proposed by the GFPAA work on the board of the service: Mr. Ruslan Khoroshvili and Mr. Ivane Jelia (with voting right).

7 board meetings were held during the reporting period according to the meeting minutes (at least four meetings should be held according to the charter). Main part of the board decrees adopted at the board meetings are fulfilled and fulfilment of certain issues are postponed till next year.

### 3. Overview of the Activities of Committees

#### Education and Certification Committee

Retraining of accountants, professional certification and support to continuous education are main areas of GFPAA activities. With this regard GFPAA support to development of the profession by training highly qualified professional, who meet international criteria for professionals and ethical norms.

**1025** candidates for professional certification **were registered** at the GFPAA in 2016, out of which 981 candidates were registered in Georgian language program and 44 in English language program. As of 30 December 2016, **7526 candidates** are registered in the certification process. 1385 candidates took exams during the reporting period and 1157 of them achieved positive result, 228 candidates received negative results. Based on the results:

Stage I – 235 candidates received certificates;

Stage II – 34 candidates received certificates;

Stage III – 16 candidates received certificate and status of professional accountant, who became real members of GFPAA.

By the end of 2016 the professional certification programs was completed by 172 persons in total, out of which 129 persons completed Georgian language ACCA program and 43 completed English language ACCA program.

The education committee acknowledged 27 “professional Accountants” who are members of other country’s professional organizations, including 10 during the reporting period.

According to the updated memorandum of cooperation between GFPAA and ACCA, ACCA extended accreditation of Georgian language program till the end of 2018 and conditions were improved.

During 2016 ACCA and GFPAA implemented a project, which envisaged enrollment of GFPAA’s Stages I, II and III students to ACCA, provision of passes for courses with consideration of the courses passed under the Georgian language program and exemption from 2016 annual fee. All this was proposed to the students free of charge. Under this project 62 students were enrolled in ACCA, who received passes in minimum 3 and maximum 9 courses.

Traditionally GFPAA was also implementing chief accountant certification program during the reporting period. 98 candidates participated in the program. 71 candidates passed the exams successfully and received qualification of chief accountant.

324 real members participated in continuous education seminars, 95 members received passes.

### **Committee on Standards and Practice**

One of the important directions of GFPAA's activities is translation of international accounting and audit standards and their application guidelines. Due to complexity and volume of work this process requires maximum mobilization of GFPAA's intellectual and financial resources. With consideration of the above factors, it is noteworthy that the following was accomplished in 2016:

- a. Translation and publishing of Code of Ethics of professional accountants (2015 edition);
- b. Translation of International Audit Standards (2015 edition);
- c. Education standards of International Federation of Accountants (2016 edition).

The Committee was involved in preparation of syllabus for seminar and conducting lectures in line with GFPAA's continuous teaching program.

### **Membership Committee**

The Committee reviews documents submitted by candidates to membership and makes decisions regarding awarding membership, carries out administrative actions related to suspending and cancellation of memberships. It is also in charge of membership fee payment process.

Although collection of membership fees was improved in the reporting period compared to the last years, situation with this regard is not perfect and main reason for cancellation of membership of associated members is non-payment of the fees.

Information on the number of members in 2016:

864 memberships were cancelled, including 857 associated memberships and 7 real memberships; 730 new associated members were registered; 16 professional accountants became real members.

As of December 2016, members of GFPAA were as follows:

**6771 physical entities**, including 421 (387 professionals, 34 Certified Chief Accountants) real members and 6350 associated members;

Information on the number of corporate members:

Memberships cancelled - 0; 20 new audit companies and 5 individual auditors became members;

As of December 2016, 98 audit companies and 33 individual auditors were corporate members of GFPAA.

### **Audit Activity Regulation Committee**

Before 2016 the committee finalized documents necessary for checking quality control system: charter for reviewer of quality control system; the Committee conducted certification of quality control systems' reviewers and has been monitoring quality control system of corporate members since 2015. According to the action plan main objective of the Committee for the reporting year was to conduct monitoring of quality control systems at GFPAA member organizations. The process was halted because a law of Georgia on Accounting and Audit of Financial Statements, according to which a government body is responsible for quality control review, was prepared and presented to parliament (which was subsequently adopted) by the Government in the reporting year. The Committee mainly switched to support improvement of members' quality control systems through consultations and seminars. GFPAA conducts quality control system monitoring only of those member companies who express willingness.

The following was accomplished by the committee during 2016: a. an audit program was selected, which was translated into Georgian language and became accessible to the audit companies; b. 40-hour practical seminar was conducted together with foreign (Estonia) experts on methodology for quality control system; c. meetings (roundtable) were held on the topic – "Preparation work for monitoring service quality control system".

### **Tax Committee**

In accordance with the charter of the Tax Committee its function is: to provide consulting services to GFPAA members on accounting and audit issues; to review draft responses to written inquiries received by GFPAA, to prepare final response before publishing in the magazine (or before sending it to the author of the inquiry); participation in discussions related to tax code with executive and legislative bodies in the name of GFPAA. The Committee was successfully fulfilling its functions during previous years and during the reporting period as well.

### **Ethics and Disciplinary Committee**

On the basis of new law of Georgia on Accounting, Reporting and Audit (08. 06.2016) and respective regulations issued by IFAC, the Committee updated during the reporting period “**Regulations for Identification of Violation of Requirements of the IESBA Code and Quality Control System by GFPAA members and Charging Disciplinary Responsibility**”. The adopted rule defines the following: a) approaches for identification of professional accountants’ code of ethics and quality control system requirements; b) regulations for severity of disciplinary actions and for applying them.

#### **4. Overview of the Executive Body’s Activities**

Activities of the executive body is regulated by internal normative documents, specifically, Managerial Procedures are written and approved; work of employees is regulated by a decree approved by Executive Director on “Functions of GFPAA Employees”. The document describes rights and obligations of each employee, obligations of members of the organization’s administration are clearly formulated and delaminated, which enables to maintain respective level of responsibility at each unit. Fulfilment of obligations by the employees is regulated by Office Manager and Executive Director. Structure and design of the GFPAA’s web-site was updated during the reporting period and the old problem of creation of English language web-site is solved. The translation software ensures automatic translation of information uploaded to the site in Russian and English languages.

#### **5. Economic and Financial Activities**

Economic and financial activities during the reporting period by items and by absolute amounts is presented in the approved Budget 2016, which is published and accessible at the web-site: baf.ge – “**Activity Report**”.

Financial Statements 2016, along with independent auditor’s report will be published on the web-site: baf.ge – “**Activity Report**”. before May 1, 2017. Last five years financial statements are accessible on the web-site as well.

Stemming from the above we will not review in detail economic and financial activities in this progress report. In short, GFPAA is in satisfactory financial conditions. Value of net assets and high liquidity level represent guarantee of GFPAA’s financial sustainability.

#### **6. International Conferences**

GFPAA’s achievements and international recognition largely depends on sharing and practical application of experience received at scientific-practical conferences. GFPAA’s representatives participate in international conferences on development of the profession each year. Besides, 12 international conferences were held in Georgia by GFPAA’s initiative and organization.

**On May 20-21, 2016** – GFPAA hosted international conference on the topic: “20 Years of Professional Development – EU Integration and Challenges of the Profession”. Main objective of the conference

was to enable representatives of state bodies (Parliament, Executive Government) and the field of accounting and audit to become familiar with international practice, which would help Georgia in development of comprehensive regulations for the profession in line with the EU directives. The conference participants were enabled to actively discuss main clauses of the draft law on “Accounting and Financial Reporting Audit”.

The conference participants were as follows: **Anthony Harbinson** - Association of Chartered and Certified Accountants (ACCA) of Great Britain; **Takatsugu Ochi** –International Accounting Standards Board (IASB); **Natali Manulova** – The World Bank, Senior Financial Management Specialist; **Horia Neamtu** – Chamber of Financial Auditors of Romania; **Dimitri Iakovenko** – Samara National Institute of Professional Accountants, Finance Managers and Economists; **Mart-Martin Arengu** – Estonian Auditors’ Association; **David Goldberg** – Israeli Certified Accountants’ Institute; **Sapar Koshkimbaev** – Chamber of Auditors of Kazakhstan; **Radoslav Ignatovski** – Accountants Association of Poland; **Natalia Logka** – Federation of Professional Accountants and Auditors of Ukraine. Representatives of Government of Georgia, Non-governmental sector, member companies and academic sphere.

**Topics and speakers:**

**Topic:** Requirements of the EU Association Agreement and Regulations Base of the Profession in Georgia; the following persons made speeches on the topic:

**Nodar Ebanoidze** – Deputy Chairman of Budget and Finance Committee of the Parliament; **Yuri Dolidze** – Adviser to the Head of Revenue Service of the Ministry of Finance of Georgia; **John Hooper** – Financial Management Consultant, World Bank.

**Topic:** Global Trends for Professional Education and Certification – **Anthony Harbinson**, President, ACCA, UK;

**Topic:** Importance of availability of the International Standards in the state (national) language for harmonizing and ensuring quality of financial statements - **Takatsugu Ochi**, Member IRFS Foundation;

**Topic:** Current Challenges in the Market of Small and Medium Size Enterprise Audits and in the Associations – **Mart-Martin Arengu**, President of Estonian Auditors’ Association.

**Topic:** The Role of Professional Organization in Developing and Regulating the Profession – **John Hodge**, Senior Financial Management Specialist, the World Bank; **Giorgi Rusiashvili**, President, the Society of Accountants, Auditors and Consultants; **Lavrenti Tchumburidze**, Board Member of the Georgian Federation of Professional Accountants and Auditors.

The final session of the Conference was devoted to discussions and summarizing.

### **Celebratory Reception for 20<sup>th</sup> Anniversary of GFPAA**

More than 500 guests were invited to the celebratory reception, among them representative of the Government of Georgia, Parliament of Georgia, Tbilisi City Hall and the Council, academic and business sectors, local and international partner organizations of GFPAA and GFPAA members.

**Olivia F. Kirtely, IFAC President** congratulated GFPAA on the 20<sup>th</sup> Anniversary.

The invitees of the Celebratory Reception were addressed by the following speakers who spoke about the GFPAA role:

**Giorgi Kumsishvili**, Vice Prime Minister of Georgia, and Minister of Economics and Sustainable Development; **Nodar Khaduri**, Minister of Finance of Georgia, and **David Narmania**, Mayor of Tbilisi.

GFPAA issued Certificates of Appreciation to the following persons for their long-time cooperation and partnerships:

**Olivia F. Kirtely**, President of International Federation of Accountants (IFAC), **Anton Harbinson**, former President of ACCA; **Takatsugu Ochi**, Member IRFS Foundation, **Natalia Manuilova**, the World Bank, Senior Financial Management Specialist.

For its 20<sup>th</sup> Anniversary GFPAA received numerous letters of congratulations and gifts from its partner international organizations, representatives of the profession from various counties, from the business academic sectors in Georgia. The congratulatory letters were published in the Anniversary Brochure of GFPAA.

**During the reporting period, the GFPAA also participated in the following events:**

1. An international conference dedicated to *Current Issues in the Audit Regulation*, Baku, April 5-6 (attended by Lavrenti Tchumburidze, Constantine Datiashvili);
2. An international conference dedicated to National Initiatives in Teaching Accounting (attended by Revaz Dzadzamia). The conference was organized by the Centre for Financial Reporting Reform (CFRR) of Belorussia in Minsk.
3. A conference *Achievements, Current Issues and Prospects* dedicated to the 20th Anniversary of Audit Chamber of Lithuania (attended by Zurab Lalazashvili).

Lavrenti Tchumburidze

Executive Director  
GFPAA