



IFAC Member Compliance Program Dashboard Report October 2016

For more information on IFAC Member Compliance Program Dashboard Reports and the legends used to describe the status of adoption of international standards, best practices, and fulfillment of SMO requirements please refer to *IFAC Member Compliance Program–Dashboard Report Explanatory Note* [[Link](#)]

Georgia / Georgian Federation of Professional Accountants and Auditors (GFPA)	
Established:	1998
IFAC status:	Member since 2000
Recognition:	Law
Membership:	Mandatory
Commitment to the IFAC mission:	Demonstrated
Capacity to actively participate in the IFAC Compliance Program:	Demonstrated
Financial and operational viability:	Appropriate
Governance structure:	Appropriate
Internal operational structure:	Appropriate

Membership Composition (2014)		Sector Profile (2014)	
Certified Public Accountants / Chartered Accountants	494	Business / Industry	5043
Associates & Bookkeepers	6,138	Public Practice	201
Accounting/Audit Firms	75	Public Sector	286
Other	713	Accounting/Audit Firms	75
		Not Active	1310
		Academia / Education	162
		Other	343
Total:	7,420	Total:	7,420



Overview of Statutory Framework for Accounting and Auditing

The main legislation establishing corporate financial reporting requirements in Georgia includes the Law of the Republic of Georgia on Entrepreneurs of October 28, 1994 and the Law on Accounting and Financial Audit of 2012 (A&A Law). The Law on Entrepreneurs sets the basic financial reporting requirements for all commercial entities in Georgia while the A&A Law establishes the detailed accounting and auditing requirements for the different classes of entities operating in the jurisdiction.

The A&A Law requires entities under the supervision of the National Bank of Georgia (NBG) and the Insurance State Supervision Service of Georgia (ISSSG) to apply International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and translated into Georgian. Such entities include banks, securities market, micro-finance institutions, credit unions, insurance companies; and listed companies. Accredited Professional Organizations (APOs) are legally responsible for the translation of IFRS and the IFRS for SMEs into Georgian. As of September 2016, the Georgian Federation of Professional Accountants and Auditors (GFPAA) is the only APO accredited in Georgia. The Law allows use of the original (English) version of the standards in the absence of the relevant Georgian translation.

All other business entities (except for sole proprietors defined as micro or small businesses under the Tax Code) are required to use IFRS for SMEs as issued by the IASB in the preparation of their financial statements. Non-commercial entities are required to prepare their financial statements in accordance with the national financial reporting standards for non-entrepreneurial legal entities, which are adopted by APOs.

The A&A Law sets mandatory audit requirements for the following types of companies: banks and credit institutions subject to the supervision of the NBG as well as listed entities regulated by NBG non-banking department; insurance companies; and certain state-owned enterprises. The Law on Entrepreneurs also requires audits of joint-stock companies. All statutory audits must be conducted by the registered statutory auditors, who are members of an APO, in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB).

Regulation of the Accountancy Profession

The accounting and auditing profession is largely self-regulated by the Accredited Professional Organizations (APOs). Under the Law on Accounting and Financial Audit of 2012 (A&A Law), to be registered as an APO, the professional accountancy organization must satisfy a number of requirements, including mandatory membership in IFAC or in a regional organization recognized by IFAC. As of October 2016, there is only one APO in Georgia—the Georgian Federation of Professional Accountants and Auditors (GFPAA).

APOs' responsibilities include setting certification standards and certifying professional accountants; maintaining a register of auditors and audit firms both of statutory and non-statutory audits; providing continuing professional development (CPD); translating and publishing IFRS, IFRS for SMEs, ISA, and the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA); setting detailed quality assurance (QA) procedures and establishing QA review systems; developing the national financial reporting standards for non-entrepreneurial legal entities; and conducting disciplinary proceedings against an auditor or audit firm. In order to provide auditing services, audit firm or auditor must obtain a certified professional accountant (CPA) qualification and be registered with an APO.



Accountancy professionals other than auditors are regulated through their voluntary membership in professional accountancy organizations, which establish internal rules and procedures for regulating their members.

Professional Accountancy Organizations

There are three professional accountancy organization (PAO) in Georgia: the Georgian Association of Independent Accountants and Auditors (GAIAA), the Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM) and the Georgian Federation of Professional Accountants and Auditors (GFPAA).

The Georgian Association of Independent Accountants and Auditors (GAIAA)

GAIAA is a non-governmental, professional association with voluntary membership established in 1999 and, according to its website, comprised of more than 2000 accountants and auditors throughout Georgia. GAIAA membership includes accountants and auditors working in all fields of the economy including in the public and non-governmental sector. The GAIAA protects the interests of its members; provides training and continuing educational programs for accountants; adopts quality control standards and ensures their implementation through a quality assurance review system for its members who provide auditing services. Since 2006, GAIAA has been a full member of the Eurasian Council of Certified Accountants and Auditors (ECCAA) and offers the Professional Certification Program for Accountants (CAP/CIP).

The Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM)

GFAAFM unites small and medium audit practices, bookkeepers, accountants and tax advisors, who join the organization on a voluntary basis. It is the successor body of the Audit Council of the Parliament in Georgia, which was authorized to license statutory auditors to practice before 2005. GFAAFM adopts professional standards for its members and delivers trainings in various areas including tax, internal audit and financial management. The PAO is aiming to become an Accredited Professional Organization (APO). It is a full member of the European Federation of Accountants and Auditors for SMEs.

The Georgian Federation of Professional Accountants and Auditors (GFPAA)

GFPAA is a non-governmental, non-for-profit PAO in Georgia. As of 2016, it is also the only APO in the country. GFPAA membership is mostly comprised of audit firms, auditors employed by audit firms, sole practitioners, and consultants. Auditors and audit firms are required to join its membership to be authorized to practice whereas other categories of accountancy professionals (e.g., accountants or tax specialist) may voluntarily join the organization. GFPAA offers a certification program under the local accountancy qualification, based on the UK Association of Chartered Certified Accountants (ACCA) qualification curricula translated into the Georgian language.

In addition to the powers and obligations of an APO, and in accordance with its charter, GFPAA is involved in developing accounting and auditing regulations; supporting accounting and auditing reforms; promoting the interests of the profession; and developing certification standards. GFPAA has been an IFAC member since 2000.



Projects and Other Initiatives


The Government of Georgia signed an Association Agreement with the European Union (EU) in June 2014. Accordingly, Georgian legislation must now be brought in line with the EU *acquis communautaire*. This project would significantly impact relevant Georgian legislation, which should be revised to ensure that it incorporates the requirements of the EU Directives and Regulations in the area of accounting and auditing.

In 2015, the World Bank published the results of its assessment of the accounting and auditing environment in the Republic of Georgia. Although the Government of Georgia was overall commended for its commitment to improving the corporate financial reporting framework, it was noted that the focus now should be on developing the capacity to fully implement and enforce the changed structural framework, and raising the professional level and capacity of accountants, auditors, and regulators. As far as the accountancy profession is concerned, the World Bank pointed out to the need to (i) strengthen accounting academic curricula in line with IES and align university programs with professional educational programs; (ii) enhance continuing professional education and training to bring it in line with IES; (iii) work to enhance professional knowledge of the accountancy professionals regarding international standards; (iv) improve professional development training for professional auditors and develop an ISA compliant standard audit methodology; and (v) introduce a system of public oversight of the audit profession, among other recommendations.

Audit Oversight Arrangements

There is no audit public oversight body (POB) in Georgia. However, in the context of the Association Agreement signed by Georgia and the EU and the need to further ensure alignment of national legislation with EU Directives, there are currently discussions between the profession and the Government about the possibility of establishing a POB in the country. Most audit regulatory functions have been delegated to the Accredited Professional Organizations (APOs), which regulate the audit profession.



Jurisdiction Status of Adoption

	Status	PAO Responsibility	Notes
QA	 Partially Adopted	Direct	The Law on Accounting and Financial Audit of 2012 (A&A Law) requires accredited professional organizations (APOs) to establish a quality assurance (QA) review system with respect to the audits undertaken by their authorized members. As the only professional accountancy organization (PAO) in Georgia recognized as an APO, the Georgian Federation of Professional Accountants and Auditors (GFPAA) is responsible for setting the detailed procedures for QA and establishing a QA review system. In line with this mandate, GFPAA





	Status	PAO Responsibility	Notes
			<p>has established a QA review system with respect to all audits. The QA review system follows a cycle approach, with external inspectors certified and employed by the PAO reviewing all audits at least every three years. GFPAA has adopted the International Standard on Quality Control (ISQC) 1 as quality control standard, in accordance with the requirements of the A&A Law. The scope of the QA reviews covers compliance with ISQC 1, the requirements of the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics and the International Standards on Auditing (ISA). The extent of alignment of the QA review system with the requirements of SMO 1 (revised 2012) needs to be clarified by GFPAA.</p> <p>Although the Georgian Association of Independent Accountants and Auditors (GAIAA) and the Federation of Auditors, Accountants and Financial Managers (GFAAFM), which unite accounting professionals on a voluntary basis, have no legal responsibility for establishing QA review system, according to their websites, both organizations established QA review systems with respect to their relevant members. The extent of alignment of these systems with the requirements of SMO 1 is not clear however.</p>
IES	<p style="text-align: center;">▲</p> <p>Partially Adopted</p>	Shared	<p>The Law on Accounting and Financial Audit of 2012 (A&A Law) restricts the exercise of the profession to individuals and entities that meet the certification, educational and membership requirements established by the law and further detailed by Accredited Professional Organizations (APOs). The only APO as of 2016 is the Georgian Federation of Professional Accountants and Auditors (GFPAA). Universities deliver professional accountancy education programs in cooperation with GFPAA. Candidates for GFPAA membership have to complete a professional accountancy education program set in accordance with a translation of the Association of Chartered Certified Accountants (ACCA) syllabus, a three-year practical experience requirements, and the final assessment. Members</p>




	Status	PAO Responsibility	Notes
			<p>are required to complete 40 hours of CPD courses each year or 120 hours in three years' time.</p> <p>Similarly, candidates for membership in the Georgian Association of Independent Accountants and Auditors (GAIAA) or the Federation of Auditors, Accountants and Financial Managers (GFAAFM) (i.e., aspiring accountants, bookkeepers, financial managers or tax advisors) are required to meet the educational and membership requirements set by the respective PAOs. Aspiring members for each PAO are required to complete a professional accountancy education program and a final assessment.</p> <p>According to the World Bank (2015) there is a need to (i) strengthen accounting academic curricula in line with IES and align university programs with professional educational programs; (ii) enhance continuing professional education and training to bring it in line with IES; work (iii) work to enhance professional knowledge of the accountancy professionals regarding international standards by introducing enhanced training and CPD programming.</p>
ISA	 Adopted	Shared	<p>In accordance with the Law on Accounting and Financial Audit of 2012 (A&A Law), all audits must be carried out in accordance with the International Standards on Auditing (ISA). The responsibility for translating ISA under the law is vested with the accredited professional organizations (APOs). As of September 2016, the Georgian Federation of Professional Accountants and Auditors (GFPAA) is the only APO in Georgia and as such is responsible for translating and publishing ISA and other pronouncements of the International Auditing and Assurance Standards Board's (IAASB). It appears that the latest translated version of ISA is that of the 2009 Clarified ISA. Additional information would be needed about the status of adoption of the other IAASB pronouncements.</p>
IESBA Code of Ethics	 Partially	Shared	<p>The Law on Accounting and Financial Audit of 2012 (A&A Law) requires all auditors to abide by the</p>



	Status	PAO Responsibility	Notes
	Adopted		<p>Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). The responsibility for translating the IESBA Code under the law is vested with the accredited professional organizations (APOs). As of September 2016, the Georgian Federation of Professional Accountants and Auditors (GFPAA) is the only APO in Georgia and as such is responsible for translating and publishing the IESBA Code. GFPAA reports in its SMO Action Plan that it planned to adopt the IESBA Code in 2015. However, it is not clear whether the Code has been eventually adopted.</p> <p>The accountancy profession other than auditors does not seem to be subject to ethical requirements by law. Nevertheless, according to the World Bank (2015), Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM) has adopted the IESBA's Code of Ethics for its members, which include bookkeepers, accountants, and tax advisors. It is not clear whether the Georgian Association of Independent Accountants and Auditors (GAIAA) has established similar requirements for its members.</p>
IPSAS	 Not Adopted	No Direct	<p>The Ministry of Finance is responsible for adopting the public sector accounting standards in Georgia. The International Public Sector Accounting Standards (IPSAS) have not been adopted in the country and public sector accounting is based on the former Soviet accounting system. The Ministry of Finance has, however, defined a phased Strategic Plan for adoption of IPSAS by 2020 and is in the process of translating IPSAS, according to the information provided by the Georgian Federation of Professional Accountants and Auditors (GFPAA).</p>
I&D	 Partially Adopted	Shared	<p>The Law on Accounting and Financial Audit of 2012 (A&A Law) includes key requirements on investigation and discipline of auditors, the only segment of the profession that is regulated at the state level, and delegates to accredited</p>



	Status	PAO Responsibility	Notes
			<p>professional organizations (APOs) responsibility for implementing the requirements in this area. GFPAA, as the only APO as of September 2016, has initiated development of its I&D system for misconduct and failure to meet the rules based on the requirements of SMO 6.</p> <p>Accountancy professionals other than auditors are regulated through voluntary membership in professional accountancy organizations, which establish internal rules and procedures for regulating their members. As of September 2016, the Georgian Association of Independent Accountants and Auditors (GAIAA) established an I&D system for its members; however, the extent of its compliance with the requirements of SMO 6 is not clear. No information is available on the Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM).</p>
IFRS	 Partially Adopted	Direct	<p>Under the Law on Accounting and Financial Audit of 2012 (A&A Law), the following types of entities are required to apply International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and translated into Georgian: entities under the supervision of the National Bank of Georgia (NBG), which regulates the activities of banks, securities market, micro-finance institutions and credit unions; insurance companies; and listed companies.</p> <p>Only accredited professional organizations (APOs) are authorized to translate and publish translations of IFRS and the IFRS for SMEs into Georgian language. Translated standards come into force only upon their registration with the National Agency of Standards and Metrology of Georgia. At the same time, Article 3 of the A&A Law also permits the use of the English version of the IFRS and IFRS for SMEs in the absence of the relevant Georgian translation.</p> <p>GFPAA, as the only APO in Georgia as of 2016, has established an ongoing process for the translation of IFRS, and has translated and published the 2014 version of IFRS and the 2013</p>



	Status	PAO Responsibility	Notes
			version of the IFRS for SMEs, which appears to await approval from the Government.

Status of SMO Fulfillment by the PAO

	Status	Notes
SMO 1	▲ Execute	<p>Prior to the adoption of a mandatory requirement to establish a quality assurance (QA) review system for all audits, in 2008 GFPAA established a voluntary system for its members and worked with relevant authorities on drafting the amendments to the Law on Accounting and Financial Audit (A&A Law) to introduce a mandatory QA review system for all audits.</p> <p>Following the adoption of the revised Law in 2012, GFPAA worked to develop a QA review system. As one of the first steps, GFPAA adopted ISQC 1 as quality control standard, as required by the A&A Law, and translated the international standard in accordance with the IFAC Translation Policy. The PAO assists its members with the implementation of the quality control standards by undertaking various activities, including the publication of implementation guidance, the development of quality control questionnaires and the organization of trainings on IFAC's <i>Guide to Quality Control for Small- and Medium-Sized Practices</i>.</p> <p>The certification program for quality reviewers and the methodology for the monitoring process were drafted in 2013–2014, and since 2015 action were undertaken to select and translate audit software.</p> <p><i>GFPAA is encouraged to indicate in its SMO Action Plan the status of implementation of its QA review system and the revision of the legal requirements regarding the possible development of a public oversight body in Georgia. The GFPAA is also encouraged to use Appendix II of this report (also provided in the SMO Action Plan) to carry out an assessment of the QA review system it has developed in order to clearly indicate the level of fulfillment of SMO 1 requirements (revised in 2012). If gaps remain, specific and measurable actions need to be developed aimed at achieving full compliance with the requirements of SMO 1.</i></p>
SMO 2	▲ Plan	<p>As an Accredited Professional Organization (APO), GFPAA is responsible under the Law on Accounting and Financial Audit for implementing the initial and continuing professional development requirements set in the law and establishing additional ones. Candidates for GFPAA membership have to complete a professional accountancy education program set in accordance with a translation of the Association of Chartered Certified Accountants</p>



		<p>(ACCA) syllabus, a three-year practical experience requirements, and the final assessment. However, these requirements, according to the World Bank (2015), are not fully in line with those of IES. GFPAA reports that in 2013–2014, GFPAA focused on developing a new system of CPD to be implemented in 2016 and that it is in the process of reviewing its requirements to bring them in line with IES 8 and planned to translate the revised IES by May 2016.</p> <p><i>The GFPAA is encouraged to update the status of implementation of the actions listed in the SMO Action Plan. It is also advised to carry out plans to review the requirements of the revised IES, identify areas where improvements are needed, if any, and to consider actions aimed at bringing the existing system of education of professional accountants in the jurisdiction in line with the requirements of IES. To this effect, GFPAA may consider working with other stakeholders in the jurisdiction such as other PAOs, regulators, as well as universities and educational providers. There is also a need to establish plans to collaborate with the universities and the Ministry of Education to strengthen accounting academic curricula and align university programs with relevant IES. The association may also consider, if deemed necessary, participating in the standard-setting activities of the International Accounting Education Standards Board (IAESB) by providing comments on Exposure Drafts and participating in other public consultations.</i></p>
<p>SMO 3</p>	<p>▲ Execute</p>	<p>In accordance with the Law on Accounting and Financial Audit of 2012, GFPAA has the responsibility for translating and publishing ISA, which have been adopted for application in the jurisdiction.</p> <p>GFPAA, which was actively involved in the development of the Law, planned to establish a schedule for reviewing and translating in accordance with the IFAC Translation Policy the new and revised pronouncements issued by the IAASB. However, there appears a significant time lag between the issuance of the new and revised pronouncements and their translation into Georgian, with the 2009 Clarified ISA being translated as of September 2016. To assist its members with the implementation of the international standards, GFPAA reports that it conducted one training in December 2013. No subsequent information is available.</p> <p><i>GFPAA is encouraged to consider ways to establish ongoing sustainable processes for translating the international pronouncements with a view to reduce the time lag and ensure that the most recent version of ISA is being applied in the jurisdiction. GFPAA is also encouraged to indicate in its SMO Action Plan plans to translate the latest IAASB Handbook, if any; activities it undertakes to support its members with the implementation of the standards, such as, for example, development of seminars, conferences, CPD courses and</i></p>



		<i>implementation guidance.</i>
SMO 4	<p style="text-align: center;">▲</p> <p style="text-align: center;">Consider</p>	<p>In accordance with the Law on Accounting and Financial Audit of 2012, GFPAA as an Accredited Professional Organization (APO), has the responsibility for translating and publishing the IESBA Code of Ethics, which has been adopted for application by auditors only.</p> <p>In its SMO Action Plan, GFPAA reports that it initially planned to translate and publish the IESBA Code in 2013, with the implementation subsequently rescheduled for 2015. As of 2016, it needs to be clarified whether the Code has been finally adopted. There is no information available about the activities developed by GFPAA to assist its members with the implementation of the ethics standards.</p> <p><i>GFPAA is encouraged to clarify whether the IESBA Code has been translated in the jurisdiction and, if so, what version of the Code is being applied. Ethical requirements for the accountancy professionals other than auditors also need to be clarified. Further, GFPAA should indicate in the Action Plan whether it has developed activities to assist its members with the implementation of the code of ethics (e.g., CPD courses, trainings and development of implementation guidance).</i></p>
SMO 5	<p style="text-align: center;">▲</p> <p style="text-align: center;">Consider</p>	<p>The Ministry of Finance is responsible for adopting the public sector accounting standards in Georgia. IPSAS have not been adopted but the Ministry of Finance has established a strategic plan to adopt the international standards by 2020. In the context of the implementation of this strategic plan, GFPAA reports that it in general supports the Ministry of Finance and is involved in the translation process. No further information has been provided.</p> <p><i>GFPAA is encouraged to update its Action Plan to indicate the status of implementation of the government's strategic plan to adopt IPSAS and the activities it undertakes to support the Ministry of Finance in the process and to provide implementation support to its members. Overall, GFPAA needs to consider its role in further assisting the regulator with the translation and adoption of the standards and to establish a defined action plan, if the organization's involvement in this area is seen as relevant.</i></p>
SMO 6	<p style="text-align: center;">▲</p> <p style="text-align: center;">Consider</p>	<p>GFPAA is responsible for setting mechanisms for investigating and disciplining its members for misconduct and breach of the rules, in accordance with the requirements of the Law on Accounting and Financial Audit of 2012 and its I&D procedures. The PAO reports that since 2013 it has been working on establishing and I&D system for its members. As first step it planned to review the requirements of SMO 6 and develop a policy statement on its I&D system. No further information as to the status of development of the system is available.</p> <p><i>GFPAA is strongly encouraged to provide an update on the status of development of its I&D system. If the system has not been established,</i></p>



		<p><i>reasons for the delay should be identified and indicated in the SMO Action Plan. Appendix III of this report contains the main requirements of SMO 6, which GFPAA should consult in developing its I&D system, or, if the system has been established, in to carrying out an assessment of the I&D mechanisms.</i></p>
<p>SMO 7</p>	<p>▲ Consider</p>	<p>In accordance with the A&A Law, as an accredited professional organization (APO), GFPAA is responsible for translating and issuing the translations of the IFRS and IFRS for SMEs. The PAO has translated the 2014 version of IFRS and the 2013 version of the IFRS for SMEs. No plans to adopt the most recent version of IFRS have been stated, and no activities to support its members with the implementation of applicable accounting standards have been indicated in the Action Plan.</p> <p><i>GFPAA is encouraged to indicate in its Action Plan activities it may have developed or plans to develop to assist its members with the implementation of the IFRS and the IFRS for SMEs. Examples of such activities may include the development of CPD courses, trainings and seminars.</i></p>



Sources

Relevant Organizations

- [Georgian Association of Independent Accountants and Auditors \(GAIAA\)](#)
- [Georgian Federation of Professional Accountants and Auditors \(GFPAA\)](#)
- [Georgian Federation of Auditors, Accountants and Financial Managers \(GFAAFM\)](#)
- [Insurance State Supervision Service of Georgia](#)
- [National Bank of Georgia \(NBG\)](#)

Relevant Legislation










- [Law on Accounting and Financial Audit, 2012](#)
- [Insurance Law, 2009](#)
- [Law on Entrepreneurs, 1994](#)
- [Tax Code](#)

Relevant Publications










- GFPAA, [SMO Action Plan](#), November 2016.
- IFRS Foundation, "[IFRS Application Around the World, Jurisdictional Profile: Georgia](#)," June 2016.
- World Bank, [Report on Observance of Standards and Codes—Accounting and Auditing: Georgia](#), March 2015.






Appendix I—Definitions of Legends







Quality Assurance (QA)	
 Adopted	A QA review system, incorporating the requirements of SMO 1, has been established and is operational for all mandatory audits.
 Partially Adopted	<p>A QA review system, incorporating the requirements of SMO 1, has been established and is operational for some of the mandatory audits (e.g., public interest entities).</p> <p style="text-align: center;"><i>or</i></p> <p>A QA review system for all mandatory audits has been established and is operational, but does not fully incorporate the requirements of SMO 1.</p> <p style="text-align: center;"><i>or</i></p> <p>A QA review system, incorporating the requirements of SMO 1, has been established, but is not yet operational.</p>
 Not Adopted	No QA review system has been established.
International Education Standards (IES)	
 Adopted	The revised IES have been adopted for entry-level, initial, and continuing professional development of professional accountants as well as engagement partners.
 Partially Adopted	<p>Not all the revised IES have been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>The IES have been adopted for only some professional accountants.</p>
 Not Adopted	The IES have not been adopted.
International Standards on Auditing (ISA)	
 Adopted	The Clarified ISA or later version of ISA have been adopted and are currently effective for application in all mandatory audits.
 Partially Adopted	<p>Not all Clarified ISA have been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>The Clarified ISA are required for only selected types of audit.</p>
 Not Adopted	The ISA have not been adopted.



<i>IESBA Code of Ethics</i>	
 Adopted	A 2009 or later version of the <i>IESBA Code of Ethics for Professional Accountants</i> has been adopted for all professional accountants.
 Partially Adopted	<p>Not all of the requirements of the 2009 or later version of the <i>IESBA Code of Ethics</i> have been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>The <i>IESBA Code of Ethics</i> has been adopted for only some professional accountants.</p>
 Not Adopted	<p>A 2009 or later version of the <i>IESBA Code of Ethics</i> has not been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>A pre-2004 version of the <i>IESBA Code</i> has been adopted.</p>
<i>International Public Sector Accounting Standards (IPSAS)</i>	
 Adopted	Accrual-basis IPSAS have been adopted as accounting standards for all public sector entities.
 Partially Adopted	<p>Not all IPSAS have been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>Cash-basis IPSAS has been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>The IPSAS have been adopted for only some public sector entities.</p>
 Not Adopted	The IPSAS have not been adopted.
<i>Investigative and Disciplinary (I&D) System</i>	
 Adopted	An I&D system, incorporating the requirements of SMO 6, has been established and is operational for all professional accountants.
 Partially Adopted	<p>An I&D system, incorporating the requirements of SMO 6, has been adopted and is operational for some professional accountants.</p> <p style="text-align: center;"><i>or</i></p> <p>An I&D system for all professional accountants has been established and is operational, but does not fully incorporate the requirements of SMO 6.</p> <p style="text-align: center;"><i>or</i></p> <p>An I&D system, incorporating the requirements of SMO 6, has been established, but is not yet operational.</p>
 Not Adopted	No I&D system has been established.



International Financial Reporting Standards (IFRS)	
 Adopted	The IFRS have been adopted and are currently effective for all public interest entities.
 Partially Adopted	Not all the IFRS have been adopted. <i>or</i> The IFRS have been adopted for selected types of public interest entities.
 Not Adopted	The IFRS have not been adopted.

SMO Fulfillment Status	Q&M Staff Assessment
 Sustain	PAO maintains well-established ongoing processes to fulfill its relevant obligations. In fulfilling this SMO, PAO considers, plans, executes, reviews and improves as part of an ongoing commitment to continuous improvement. <i>or</i> Given the nature of its mandate, membership composition, and the legal and regulatory environment, PAO is not involved in activities related to this area.
 Review & Improve	PAO has recently fulfilled its relevant obligation and is reviewing the implemented plan to identify and apply improvements.
 Execute	PAO demonstrates it is executing the plan.
 Plan	PAO has a defined plan to fulfill the requirements of this SMO.
 Consider	PAO is considering how to fulfill the requirements of this SMO.
 Not Active	PAO is not active in this SMO area.



Appendix II–Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<p>Scope of the system</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>				
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>				
<p>3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.</p>				
<p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.</p>				
<p>Review cycle</p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>				
<p>6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).</p>				



Requirements	Y	N	Partially	Comments
QA Review Team 7. Independence of the QA Team is assessed and documented.				
8. QA Team possesses appropriate levels of expertise.				
Reporting 9. Documentation of evidence supporting the quality control review report is required.				
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.				
Corrective and disciplinary actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.				
12. QA review system is linked to the Investigation and Discipline system.				
Consideration of Public Oversight 13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.				
Regular review of implementation and effectiveness 14. Regular reviews of implementation and				



Requirements	Y	N	Partially	Comments
effectiveness of the system are performed.				

Appendix III–Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
Scope of the system				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.				
2. Information about the types of misconduct which may bring about investigative actions is publicly available.				
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.				
4. Link with the results of QA reviews has been established.				
Investigative process				
5. A committee or similar body exists for performing investigations.				
6. Members of a committee are independent of the subject of the investigation and other related parties.				
Disciplinary process				



Requirements	Y	N	Partially	Comments
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.				
8. Members of the committee/entity include professional accountants as well as non-accountants.				
9. The tribunal exhibits independence of the subject of the investigation and other related parties.				
Sanctions 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.				
Rights of representation and appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.				
Administrative Processes 12. Timeframe targets for disposal of all cases are set.				
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.				



Requirements	Y	N	Partially	Comments
14. Records of investigations and disciplinary processes are established.				
Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.				
16. A process for the independent review of complaints on which there was no follow-up is established.				
17. The results of the investigative and disciplinary proceedings are made available to the public.				
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.				
Regular review of implementation and effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.				