

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the Disclaimer published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	Georgian Federation of Professional Accountants and Auditors (GFPAA)
<b>Approved by Governing Body:</b>	GFPAA Board
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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

**GLOSSARY**

<b>ACCA</b>	Association of Certified Chartered Accountants
<b>CPD</b>	Continuing Professional Development
<b>EC</b>	Ethics Committee
<b>ECC</b>	Education and Certification Committee
<b>ED</b>	Executive Director
<b>GFPAA</b>	Georgian Federation of Professional Accountants and Auditors
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IAASB</b>	International Audit & Assurance Standards Board
<b>IES</b>	International Education Standards
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISA</b>	International Standards on Auditing
<b>ISQC</b>	International Standard on Quality Control
<b>QA</b>	Quality Assurance
<b>QARC</b>	Quality Assurance Review Committee
<b>QC</b>	Quality Control
<b>SC</b>	Standards Committee
<b>TSU</b>	Tbilisi State University

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Development and maintenance of GFPAA Quality Assurance Review System

**Background:**

According to the law on Auditing Services (1995) the Auditing Council at the Parliament of Georgia is entrusted with the quality assurance (QA) of audit services in Georgia. To meet IFAC requirements, especially, requirements of SMO 1, in 2006, the Georgian Federation of Professional Accountants and Auditors (GFPAA) revised its Constitution and adopted corporate membership, in order to conduct QA review within its corporate members (i.e. members-audit firms) under its own initiative. Quality Control Questionnaires were prepared and approved in May 2008 and were sent to GFPAA's member-audit firms in June 2008. In December 2009 the analysis of received responses was finalized.

In June 2012 the Parliament of Georgia approved the law on accounting and financial audit *As above*, which has been in force since January 1, 2013. According to this law, regulation of the audit profession was done by Accredited Professional Organizations (APO), which qualify and meet certain requirements (IFAC membership is the main criteria). Accordingly APOs had the authority to establish the quality review system and implement it, including but not limited to certifying quality reviewers, performing quality review of audit firms and maintaining a register of auditors – for statutory audit and for non-statutory audits. With this law ISAs, IFRS and IFRS for SMEs were adopted in full as well as the IESBA Code of Ethics and ISQC 1. APOs were responsible to translate all the standards and submit to the National Standardization Committee for registration. There was a change in the law according to which requirements for audit firms to become members of any APOs was postponed until 01.01.2014.

The Association Agreement was signed in June 2014 with the European Union. Accordingly Georgia legislation must now be adapted and aligned with EU norms. This includes auditing and accounting relevant directives and regulations as well. The special working group was formed by the Government of Georgia to make the reform in these fields. There is a concept prepared by this working group and it is anticipated that major changes will be implemented.

New Report on the Observance of Standards and Codes (ROSC) was prepared by the World Bank in 2015. It provides an updated assessment of the financial reporting requirements and practices in the country's enterprise and financial sectors since the previous ROSC A&A in 2007. It focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting, and includes a review of both statutory requirements and actual practices. International Financial reporting Standards (IFRS) and International Standards on Auditing (ISA) are used as benchmarks. This report also takes into account the requirements of relevant EU Auditing and Accounting directives and regulations.

Starting from June 2016 series of substantial legislative changes have been made to the regulation of auditing profession in Georgia, since the preceding law from June 2012 is no longer valid and the new law is in place. According to the new law of Georgia on Accounting, Auditing and Reporting (#5386-III, 8 June 2016) (New Law) auditing profession shall be regulated by the newly established Public Oversight Authority (POA) at the Ministry of Finance.

The POA took over all functions previously assigned to Accredited Professional Organizations, specifically: establish and implement the quality

review system, approve quality reviewers, perform quality reviews of audit firms and maintain the auditors register. With this law ISAs, IFRS and IFRS for SMEs is adopted in full as well as the IESBA Code of Ethics and ISQC 1.

By the New Law individual auditors are obligated to be members at professional organizations whereas audit firms can do so at their discretion.

According to the New Law professional organizations have limited role and authority which includes the certification and continuing professional education of its members (professional accountants). And instead of quality control reviews which GFPAA did in the past, new role is to support member audit firms in quality control improvements, which includes: consultations, trainings, assistance to access Georgian version of audit program; preliminary review of quality control system compliance with legislative requirements and proper recommendations by invited GFPAA experts.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Development and Implementation of Quality Assurance Review System</i>					
1.	April 2008	GFPAA reviews requirements of SMO 1 and contacts IFAC Members experienced in Quality Assurance Review System. GFPAA contacted and obtained lessons learned from the Estonian Auditing Board.	May 2008 Completed	Executive Director	ED
2.	February 2008	GFPAA organised the International Conference <i>Professional Education and Service Quality Assurance: Experience, Reality, Prospects</i> . On May 28 – 29, GFPAA organized the International Conference in which the representatives from 11 countries took part and made presentations, including the representatives of Estonia, Germany and Britain.	May 2008 Completed	Education Committee Chairman Quality Assurance Review Committee Chairman	ECC Chairman QARC Chairman ED
3.	April 2008	Membership Committee invites Audit Firms to discuss membership (Sending invitations to the Firms). The letters sent to the Audit Firms.	June 2008 Completed	Membership Committee Chairman	Membership Committee and GFPAA Administration
4.	April 2008	GFPAA addresses Auditing Council at the Parliament of Georgia for forming the memorandum in order to include GFPAA non-member Audit Firms in the Quality Assurance System. Consultations were held.	May 2008 Completed	Quality Assurance Review Committee Chairman	QARC Chairman GFPAA Board Chairman ED

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	March 2008	GFPAA will prepare and send draft Quality Control Questionnaire to Georgian Audit Firms.  Quality Control Questioners sent to 13 GFPAA Member Auditing Firms. The Quality Control Questionnaire was prepared in April 2008 before the Conference, based on the information about the Estonian QA System received electronically.	June 2008  Completed	Quality Assurance Review Committee Chairman	Auditing Council GFPAA Administration
6.	November 2009	Translate <i>IFAC's Guide to Quality Control for Small- and Medium-Sized Practices</i> . The translation was done in accordance with the IFAC Translation Policy.	January 2010 Completed	QARC Chairman	QARC Members
<i>Supporting GFPAA Member Firms in Implementing Quality Control Standards</i>					
7.	July 2010	Draw out Action Plan for implementation of Quality Assurance Review System (Plan should include system structure, review funding method, reviewers selecting criteria and arrangements for moving from test based Quality Control method to personal visit to a firm).	December 2010 Completed	QARC Chairman	QARC Members
8.	November 2010	Consider the types of public interest entity audits that might be in the scope of the system.	December 2010 Completed	GFPAA ED	Board of GFPAA
9.	October 2011	Provide training in <i>IFAC's Guide to Quality Control for Small- and Medium-Sized Practices</i> .	July 2013 Completed	QARC Chairman	QARC Members
10.	October 2011	Support and provide guidance to corporate members to implement ISQC 1.	July 2013 Completed	QARC Chairman	QARC Members
11.	May 2011	Provide advocacy to enforce ISQC 1 to all audit firms on legislative basis.	December 2011 Completed	QARC Chairman	QARC Members
12.	September 2012	Draft the certification program for quality reviewers.	January 2013 Completed	QARC Chairman	QARC Members

#	Start Date	Actions	Completion Date	Responsibility	Resource
13.	December 2012	Submit the certification program for quality reviewers to state registration authority.	January 2014 Completed	QARC Chairman	QARC Members
14.	September 2012	Draft the methodology for quality assurance system monitoring process.	January 2013 Completed	QARC Chairman	QARC Members
15.	December 2012	Submit the methodology for quality assurance system monitoring process to state registration authority.	January 2014 Completed	QARC Chairman	QARC Members
16.	December 2013	Provide training for new members in <i>IFAC's Guide to Quality Control for Small- and Medium-Sized Practices</i> .	January 2014 Completed	QARC Chairman	QARC Members
17.	December 2013	Support and provide guidance to new corporate members to implement ISQC 1.	March 2014 Completed	QARC Chairman	QARC Members
18.	November 2014	Select audit software, which will be in compliance with ISA for our corporate members. Translate the audit software into Georgian. Provide trainings in selected audit software.	March 2017	Executive Director	GFPAA Board GFPAA Administration
<i>Review of GFPAA's Compliance Information</i>					
19.	Ongoing	Continue to ensure that GFPAA Quality Assurance Review System continues to be in line with the revised SMO 1 requirements. This includes periodic review of the operation of the QA system and updating the Action Plan for future activities as necessary.	Ongoing	QARC Chairman	QARC Members

**Main Requirements of SMO 1**

Requirements	Y	N	Partially	Comments
<b>Scope of the system</b> 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	X			
<b>Quality Control Standards and Other Quality Control Guidance</b> 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	X			
3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.	X			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	X			
<b>Review cycle</b> 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	X			
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).	X			
<b>QA Review Team</b> 7. Independence of the QA Team is assessed and documented.			X	

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
8. QA Team possesses appropriate levels of expertise.	<b>X</b>			
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.	<b>X</b>			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	<b>X</b>			
<b>Corrective and disciplinary actions</b>				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	<b>X</b>			
12. QA review system is linked to the Investigation and Discipline system.			<b>X</b>	
<b>Consideration of Public Oversight</b>				
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.	<b>X</b>			
<b>Regular review of implementation and effectiveness</b>				
14. Regular reviews of implementation and effectiveness of the system are performed.	<b>X</b>			



**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB  
**Action Plan Objective:** Further development and maintenance of GFPAA Educational System

**Background:**

In Georgia, accountants and auditors study of accountancy occurs in the high schools in compliance with the Education Law in Georgia. Accountants and auditors professional development and certification is the prerogative of recognized professional organizations in accordance with the Georgian Law on Accounting and Reporting. De facto, such organization is GFPAA at the moment.

Candidates for GFPAA’s membership have to complete a Georgian language qualification based on translations of the ACCA syllabus, meet a three-year practical experience and undergo a final assessment.

We have the requirements for our members to have minimum 120 CPD hours during 3 years period. Breach of this requirement may result in suspending membership.

GFPAA is regularly translating and adopting IES pronouncements.

According to the New Law there are new requirements regarding professional education and certification:

Certified accountant – an individual, who according to the Supervisory Service requirements for professional certification, is certified by a professional organization of accountants or/and auditors or recognized as such by this law and after certification proves his/her qualification in accordance with the continuing education standard.

According to the requirements of European Union Directive and IFAC’s International Education Standard, the POA sets professional certification and continuing education standards to recognize and sustain an individual’s certification as professional accountant. Professional certification standard defines the required study disciplines, the rules of examination process, exemptions, documents to be submitted and the rule of awarding certificates. Continuing education standard defines the respective program and the rule of its execution.

Individual’s qualification is proved according to professional certification which can be performed by professional organizations whose certification programs or/and examination process meets the requirements set by the POA and is adopted in accordance with respective rule, also set by the POA.

The POA is entitled to recognize specialized examination bodies solely for the purpose of conducting the examination process. Professional organizations with recognized certification programs only, are entitled to conducting professional certification on the basis of examination results held by specialized examination bodies. Professional organization can be recognized as specialized examination body according to Article 2 of the New Law.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Strengthening the Professional Accountancy Education Program</i>					
20.	September 2008	Translate <i>Guide to Using International Standards on Auditing in the Audits of Small – and Medium sized Entities</i> issued by IFAC. The translation was performed in accordance with the IFAC Translation Policy.	April 2009 Completed	ECC Chairman	Group of Translators Amount of fee will be determined up to July 2008
21.	April 2009	Review and edit translated <i>Guide to Using International Standards on Auditing in the Audits of Small- and Medium sized Entities</i> .	August 2009 Completed	ECC Chairman	Review and Editor Group Sum of fee will be determined up to July 2008
22.	May 2010	Approve IES 8 and post it to GFPAA's website.	May 2017	Chairman of GFPAA Board	Executive Director
23.	October 2008	Update Professional Educational Programs.	Regularly	ECC Chairman	ECC members ACCA program lecturers
24.	December 2015	Translate all revised Education Standards. The translation was performed in accordance with the IFAC Translation Policy.	December 2016	ECC Chairman	ECC members ACCA program lecturers
<i>CPD Activities</i>					
25.	December 2010	Develop and approve long-term program of Continuing Professional Education.	December 2013 Completed	ECC Chairman	ECC Members
26.	April 2011	Develop New System of monitoring and discipline of CPD.	May 2014 Completed	ECC Chairman	ECC Members
27.	May 2011	Review and approve New System of CPD monitoring and discipline.	October 2017	Chairman of GFPAA Board	GFPAA Board Members
28.	July 2011	Post to GFPAA's website New System of CPD monitoring and discipline.	October 2017	GFPAA ED	GFPAA Administration

#	Start Date	Actions	Completion Date	Responsibility	Resource
29.	September 2011	Implement New System of CPD monitoring and discipline.	January 2018	ECC Chairman	ECC Members
<i>Maintaining Ongoing Processes</i>					
30.	Ongoing	Continue for maintaining the ongoing Convergence with IES Requirements and publishing Translations of renewed ACCA Papers. Action Plan might be expanded in the future if necessary and Compliance Information will be reviewed and updated periodically.	Ongoing	ECC Chairman	ECC Members
<i>Review of GFPAA's Compliance Information</i>					
31.	Ongoing	Perform periodic review of GFPAA response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 2 as necessary. Updated information will be submitted to IFAC Compliance Staff.	Ongoing	ECC Chairman	GFPAA ED

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Further improve and maintain processes for ongoing convergence with IAASB Pronouncements

**Background:**

According to the Law on Auditing Services, the Auditing Council at the Parliament of Georgia is responsible for translating and updating of the International Auditing and Assurance Standards Board Pronouncements. The Auditing Council at the Parliament of Georgia issued a decree (in 1999) for implementing the ISA, and its activity in this area was terminated after that. Presently, de facto, the GFPAA carries out translating, updating and issuing of the International Auditing and Assurance Standards Board Pronouncements, though according to the legislation it is not responsible for that.

GFPAA was actively involved in drafting new laws on auditing which came into force from January 1 2013. According to this law, ISA is mandatory for all audits and GFPAA had the role to conduct quality reviews for audit firms to ensure they performed audits according to ISAs.

As provided in the SMO 1 of this plan, the requirements for audit firms to become members of any APOs were postponed until 01.01.2014, which made it impossible to start quality assurance reviews of all audit firms in Georgia.

According to the New Law the POA is responsible to put in action the international standards stipulated by the new law within 6 months from their update. Auditor/audit firm is entitled to apply the acting (English) edition of these standards.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption of International Auditing and Assurance Standards Board Pronouncements</i>					
32.	September 2009	Seek funding (donor) for translation and publishing the 2009 IAASB Handbook.	November 2009 Completed	SC Chairman	SC Chairman GFPAA ED
33.	June 2010	Revise SC Policy Statement. Committee's expanded functions will include the following: <ul style="list-style-type: none"> <li>• Ongoing review of IAASB Pronouncements;</li> <li>• Adoption of IAASB Pronouncements by GFPAA;</li> <li>• Comments on the drafts of IAASB Pronouncements - preparing the proposals.</li> </ul>	July 2010 Completed	Chairman of GFPAA Board	Members of GFPAA Board
34.	March 2010	Develop Convergence Policy with IAASB Pronouncements.	July 2014 Completed	SC Chairman	SC Members

#	Start Date	Actions	Completion Date	Responsibility	Resource
35.	March 2010	Work out Action Plan of GFPAA Standards Committee and present it to GFPAA Board. (Action Plan will include translation – reviewing the drafts of IAASB Pronouncements and performing other convergence activities). Send Comments Letter to IAASB Exposure Drafts when additional capacity is developed.	July 2014 Completed	SC Chairman	SC Members
<i>Translation Activities</i>					
36.	January 2009	Revise GFPAA Translation Procedures for providing the convergence with IFAC Translation Policy. Develop and present to GFPAA Board for approving GFPAA Translation Policy.	January 2009 Completed	SC Chairman	SC Members
37.	January 2009	Review and approve GFPAA Translation Policy.	January 2009 Completed	Chairman of GFPAA Board	Members of GFPAA Board
38.	August 2009	Revise GFPAA Translation Procedures for providing the convergence with IFAC Translation Policy. Develop and present to GFPAA Board for approving GFPAA Translation Policy.	September 2009 Completed	SC Chairman	SC Members
39.	January 2009	Review and approve GFPAA Translation Policy.	January 2009 Completed	Chairman of GFPAA Board	Members of GFPAA Board
40.	October 2009	Translate the Clarity ISAs.	March 2010 Completed	Leader of Translators Group	7000 USD
41.	May 2010	Edit translation of the 2009 IAASB Handbook.	June 2010 Completed	Publication Editor	2000 USD
42.	June 2010	Post the 2009 IAASB Handbook on GFPAA website.	June 2010 Completed	GFPAA ED	GFPAA Administration
43.	June 2010	Publish of 2009 IAASB Handbook with little circulation.	July 2010 Completed	GFPAA ED	2500 USD
	December 2015	Translate and publish 2015 Handbook of International Quality Control, Auditing, Review, Other Assurance, and related Services Pronouncements in accordance with the IFAC Translation Policy.	December 2016	GFPAA Administration	

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Assisting with the Implementation of the Standards</i>					
44.	September 2010	Select the lecturer for trainings on the Clarity Standards.	October 2013 Completed	ECC Chairman	ECC Members
45.	October 2010	Prepare the materials for the training.	November 2013 Completed	ECC Chairman	Selected lecturer 400 USD
46.	November 2010	Hold the training.	December 2013 Completed	Selected Lecturer	The Lecturer 1000 USD
47.	September 2015	Prepare audit software training materials.	February 2016 Completed	GFPAA Administration	
48.	February 2016	Training in audit software of GFPAA members.	February, June, 2016 Completed	Invited Lecturer	
49.	September 2016	Seminars to the members on the topics of quality control systems and code of ethics.	Periodically	Invited Lecturer	
<i>Maintaining Ongoing Processes</i>					
50.	Ongoing	Continue working on translating new editions of the ISAs into Georgian and their publication, also, to implement approved new standards in practice. Action plan might be expanded in the future as necessary and Compliance Information will be reviewed and updated.	Ongoing	SC Chairman	SC members
<i>Review of GFPAA's Compliance Information</i>					
51.	Ongoing	Perform periodic review of GFPAA response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	SC Chairman	SC members

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Further improve and maintain processes to ensure ongoing convergence with the IESBA Code of Ethics

<b>Background:</b>					
<p>According to the Law on Auditing Service, the Auditing Council at the Parliament of Georgia was responsible for introducing the Ethics Code for Auditors. The GFPAA strives for ongoing convergence with the IESBA Code of Ethics (on the basis of the GFPAA regulations). The GFPAA carries out updating and issuing the Ethics Code (in correspondence with IESBA Code of Ethics) continuously.</p> <p>According to the New Law, the IESBA Code of Ethics should be adopted fully in Georgia, According to this law auditors are subject to ethical requirements, while the rest of the profession is required to comply with the Code of Ethics by professional bodies in which they are members.</p> <p>GFPAA issued its Code of Ethics for Professional Accountants in compliance with 2015 Handbook of the Code of Ethics for Professional Accountants. Translation was done in accordance with the IFAC Translation Policy.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
52.	July 2010	Review IESBA Code of Ethics and compare with the existing GFPAA's Code.	September 2013 Completed	EQRC Chairman	EQRC members
53.	September 2010	Prepare the appropriate changes to be introduced into the GFPAA Ethics Code.	October 2013 Completed	EQRC Chairman	EQRC members
54.	October 2010	Discuss revised GFPAA Ethics Code at the of the GFPAA Board meeting and approve.	November 2015 Completed	EQRC Chairman	EQRC members
55.	November 2010	Publish GFPAA Ethics Code.	December 2015 Completed	EQRC Chairman	EQRC members
<i>Supporting Implementation of the Code of Ethics</i>					
58.	February 2016	Prepare trainings materials for new Code of Ethics.	Ongoing		
59.	September 2016	Include new Code of Ethics provisions in CPD courses.	Ongoing		

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Maintaining Ongoing Processes</i>					
56.	Ongoing	Update GFPAA Code of Ethics regarding new requirements. Expand the Action plan in the future as necessary, review and update Compliance Information.	Ongoing	EQRC Chairman	EQRC members
<i>Review of GFPAA's Compliance Information</i>					
57.	Ongoing	Perform periodic review of GFPAA response to the SMO 4 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	EQRC Chairman	EQRC members



**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Further improve and maintain processes for ongoing compliance with IPSASs

<b>Background:</b>					
<p>According to Georgian legislation the Ministry of Finance of Georgia is responsible for establishing public sector accounting standards. IPSASs are not adopted in Georgia. However, at the initiative of the GFPAA's the IPSASs of 2004 were translated, but they have not been introduced in the public sector so far. The accounting based on the old Soviet period is still used in the public sector.</p> <p>According to the Strategic Plan of the Ministry of Finance of Georgia implementation of IPSAS in Georgia will be finalized by the year 2020. GFPAA representative is the member of Methodological Council at the Ministry of Finance and is involved in advising regarding practical implementation of IPSAS. The Ministry of Finance announced tender on translation of IPSAS. Within a few months' period the first stage of this plan will commence (translation of IPSAS). The GFPAA takes part in the tender for IPSASs translation into Georgian and successfully passed the first and second stages of the tender. At the final stage, which was held on 20 May 2011, there were two participants – the GFPAA and the Translation Back Office (Argentina). At the end the Ministry of Finance hired translators and start to translate IPSAS themselves, but GFPAA experts were invited in this group and we played an active role in the process.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
60.	May 2010	Develop the Action Plan for promoting and translation of IPSASs.	June 2010 Completed	GFPAA ED	Members of GFPAA Board
<i>Maintaining Ongoing Processes</i>					
61.	Ongoing	Maintain and improve relationship with the Ministry of Finance for establishment of IPSASs. Expand the Action plan in the future as necessary, review and update Compliance Information. GFPAA always participates in the meetings organized by Ministry of Finance.	Ongoing	GFPAA ED	GFPAA ED
<i>Review of GFPAA's Compliance Information</i>					
62.	Ongoing	Perform periodic review of GFPAA response to the IFAC SMO 5 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	GFPAA ED	GFPAA ED

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Development and maintenance of GFPAA Investigation and Discipline System

<b>Background:</b>					
<p>Investigation and discipline issues regulation in compliance with the Auditing Service Law is the responsibility of the Auditing Council at the Parliament of Georgia. To date, this requirement is not carried out into practice. GFPAA works on development of the Investigation and Discipline mechanism (I&amp;D) for its members. Though that activity is limited to introducing regulations by the Membership and Ethics Committee.</p> <p>GFPAA started developing its Investigation and Discipline system in line with SMO 6 requirements in 2013 and will be focusing on the revised SMO 6 requirements in its further elaborations.</p> <p>According to the New Law Professional organizations are responsible to react on any deviations from established requirements by its members and apply disciplinary actions accordingly. Rules of detecting deviations and applying disciplinary actions shall be established by professional organizations as negotiated with POA.</p> <p>GFPAA committee for ethics and disciplinary surveys is working on developing proper mechanisms for Investigation and Discipline. Although at present (until the POA commences its work in full) the committee only works towards setting the applicable rules.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Strengthening the I&amp;D Mechanisms</i>					
63.	February 2009	Review the requirements of the SMO 6; contact other IFAC Member Bodies to share the experience about establishment of the system of Investigation and Discipline.	April 2009 Completed	EC and QARC Chairmen	GFPAA Administration
64.	May 2009	Work out the Policy Statement for establishment the system of Investigation and Discipline and present to GFPAA Board.	June 2009 Completed	EC and QARC Chairmen	EC and QARC Members
65.	November 2010	Approve the Policy Statement on the system of Investigation and Discipline.	December 2015 Completed	Chairman of GFPAA Board	Members of GFPAA Board
66.	September 2013	Review the requirements of the revised SMO 6.	November 2015 Completed	Chairman of EC Committee	Executive Director
67.	June 2011	Raise members and the public's awareness of GFPAA I&D mechanisms.	January 2017	Chairman of EC Committee	Executive Director

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
68.	November 2010	Post the Policy Statement of the system of Investigation and Discipline on GFPAA's website.	January 2017	GFPAA ED	GFPAA Administration
69.	May 2011	Support functioning of the system of Investigation and Discipline.	Permanent	EC and QARC Chairmen	QARC members EC Members
<i>Maintaining Ongoing Processes</i>					
70.	Ongoing	Continue working on the improvement of Investigation and Discipline System. Action plan might be expanded in the future As necessary and Compliance Information will be reviewed and updated.	Ongoing	EC Chairman QARC Chairman	EC members QARC members
<i>Review of GFPAA's Compliance Information</i>					
71.	Ongoing	Perform periodic review of GFPAA response to the SMO 6 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	EC Chairman QARC Chairman GFPAA ED	EC members QARC members

**Self-Assessment against the Main Requirements of SMO 6 (2016)**

Requirements	Y	N	Partially	Comments
<b>Scope of the system</b>				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.			<b>X</b>	
2. Information about the types of misconduct which may bring about investigative actions is publicly available.		<b>X</b>		
<b>Initiation of Proceedings</b>				
3. Both a “complaints-based” and an “information-based” approach are adopted.		<b>X</b>		
4. Link with the results of QA reviews has been established.		<b>X</b>		
<b>Investigative process</b>				
5. A committee or similar body exists for performing investigations.	<b>X</b>			
6. Members of a committee are independent of the subject of the investigation and other related parties.			<b>X</b>	
<b>Disciplinary process</b>				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.		<b>X</b>		
8. Members of the committee/entity include professional accountants as well as non-accountants.		<b>X</b>		

Requirements	Y	N	Partially	Comments
9. The tribunal exhibits independence of the subject of the investigation and other related parties.		X		
<b>Sanctions</b> 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.			X	
<b>Rights of representation and appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.		X		
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.		X		
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.		X		
14. Records of investigations and disciplinary processes are established.		X		
<b>Public Interest Considerations</b> 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.		X		

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
16. A process for the independent review of complaints on which there was no follow-up is established.		<b>X</b>		
17. The results of the investigative and disciplinary proceedings are made available to the public.		<b>X</b>		
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.			<b>X</b>	
<b>Regular review of implementation and effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.		<b>X</b>		

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Further improve and maintain processes for adoption and implementation

<b>Background:</b>					
<p>According to the Georgian Law for Accounting, GFPAA carries out translation and issuing of the national financial reporting standards, which are effectively International Financial Reporting Standards. In 2008 GFPAA made a decision, according to which it plans to translate and publish IFRSs annually. IFRSs 2009 and 2010 are translated and published. IFRSs 2009 for SMEs is also translated.</p> <p>Under the New Law, entities break down in size categories for the purpose of applying the financial reporting standards.</p> <p>a) PIEs and first category entities are to conduct their accounting and financial reporting in accordance with International Financial Reporting Standards (IFRS).</p> <p>b) Second and third category entities are to conduct their accounting and financial reporting in accordance with IFRS for SMEs. They are also allowed to applying the International Financial Reporting Standards (IFRS).</p> <p>c) Fourth category entities and non-entrepreneur (noncommercial) legal entities are to conduct their accounting and financial reporting in accordance with the standards set by the POA.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Translation of IFRS</i>					
72.	July 2008	Translate the international accounting standards revised and new ones issued since 2007.	April 2009 Completed	GFPAA ED	GFPAA translator
73.	December 2008	Publish the translated IFRS 2009 (this action will take place annually) and transmit it for approval by the Committee at the Parliament of Georgia (if adoption of standards won't be changed by Georgian Law).	July 2009 Published	GFPAA ED	Members of Accounting Committee at the Parliament of Georgia
74.	January 2008	Contact IASB for Permission to translate the IFRS on an ongoing basis.	Annually	SC Chairman	GFPAA ED
75.	October 2009	Translate IFRSs for SMEs.	January 2010 Completed	SC Chairman	SC Members
76.	April 2010	Develop the plan for translation IFRS 2010.	April 2010 Completed	SC Chairman	SC Members

#	Start Date	Actions	Completion Date	Responsibility	Resource
77.	May 2010	Translate the standards revised and new ones issued since 2009.	October 2011 Completed	GFPAA ED	GFPAA translator
78.	June 2010	Revise Quality of Compliance of translated standards with their original ones.	November 2011 Completed	SC Chairman	Standards Review Committee
79.	December 2010	Publish the translated IFRS 2010.	December 2011 Completed	GFPAA ED	GFPAA
80.	December 2010	Transmit the translated IFRS 2010 for approval to the Committee at the Parliament of Georgia (if adoption of standards won't be changed by Georgian Legislation).	December 2011 Completed		Members of Accounting Committee at the Parliament of Georgia
81.	May 4	Translate IFRS 2014.	May 2015 Completed	GFPAA ED	GFPAA translator
82.	June 2015	Publish the translated IFRS 2014.	July 2015 Completed	GFPAA ED	GFPAA Administration
83.	November 2015	Transmit the translated IFRS 2014 for approval to the relevant government agency.	November 2015 Completed	GFPAA ED	Relevant Government Agency
84.	January 2014	Translate IFRS for SMEs 2013.	July 2014 Completed	GFPAA ED	GFPAA translator
85.	September 2014	Publish the translated IFRS for SMEs 2013.	September 2014 Completed	GFPAA ED	GFPAA Administration
86.	November 2015	Transmit the translated IFRS for SMEs 2013 for approval to the relevant government agency.	November 2015 Completed	GFPAA ED	Relevant Government Agency
<i>Please Consider Adding a Subsection on Supporting GFPAA Members with the Application of Accounting Standards, Listing Actions Such as Conducting Trainings, CPD Programming, Etc.</i>					
87.		Having consultant experienced to advise members on practical sides of implementing IFRS and IFRS for SMEs.	Permanently		



<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
88.		Include in CPD courses IFRS for SMEs.	Permanently		
89.		Conducting trainings in IFRS, basically in peripheral regions.	February, May 2017		
<i>Promoting Ongoing Convergence with IFRSs for SME</i>					
90.	April 2010	Review National Financial Reporting Standards for SMEs for compliance with IFRS for SMEs (if there are some changes in Georgian Law on ~Accounting and Reporting~).	March 2010 Completed	SC Chairman	Persons selected for compliance review
91.	June 2010	Plan actions regarding IFRS for SME according to the decision of GFPAA Board.	March 2010 Completed		
<i>Review of GFPAA's Compliance Information</i>					
92.	Ongoing	Perform periodic review of GFPAA response to the SMO 7 Section as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	SC Chairman	SC members

**Action Plan Subject:** GFPAA Other Activities

**Action Plan Objective:** Further strengthen GFPAA position as leading professional body in Country and internationally

**Background:**

GFPAA organised number of conferences during last two years to share experience of neighboring countries as well as leading professional organizations. GFPAA board members and executive team also attended number of conferences including accountants' 18<sup>th</sup> world congress. Such conferences are:

1. 5-6 November 2009, Georgia. "Accounting and audit regulation - sharing experience" conference was organized by GFPAA and representatives of UK, Germany, Poland, Turkey, Serbia, Lithuania, Uzbekistan, Russia, Ukraine, Azerbaijan and Armenia attended it.
2. 16-18 November 2009, Georgia. "Enhancing Financial Disclosure Standards in Armenia, Azerbaijan, and Georgia" conference was organized by GFPAA and ADB and representatives of Azerbaijan, Armenia and Georgia attended it.
3. Chairman of GFPAA board participated in conference "Investment attractiveness of Ukraine and investment climate strengthening. IFRS and IAS for Economics Improvement" held on 7-8 July 2010 in Kiev, Ukraine.
4. GFPAA Executive Director and executive team members attended Accountants' 18<sup>th</sup> World Congress held in Malaysia on November 8, 2010.
5. Chairman of GFPAA board participated and was the panelist of International Financial Forum "Accountants Creating Value" held on 31 March 2011 in Kiev, Ukraine.
6. Chairman of GFPAA board will attend and make presentation at International Conference on "Prospects for Development of Accounting, Auditing and Analysis in the Context of Euro integration", w held on 19 May 2011 in Odessa, Ukraine.
7. GFPAA representatives attended and participated in both Standard Setting events in London (2011 and 2013) from the former Soviet Union republics, where they also participated in the individual country meetings between IAASB, IASB and IFAC staff.

GPF AA is also involved in discussion with Government to establish new audit and accounting regulation in Georgia.

- GFPAA and Ministry of Finance of Georgia (MoF) agreed to issue joint publication to clarify MoF dispute resolution council decisions.
- GFPAA and MoF started work on regulation how Government can rely on work of Audit Firms.

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
93.	January 2013	Audit regulation.	Ongoing	GFPAA Board	GFPAA
94.	September 2013	Drafting the rules for operating Auditors' Register.	January 2013 Completed	GFPAA Board	

Lavrenti Chumburidze



Executive Director