

LAW OF GEORGIA
ON ACCOUNTING AND FINANCIAL AUDIT

Chapter I - General Provisions

Article 1 - Purpose of the Law

1. This Law determines the legal basis for keeping accounts, preparing, and presenting financial statements, as well as auditing financial statements in Georgia.
2. This Law aims to:
 - a) determine the legal basis for keeping accounts, preparing and presenting financial statements;
 - b) determine the terms and procedures for financial statements audits.

Article 2 - Definition of terms used in the Law

For the purposes of this Law, the terms used in it shall have the following meaning:

- a) accounting – a system for collecting, measuring, sorting, and transferring information about the changes in the economic operations of an entity in monetary terms;
- b) accountant – a natural person directly involved in keeping accounts and/or preparing financial statements;
- c) accounting documents – primary documents evidencing an economic event, accounting registers and internal instructions for their understanding;
- d) financial statements – structured demonstration of the financial position and financial performance of an entity;
- e) entity – a natural person (individual entrepreneur), legal entity under private law, budgetary organisation, or a legal entity under public law;
- f) financial statements audit ('audit') – the work conducted by an auditor and/or an audit firm for:
 - f.a) expressing an auditor/audit firm opinion on the truthfulness and completeness of financial statements (including special-purpose statements);
 - f.b) expressing assurance of an auditor/ audit firm by reviewing financial statements;
 - f.c) expressing a respective opinion on other substantiated and/or limited assurance agreements.
- g) auditor – a certified person being a member of an accredited professional organisation, registered with the Register of Auditors and providing professional services;
- h) audit (auditing) firm ('audit firm') – a legal person registered in Georgia or a branch of a foreign-registered legal person in Georgia being a member of an accredited professional organisation, registered with the Register of Auditors, and providing professional services through a certified person (persons);
- i) professional services – services requiring accounting and related skills when providing professional services by an auditor/audit firm in the fields of accounting, auditing, taxation, financial management or business consultancy;
- j) certified person – a natural person recognised as a certified professional accountant or a certified accountant by an accredited professional organisation, and evidencing his/her qualifications under the continuing education standards determined by an accredited professional organisation;
- k) certified professional accountant – a natural person certified in the International Financial Reporting Standards (IFRS) under the professional certification standards;
- l) certified accountant – a natural person certified in the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) under the professional certification standards;
- m) agreement partner – an auditor/a certified person engaged in an audit firm responsible for auditing and the issued auditor report;
- n) auditor report – a document issued by an auditor/audit firm on audit results confirming the compliance/noncompliance of individual and/or consolidated financial statements of an entity with accounting standards and norms determined by the legislation;
- o) assurance agreement – an agreement when an auditor/ audit firm expresses an opinion on complying the assessment and/or the measurement result of a subject matter with the relevant criteria aiming at increasing the level of trust of the third parties;
- p) professional certification standard – a set of norms established by an accredited professional organisation for recognising a person as certified and that corresponds to the International Education Standards (IES) determined by the International Federation of Accountants (IFAC);
- q) continuing education standard – a set of norms established by an accredited professional organisation for maintaining the qualification and status of a



certified person;

r) accredited professional organisation – a professional organisation of accountants and/or auditors registered as a non-entrepreneurial (non-commercial) legal person under the legislation of Georgia and is a full member of the International Federation of Accountants (IFAC) or of a regional organisation recognised by the International Federation of Accountants (IFAC), or is an accredited person under the requirements of this Law.

Chapter II - Accounting and Financial Reporting

Article 3 - Legal basis for accounting and financial reporting

1. Accounting shall be regulated by this Law and other normative acts of Georgia. Accounting must comply with accounting standards.
2. Accounting standards shall include the public sector accounting standards and the private sector accounting standards.
3. Public sector accounting standards shall be the accounting and financial reporting procedures established for budgetary organisations and legal entities under public law.
4. The Government of Georgia may impose the obligation on certain categories of public sector institutions to apply the private sector accounting standards considering their types of activities.
5. The Minister of Finance of Georgia shall determine the public sector accounting standards.
6. The private sector accounting standards include the IFRS, IFRS for SMEs and local (national) financial reporting standards for non-entrepreneurial (non-commercial) legal persons.
7. The IFRS shall be the standards and interpretations adopted by the International Accounting Standards Board (IASB) and shall include:
 - a) international financial reporting standards
 - b) international accounting standards
 - c) interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC).
8. The IFRS for SMEs shall be the international financial reporting standards for small and medium enterprises approved by the IASB.
9. The local (national) financial reporting standards for non-entrepreneurial (non-commercial) legal persons shall be the financial reporting standards recommended for non-entrepreneurial (non-commercial) legal persons to be established by an accredited professional organisation considering the international practice and experience.
10. An accredited professional organisation being a full member of the IFAC shall translate the IFRS and IFRS for SMEs into Georgian and issue them to ensure their availability in the state language of Georgia.
11. An accredited professional organisation shall submit the translated into Georgian IFRS and IFRS for SMEs referred to in paragraph 10 of this article, as well as the local (national) financial reporting standards for non-entrepreneurial (non-commercial) legal persons established by the above accredited organisation, to the Legal Entity under Public Law – the Georgian National Agency for Standards and Metrology ('GeoSTM') for registration and publishing it thereafter.
12. Application of the Georgian translation of the IFRS and IFRS for SMEs registered under paragraph 11 of this article being applicable only for the respective period shall be mandatory. A person may also use an English version of the standards.

Article 4 - Keeping of accounts

1. An entity shall keep accounts under this article.
2. For applying the private sector accounting standards, a business entity may be deemed as a small and medium enterprise or a micro enterprise considering the conditions determined in paragraph 3 of this article.
3. A business entity shall be deemed as:
 - a) a micro enterprise if, under the Tax Code of Georgia, it is a person having the status of a micro business, a small business or a fixed-rate taxpayer. A fixed-rate taxpayer shall be considered as a micro enterprise only in the area of its respective activities;
 - b) a small and a medium enterprise if it cannot meet the criteria established for a micro enterprise.
4. Entities provided for by Article 7(4)(a)(b) of this Law shall keep accounts under the IFRS.
5. Small and medium entities shall keep accounts under the IFRS for SMEs. Additionally, they may apply the IFRS.
6. Micro enterprises shall not be obliged to keep accounts.
7. A legal entity under private law, except for a business entity, shall keep accounts under the local (national) financial reporting standards for non-



entrepreneurial (non-commercial) legal entities, unless otherwise provided for by the legislation. Additionally, the legal entity under private law may apply the IFRS or IFRS for SMEs.

8. A budgetary organisation and a legal entity under public law shall keep accounts under the public sector accounting standards, except as provided for by Article 3(4) of this Law.

9. An entity may keep accounts on its own, through a hired person, or by outsourcing accounting services. Rendering accounting services by a person to an entity shall be considered accounting services.

10. An accountant may be both a certified or uncertified person.

11. An accounting document shall not be a public document. Except for the entity concerned, this document shall be available to a controlling/supervisory body in the cases provided for by the legislation of Georgia, and to other person with the consent of a respective entity.

12. An entity shall retain an accounting document for six years from the end of a respective accounting period, except as provided for by the legislation of Georgia.

Chapter III - Audit

Article 5 - Legal basis for auditing

1. The legal basis for auditing shall be determined by this Law.

2. Audits in Georgia shall be conducted in compliance with the International Standards on Auditing (ISA).

3. The ISA shall be a reference book of the IFAC-approved official international documents for auditing and assurance services adopted and issued by the IFAC as of the date this Law was enacted. The above documents shall be revised, modified, approved, and issued by the IFAC or its assignee.

4. A reference book of the official international documents for auditing and assurance services shall be a set of documents issued by the IFAC as a guide for auditing and providing related services.

5. For making available the ISA in the state language of Georgia, an accredited professional organisation being a full member of the IFAC shall translate the ISA into Georgian and issue it.

6. An accredited professional organisation shall submit the Georgian translation of the ISA referred to in paragraph 5 of this article to GeoSTM for registration and publishing it thereafter.

7. Application of the Georgian translation of the ISA registered under paragraph 6 of this article being applicable only for the respective period shall be mandatory. A person may also use an English version of the standards.

Article 6 - Granting authorization for auditing

1. A legal person registered in Georgia, a branch of a foreign-registered person in Georgia, and a natural person shall obtain authorisation for auditing upon their registration with the Register of Auditors ('the Register').

2. An accredited professional organisation (organisations) shall maintain the Register.

3. A legal person registered in Georgia, a branch of a foreign-registered person in Georgia, or a natural person shall apply for registration with the Register to the accredited professional organisation being the member of.

4. If a legal person registered in Georgia, a branch of a foreign-registered person in Georgia or a natural person meets the respective requirements under paragraphs 6-9 of this article, an accredited professional organisation shall be obliged to register them with the respective Register.

5. There shall be the following two types of the Register:

a) the register of persons having the right to conduct statutory audits, where the auditors/audit firms authorised to conduct statutory audits are registered;

b) the register of persons having no right to conduct statutory audits, where the auditors/audit firms having no authorisation to conduct statutory audits are registered.

6. A legal person registered in Georgia or a branch of a foreign-registered person in Georgia interested in registering with the Register of persons authorised to conduct statutory audits must meet the following conditions:

a) have at least one certified professional accountant employed;

b) be a member of an accredited professional organisation;

c) have a quality control system;

d) have a report of the first or the second category obtained after monitoring of the quality control system;



e) have the auditing methodology complying with the ISA.

7. A natural person interested in registering with the Register of persons authorised to conduct statutory audits must meet the following conditions:

a) be a certified professional accountant;

b) be a member of an accredited professional organisation;

c) have a quality control system;

d) have a report of the first or the second category obtained after monitoring of the quality control system;

e) have the auditing methodology complying with the ISA.

8. A legal person registered in Georgia or a branch of a foreign-registered person in Georgia interested in registering with the Register of persons having no authorisation to conduct statutory audits must meet the following conditions:

a) have at least one certified professional accountant employed;

b) be a member of an accredited professional organisation;

c) have a quality control system;

d) have a report of the first or the second category obtained after monitoring of the quality control system;

e) have the auditing methodology complying with the ISA.

9. A natural person interested in registering with the Register of persons having no authorisation to conduct statutory audits must meet the following conditions:

a) be a certified accountant;

b) be a member of an accredited professional organisation;

c) have a quality control system;

d) have the auditing methodology complying with the ISA.

10. An accredited professional organisation may not refuse to admit a legal person registered in Georgia, a branch of a foreign-registered person in Georgia or a natural person to the organisation when they meet the respective requirements under paragraphs 6-9 of this article, except for the requirement of being a member of an accredited professional organisation.

11. An accredited professional organisation shall have the right to register a legal person registered in Georgia, a branch of a foreign-registered person in Georgia, or a natural person with the Register of persons authorised to conduct statutory audits if the above organisation is a full member of the IFAC, or a full member of a regional organisation recognised by the IFAC, or after passing the control by Legal Entity under Public Law - the Unified National Body of Accreditation - Accreditation Center ('the UNBAAC') without remarks one year after the accreditation.

12. An accredited professional organisation shall be obliged to recognise natural persons as certified professional accountants if they are full members of a professional organisation being a full member of the IFAC in a member country of the Organisation for Economic Cooperation and Development (OECD). Otherwise an accredited professional organisation may require proof of his/her knowledge.

13. Except as provided for in paragraph 12 of this article, the Government of Georgia may establish a list of the states to be mandatory for an accredited professional organisation to recognise natural persons as certified professional accountants if they are full members of a professional organisation being a full member of the IFAC in the above states.

14. If the UNBAAC confirms a professional certification standard established by an accredited professional organisation to be the same as applied by the organisation for certifying persons before it obtained accreditation, the accredited professional organisation may recognise the person certified by it under this certification standard as a certified professional accountant.

15. An auditor/audit firm failing to meet the conditions for registration with the respective register shall be subject to removal from this register.

16. If an auditor/audit firm fail to meet the conditions for registration with the respective register, they shall be obliged to give a notice about it to the accredited professional organisation they are members of, within five working days. If the auditor/audit firm fail to meet this requirement, the above accredited professional organisation shall impose a disciplinary liability on them.

17. After receiving the information under paragraph 16 of this article, an accredited professional organisation shall be obliged to remove the auditor/audit firm from the respective register within five working days.

18. An audit shall not be considered as conducted if a legal person registered in Georgia, a branch of a foreign-registered person in Georgia or a natural person has conducted it without registering with the respective register.

19. An auditor/audit firm may apply any time to an accredited professional organisation for removing it from the respective register, except as provided for by paragraph 16 of this article.



Article 7 - Auditing

1. An auditor or an audit firm may conduct an audit of an entity.
2. Audit may be statutory or voluntary.
3. The obligation of statutory auditing shall be imposed by this Law or other normative act of Georgia.
4. Statutory audit shall be conducted:
 - a) for the entities under the supervision of the National Bank of Georgia being obliged to conduct annual audits;
 - b) for the enterprises meeting the respective criteria established by the Government of Georgia;
 - c) in the other cases provided for by the legislation of Georgia, except for the entities under subparagraphs (a) and (b) of this paragraph.
5. A statutory audit shall be conducted annually no later than 31 October of the year following the current calendar year, unless otherwise defined by the legislation of Georgia.
6. If the entities under paragraph 4(b)(c) of this article fail to meet the requirements in paragraph 5 of this article, a person assigned by the Government of Georgia shall hire an auditor at the expense of an entity for conducting an audit of the entity.
7. Only an auditor/audit firm registered with the Register of persons authorised to conduct statutory audits may conduct a statutory audit. Additionally, the above auditor/a certified professional accountant employed by the above audit firm must conduct the audit.
8. The entities under paragraph 4(b)(c) of this article shall be obliged to present the audited financial statements to the person assigned by the Government of Georgia for publication in the manner determined by the Government of Georgia, unless otherwise provided for by the legislation of Georgia.
9. A voluntary audit shall be conducted by the decision of an authorised person (persons) or in the other cases as provided by the legislation of Georgia.
10. An auditor, an audit firm or an agreement partner accordingly, shall certify the auditor report by signing it.
11. An agreement partner may be identified by applying an internal procedure of an audit firm. Failure to meet this requirement shall entail disciplinary liability to be imposed on the audit firm by the accredited professional organisation it is a member of.
12. (Deleted – 21.12.2012, No 135)

Law of Georgia No 135 of 21 December 2012 – website, 30.12.2012

Article 8 - Audit quality assurance

1. An auditor/audit firm shall be responsible for developing and applying proper quality control system policy and procedures under the requirements of the IFAC.
2. Quality control system shall be a combination of rules and procedures established by an auditor/audit firm under the International Standard on Quality Control (ISQC) aimed at conducting an audit by an auditor/audit firm in compliance with the financial statements audit objectives and general principles.
3. The ISQC shall be the standards and instructions established by the International Auditing and Assurance Standards Board (IAASB) on the quality control system of the persons conducting audit and reviewing financial statements, as well as rendering other assurance and related services.
4. For making available the ISQC in the state language of Georgia, an accredited professional organisation being a full member of the IFAC shall translate the ISQC into Georgian and issue it.
5. An accredited professional organisation shall submit the Georgian translation of the ISQC referred to in paragraph 4 of this article to GeoSTM for registration and publishing it thereafter.
6. Monitoring the quality control system of an auditor/audit firm shall be conducted by an accredited professional organisation the above auditor/audit firm is a member of. Monitoring of the quality control system shall be conducted at least once in three years.
7. Monitoring the quality control system shall be an assessment of the quality control system by an auditor/audit firm through checking the auditor reports and the process of their drafting.
8. Monitoring the quality control system shall be conducted under the GeoSTM-registered regulations for quality control system monitoring. An accredited professional organisation being a full member of the IFAC shall submit the above regulations to GeoSTM for registration.
9. An accredited professional organisation shall monitor the quality control system of an auditor/audit firm through a quality controller.
10. Within six months from conducting the quality control system monitoring, the quality controller shall draw up a monitoring report under the ISQC. Copies of the monitoring report shall be forwarded to the auditor/audit firm and the accredited professional organisation.
11. An audit firm shall be obliged to make the monitoring report public to all the certified persons employed by the firm. Failure to meet this requirement shall entail disciplinary liability to be imposed on the audit firm by the accredited professional organisation it is a member of.



12. A monitoring report may have the following four categories:

- a) first category report – when an auditor/audit firm passes the quality control system monitoring without remarks;
- b) second category report – when an auditor/ audit firm passes the quality control system monitoring with minor remarks;
- c) third category report – when an auditor/audit firm passes the quality control system monitoring with significant remarks;
- d) fourth category report – when an auditor/audit firm fails to pass the quality control system monitoring.

13. Quality controllers shall be obliged to include in the monitoring report their remarks and/or opinions on the auditor/audit firm, as well as on all the certified persons employed by the audit firm.

14. If the quality control system of an auditor is monitored, the auditor shall be held responsible. If the quality control system of an audit firm is monitored, the audit firm shall be held responsible and/or the respective agreement partner shall be held responsible for each specific auditor report. 15. An accredited professional organisation shall review the monitoring report and make a decision under this article on both the auditor/audit firm and all the certified persons employed by the firm.

16. An auditor/audit firm, as well as all the certified persons employed by the firm may participate, in person and/or through their representative, in reviewing the monitoring report on them and submit an explanation.

17. If an auditor/audit firm fails to pass the quality control system monitoring, the respective accredited professional organisation shall be obliged to remove it from the respective register.

18. Based on the monitoring results of a quality control system, in the presence of respective grounds, an accredited professional organisation shall be obliged to transfer an auditor/audit firm from one type of register to the other type of register.

19. Based on the monitoring report results, an accredited professional organisation shall make a decision with respect to a certified person on:

- a) retaining validity of the certificate;
- b) fixing a time frame for correcting mistakes;
- c) suspending validity of the certificate.

20. An accredited professional organisation may make one or more decisions under paragraph 19 of this article with respect to a certified person.

21. If a certified person fails to correct mistakes within the time frame fixed by the accredited professional organisation, validity of the certificate shall be suspended. In the case of failure to correct mistakes, the accredited professional organisation shall be obliged to publish the remarks on the certified person.

22. When suspending validity of a certificate by an accredited professional organisation in the cases provided for in this article, a natural person may apply for renewing the certificate one year after it was suspended.

Article 9 - Code of ethics

1. When providing professional services, an auditor/audit firm shall be obliged to observe the Code of Ethics for professional accountants (IESBA Code) established by the IFAC and translated into Georgian and registered under paragraph 3 of this article.

2. The IESBA Code of Ethics for professional accountants must be translated into Georgian and issued by an accredited professional organisation being a full member of the IFAC.

3. An accredited professional organisation shall submit the Georgian translation of the IESBA Code referred to in paragraph 2 of this article to GeoSTM for registration and publishing it thereafter.

4. An auditor/audit firm must be independent of the entity being audited. Additionally, the auditor/audit firm cannot be involved in the decision-making process of the entity.

5. An auditor/audit firm may not conduct an audit if:

- a) there is a financial and/or other interest between the entity and the auditor/audit firm that may affect the content of the auditor report issued to the entity;
- b) the entity and the auditor/audit firm are interdependent persons under the Tax Code of Georgia;
- c) there are labour relations between the entity and the auditor/audit firm.

6. For the purposes of this article, a financial interest shall be an interest in stocks and other securities, loans, and other debt liabilities, including the rights and obligations that imply obtaining the above interest, as well as financial derivatives directly connected with obtaining this interest.

7. Divergence of opinion on accounting issues may not serve as a basis for termination of contractual relations with an auditor/audit firm.

8. If the requirements under paragraphs 1, 4 or 5 of this article are violated:

- a) a disciplinary liability shall be imposed on an auditor/audit firm by the accredited professional organisation the auditor/audit firm is a member of;



b) a statutory audit shall not be considered as conducted.

9. This article shall also apply to a quality controller and a certified person employed by an audit firm when performing their respective duties.

Article 10 - Information confidentiality

1. The information received by an auditor/audit firm during the course of providing professional services shall be a professional secret.

2. Except as provided for by the legislation of Georgia, an auditor/audit firm shall be obliged to:

a) observe professional secrecy regardless of the time passed and the type of activity changed;

b) observe professional secrecy unless the entity consents it to be disclosed.

3. If the auditor/audit firm is changed, a preceding auditor/audit firm may convey the respective information about the entity audited to the following auditor/audit firm.

4. An auditor/audit firm may convey the information received during the course of providing professional services to other person with the consent of the entity.

5. Failure to meet the requirements under paragraph 2 of this article shall entail disciplinary liability to be imposed on an auditor/audit firm by the accredited professional organisation the auditor/audit firm is a member of. Suspension of the accredited professional organisation membership may also be applied as a form of disciplinary liability.

6. This article shall also apply to the quality controller and a certified person employed by an audit firm with respect to the information they receive when performing their respective duties.

Chapter IV - Accredited Professional Organisation

Article 11 - Accreditation of professional organisations

1. For the purposes of this Law, an accredited organisation may only be a professional organisation of accountants and/or auditors established under the legislation of Georgia and registered as a non-entrepreneurial (non-commercial) legal person and meeting the requirements of this Article.

2. The UNBAAC shall accredit a professional organisation of accountants and/or auditors.

3. A professional organisation of accountants and/or auditors not being a full member of the IFAC or of a regional organisation recognised by the IFAC shall obtain accreditation if its internal policy and procedures comply with the requirements of the IFAC with respect to the issues specified below:

a) the monitoring mechanism for quality control system of its member auditors/audit firms;

b) the education requirements for certified persons and their certification system;

c) the system for observing requirements of the IESBA Code of Ethics by its members;

d) the system for imposing disciplinary liability.

4. A professional organisation of accountants and/or auditors referred to in paragraph 3 of this article shall be granted accreditation for as long as five years. The organisation may request a second accreditation three years after expiry of the previous accreditation term.

5. Professional organisation of accountants and/or auditors referred to in paragraph 3 of this article shall be extended accreditation for one more year if the organisation obtains the status of an IFAC associate member.

6. The UNBAAC shall annually monitor compliance of a professional organisation of accountants and/or auditors referred to in paragraph 3 of this article with the accreditation conditions.

7. For the purposes of this Law, a professional organisation of accountants and/or auditors being a full member of the IFAC or a regional organisation recognised by the IFAC shall be considered as being accredited throughout its membership.

8. A professional organisation of accountants and/or auditors referred to in paragraph 7 of this article shall be obliged to confirm its membership respectively of the IFAC or a regional organisation recognised by the IFAC to the UNBAAC during the first year.

9. If a professional organisation of accountants and/or auditors referred to in paragraph 7 of this article was suspended its membership respectively of the IFAC or a regional organisation recognised by the IFAC shall be obliged to notify the UNBAAC about the above suspension within one month from the suspension.

10. For the purposes of this Law, if more than 50 per cent of the members of a professional organisation of accountants and/or auditors are members of the professional organisation of accountants and/or auditors whose accreditation term has expired, then the above professional organisations of accountants and/or auditors shall be considered to be the same. Consequently, the above professional organisation of accountants and/or auditors may apply to the UNBAAC for obtaining accreditation three years after the registration.



11. The UNBAAC shall establish accreditation procedures in accordance with the requirements under paragraph 3 of this article.

Article 12 - Competence of accredited professional organisations

1. An accredited professional organisation being a full member of the IFAC shall be obliged to:

a) translate into Georgian, submit to GeoSTM for registration, and issue the following documents:

a.a) the IFRS

a.b) the IFRS for SMEs

a.c) the ISA

a.d) the ISQC

a.e) the IESBA Code.

b) establish, submit to GeoSTM for registration, and issue:

b.a) the certification procedures for quality controllers;

b.b) the regulations for quality control system monitoring under the IFAC requirements.

2. An accredited professional organisation shall be responsible for:

a) drawing up and publishing the local (national) financial reporting standards for non-entrepreneurial (non-commercial) legal persons, and submitting them to GeoSTM for registration;

b) developing and issuing reference (sample) report plans for accounting;

c) training accountants;

d) certifying natural persons, particularly:

d.a) certifying accountants (as certified professional accountants and certified accountants);

d.b) certifying quality controllers under the certification procedures referred to in paragraph 1(b.a) of this article;

d.c) other types of certification in agreement with administrative bodies or other interested persons.

e) conducting disciplinary proceedings against an auditor/audit firm being a member of the organisation and a certified person employed by the above audit firm;

f) developing, establishing and applying a continuous education standard;

g) controlling compliance with the requirements of the IFAC Code of ethics by its members;

h) conducting the quality control system monitoring under the regulations referred to in paragraph 1(b.b) of this article;

i) publishing the list of persons certified by the organisation on its own website;

j) maintaining a register of the auditors/audit firms being members of the organisation, and ensuring the register is publicly available.

3. Apart from the activities under this article, an accredited professional organisation may perform any other activity provided for by the founding documents and/or permitted by law.

4. An accredited professional organisation shall certify persons as certified professional accountants and certified accountants in accordance with the International Education Standard (IES) requirements of the IFAC.

5. Programmes for certification of persons as certified professional accountants and certified accountants must be public. Additionally, the above programmes must specify the minimum mandatory knowledge requirements for recognising a person as being certified.

6. An accredited professional organisation shall be obliged to publish the information about the income amounts of the auditors/audit firms. Additionally, it shall be obliged to classify the incomes of the auditors/audit firms by the types of services rendered.

7. An accredited professional organisation must publish the information on the incomes referred to in paragraph 6 of this article annually before the end of the year following the current year.

8. An accredited professional organisation shall be obliged to post the annual report on the organisation activity on its own website and/or publish it in the press before the first of July of the year following the current year. If an accredited professional organisation posts a report on the activities on its own website, it shall be obliged to keep the report on the website for at least three years after it was published.



Article 13 - Liability for violation of this Law

1. Violation of the requirements under this Law shall entail liability defined by this article, unless the respective legislation provides for other liability for this action (action/inaction).
2. If the entities specified in Article 7(4)(b)(c) violate the requirements under Article 7(5) of this Law, a violating entity shall be fined GEL 10 000 but it shall not release the entity from the obligation to conduct an audit.

Article 14 - Rules for imposing liability

1. Detection of a violation as provided for in Article 13 of this Law shall be the grounds for initiating the violation proceedings. A violation report shall be drawn up to be signed by the person authorised to draw up this type of report.
2. When detecting a violation as provided for in Article 13 of this Law, a person assigned by the Government of Georgia shall draw up the violation report on the entities under Article 7(4)(b)(c) of the same Law, unless otherwise provided for by the legislation of Georgia.
3. A violation report shall include: the report date; the position, the name and surname of the of the report preparer; the details of the violator, including a personal number or a taxpayer identification number; description of the violation; the normative act providing for the liability for the current violation.
4. A person the proceedings have been in progress against shall be notified about initiating the above proceedings and be provided with one copy of the violation report.
5. A person may participate, in person and/or through the representative, in the proceedings initiated, and present an explanation.
6. When detecting a violation as provided for in Article 13 of this Law, a person assigned by the Government of Georgia shall make a decision on fining the entities under Article 7(4)(b)(c) of the same Law, unless otherwise provided for by the legislation of Georgia.
7. A decision on the violation shall be made within one month after preparing the report. One copy of the decision shall be forwarded to the person the proceedings have been in progress against within five days after the decision.
8. The decision on the violation shall specify: the name of a decision-making body/person; the date of the proceedings; the details of the person the case was reviewed against; the facts substantiated during the course of the proceedings; the normative act providing for the liability for the current violation; the description of the decision; the time frame and procedure for appealing the decision.
9. A person shall pay the fine imposed under this Law within 30 days from receiving the decision on fining.
10. The fine imposed by this Law shall be transferred to the budget in the manner determined by the Budget Code of Georgia.

Article 15 - Resolution of Disputes

1. A dispute arising from this Law shall be discussed and resolved in the manner determined by the legislation of Georgia considering the requirements of this article.
2. A monitoring report shall be appealed along with a decision by the accredited professional organisation.
3. An auditor, an audit firm, or a certified person employed by the audit firm may appeal the decision by an accredited professional organisation on the monitoring report within 30 days after receiving the decision.
4. A decision on the violation shall be appealed in the court in the manner determined by the Administrative Procedures Code of Georgia.
5. Appealing a decision on the violation shall not suspend the validity of this decision.

Chapter VI - Transitional and Final Provisions

Article 16 - Transitional provisions

1. Normative acts adopted by the resolutions of the Collegium of the Council on Audit Activity of the Parliament of Georgia and the Standard Commission on Accounting of the Parliament of Georgia, as well as the normative acts applicable as of 1 January 2013 in the field of accounting and auditing shall be valid until the obligation of applying the respective standards under this Law enters into force.
2. Temporary accounting standards referred to in the Law of Georgia on Regulation of Accounting and Financial Reporting shall be valid until 31 December 2015.
3. Auditor qualification certificates issued by the Council on Audit Activity of the Parliament of Georgia being valid as of 1 January 2013 shall be effective for five years starting as from 1 January 2013.



4. A certified person referred to in paragraph 3 of this article and an audit firm having engaged this certified person may be registered only with the Register of persons having no authorisation to conduct a statutory audit.
5. An accredited professional organisation shall draw up programmes for certifying accountants (as certified professional accountants and certified accountants) before 1 July 2013.
6. An accredited professional organisation being a full member of the IFAC shall draw up a quality controller certification programme and the regulations for the quality control system monitoring before 1 January 2013.
7. Financial reporting under the IFRS shall be mandatory as from 1 June 2015, unless otherwise provided for by the legislation of Georgia. Additionally, an entity may apply the above standards until 31 December 2015.
8. Financial reporting under the IFRS for SMEs shall be mandatory as from 1 June 2015, unless otherwise provided for by the legislation of Georgia. Additionally, an entity may apply the above standards until 31 December 2015.
9. Auditors/audit firms defined by the Government of Georgia under Section II of Article 202 of the Tax Code of Georgia shall be subject to registration with the Register of persons authorised to conduct a statutory audit after 1 January 2013.
10. The procedure under paragraph 9 of this article shall be effective for four years as from 1 January 2013. Additionally, the quality control system monitoring of the auditors/audit firms referred to in the above paragraph shall not be conducted for three years as from 1 January 2013.
11. An auditor/audit firm having registered with any type of register may audit the entities under Article 7(4)(c) of this Law for three years as from 1 January 2013.
12. An auditor/audit firm having registered with any type of register may audit financial statements for 2012 and 2013 of the entities under Article 7(4) of this Law.
13. The UNBAAC shall submit the accreditation procedure defined by Article 11(11) of this Law to the Budget and Finance Committee of the Parliament of Georgia before 31 December 2015.
14. Assets in the possession of the Commission on Audit Activity of the Parliament of Georgia shall be transferred to the Ministry of Economy and Sustainable Development of Georgia after liquidating the above Commission.
15. Auditors/audit firms shall not be required to become members of professional organisations until 1 June 2016.
16. The Commission on Audit Activity of the Parliament of Georgia shall, upon its liquidation, transfer the unified register of individual auditors and audit firms to a Legal Entity under Public Law – the National Agency of Public Registry.
17. A professional organisation accredited before 1 June 2016 shall register an auditor/audit firm with an appropriate register without requesting it to become a member of this organisation. Furthermore, an auditor/audit firm that is not registered with an appropriate register shall have no right to conduct an audit.
18. Until 1 June 2016, the following documents translated into Georgian language and/or developed and published by an accredited professional organisation shall be used for the purposes of Article 3, 5, 8 and 9 and this article: the quality assurance assessor certification programme and the quality assurance system monitoring regulations, recent versions of the International Financial Reporting Standards (IFRS), the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), the International Standards on Auditing (ISA) and the International Ethics Standards Board for Accountants (*IESBA code*) established by International Federation of Accountants (IFAC). During the period specified in this paragraph, provisional accounting standards defined under the Law of Georgia on Regulation of Accounting and Reporting shall also apply. Further, preparation of a financial report under paragraph 7 and 8 of this article by an entity according to international standards shall be voluntary, unless otherwise determined by the legislation of Georgia, and a person shall have the right to use these standards.

Law of Georgia No 135 of 21 December 2012 – website, 30.12.2012

Law of Georgia No 847 of 24 July 2013 – website, 12.8.2013

Law of Georgia No 1847 of 25 December 2013 – website, 28.12.2013

Law of Georgia No 1885 of 26 December 2013 – website, 28.12.2013

Law of Georgia No 2956 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 3626 of 28 May 2015 – website, 3.6.2015

Law of Georgia No 4722 of 24 December 2015 – website, 29.12.2015

Article 17 - Final provisions

1. The following shall be declared invalid as from 1 January 2013:

- a) The Law of Georgia on Audit Activities of 7 February 1995 (The Gazette of the Parliament of Georgia, No 23-26 of 1994-95, Art. 496);
- b) The Law of Georgia on Regulation of Accounting and Reporting of 5 February 1999 (The Legislative Herald of Georgia, No 4(11) of 1999, Art.18);
- c) Resolution of the Parliament of Georgia on the Council on Audit Activity of the Parliament of Georgia of 30 June 1995 (The Gazette of the Parliament



of Georgia, No 27-30 of 1994-95, Art. 656);

d) Resolution of the Parliament of Georgia on the Standard Commission of Accounting of the Parliament of Georgia of 19 March 1999 (The Legislative Herald of Georgia, No 16(23) of 1999, Art. 239).

2. This Law, except for Articles 1-15 and Article 16(1-4, 7-12), shall be enacted upon the publication.

3. Articles 1-15 and Article 16(1-4, 7-12) of this Law shall be enacted as from 1 January 2013.

President of Georgia

Mikheil Saakashvili

Tbilisi

29 June 2012

No 6598-ES

