

# Establishing a public oversight institution and a sound quality assurance system: first steps

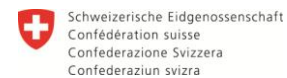
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» *What we will cover:*

- » How Georgia is establishing its new public oversight system for audit
- » The steps which Georgia is taking on PIE audit licencing
- » Common content in audit quality assurance (QA) programs and methodologies – the examples from the peer countries of Croatia and Macedonia



# 1. Establishing public oversight in Georgia

- » A multi-departmental working group worked for over a year on developing the law
- » Law was supported by the government and strongly promoted with Parliament
- » The New Law on Accounting, Reporting and Audit was enacted in June 2016
- » The Service for Accounting, Reporting and Audit Supervision (SARAS) established within the MoF in September 2016



# 1. Establishing public oversight in Georgia

- » SARAS is undertaking the essential first steps, including:
  - » Appointing the Board and key senior management
  - » Establishing funding arrangements
  - » Recruiting staff of the Agency
  - » Establishing the company financial statement registry
  - » Establishing the Register of auditors
  - » Preparing the procedures for issuing temporary PIE audit licences, PIE audit regulations, Professional Indemnity Insurance regulations etc.
  - » Developing the education standard(s)
  - » Preparing for QA inspections



# 1. Establishing public oversight in Georgia

- » Appointing the Board and key senior management:
  - » A ministerial decree has established the SARAS Board
  - » Deputy Minister of Finance will chair the Board
  - » Representatives have been appointed from:
    - » National Bank of Georgia
    - » Ministry of Economy
    - » Business Association
    - » University sector
  - » Temporarily for 1-2 years, a member from the profession has been appointed to the Board
- » A second decree appointed the chief executive of the agency



# 1. Establishing public oversight in Georgia

- » Establishing funding arrangements and recruiting staff of the Agency
  - » Significant bureaucratic challenges in relation to salary levels for senior staff
  - » Challenges in recruiting staff as a result
- » Establishing the company financial statement registry
  - » Investigating an Estonian portal system for filing and administering submission of company financial statements



# 1. Establishing public oversight in Georgia

- » Addressing SARAS' responsibilities for audit regulation:
  - » Establishing the Register of auditors – MoF IT function is assisting with scoping the audit registry system
  - » Preparing PIE audit regulations – these incorporate aspects of the EU Audit Regulation which were not transcribed in detail in the Law
  - » Preparing Professional Indemnity Insurance regulations – these draw on similar regulations in peer countries
  - » Preparing the procedures for issuing temporary PIE audit licences – more on this later.
  - » Preparing for QA inspections – to start in September 2017



# 1. Establishing public oversight in Georgia

- » Addressing SARAS' responsibilities for audit and accounting education
  - » Developing education standards for:
    - » Professional certification
    - » Continuous education
    - » Local tax and law examination for foreign qualification holders
    - » Test of professional competence for auditors with 7+ years of experience
  - » Setting the procedure for recognition of certification programs and examination programs





# 1. Establishing public oversight in Georgia

Key lesson from the work so far...

- » The transitional provision in the Law sets deadlines and expectations for SARAS's early work.
- » It is important to be ambitious in the short term targets, milestones and deadlines in the transition provisions, as this drives progress in the period following enactment of the Law.



# Preparing the audit quality assurance (QA) program and methodology

## » Audit quality control in Georgia

- » The first stage as stated in the Law is issuing temporary PIE audit licences
- » Existing PIE audit firms will complete an ISQC1 based questionnaire
- » The questionnaire is very detailed and asks for explanation and evidence of audit firms' systems and procedures to comply with each aspect of ISQC1 and the additional requirements of the EU Regulation
- » SARAS will complete an assessment of the questionnaire and take other information sources into account, such as feedback from other regulators
- » SARAS will then decide whether to issue the temporary licence by 1 January 2017



# Preparing the audit quality assurance (QA) program and methodology

## »QA inspections

- » SARAS will prepare for QA inspections
- » New applicants for the PIE audit licence can apply for inspections from 1 January 2017
- » The full program will commence in September 2017
- » SARAS will develop inspection procedures and methodologies based on the experience of peer countries...



## Preparing the audit quality assurance (QA) program and methodology

- » Examples of the establishment of audit quality assurance systems in:
  - » Croatia
  - » Macedonia



## Questions

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- » Thank you for your attention!
- » Any questions?