



Service for Accounting,  
Reporting and Auditing  
Supervision

# ANNUAL REPORT 2021

TRUST CREATES OPPORTUNITIES



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SARAS GEORGIA



SARAS GEORGIA



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# About Us

Service for Accounting, Reporting and Auditing Supervision of the Ministry of Finance of Georgia is the oversight body of accounting, reporting and auditing field. The regulations we establish aim to create a transparent culture in business activities. Businesses which are not reluctant of being transparent are more reliable for investors, partners, creditors, owners, clients, and other parties.

## Mission

Enhance reliability of financial and management information for making effective economic decisions through implementation of international standards

## Vision

Transparent environment is a precondition for the country's development

### Registries



We maintain registries:

- Auditors
- Audit Firms
- Certified Accountants
- Continuing Professional Development
- Certificate Program
- Examination Process

### Supervision



We conduct:

- Quality Control System Monitoring
- Investigation

### Standards



We translate and adopt:

- International Financial Reporting Standards
- International Standards on Auditing

### Reporting Portal



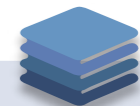
- Publish financial and management reports
- Create databases

### Education



- Establish Professional Education Standards
- Provide monitoring and compliance with standards
- Publish guidances and researches

### Dictionary



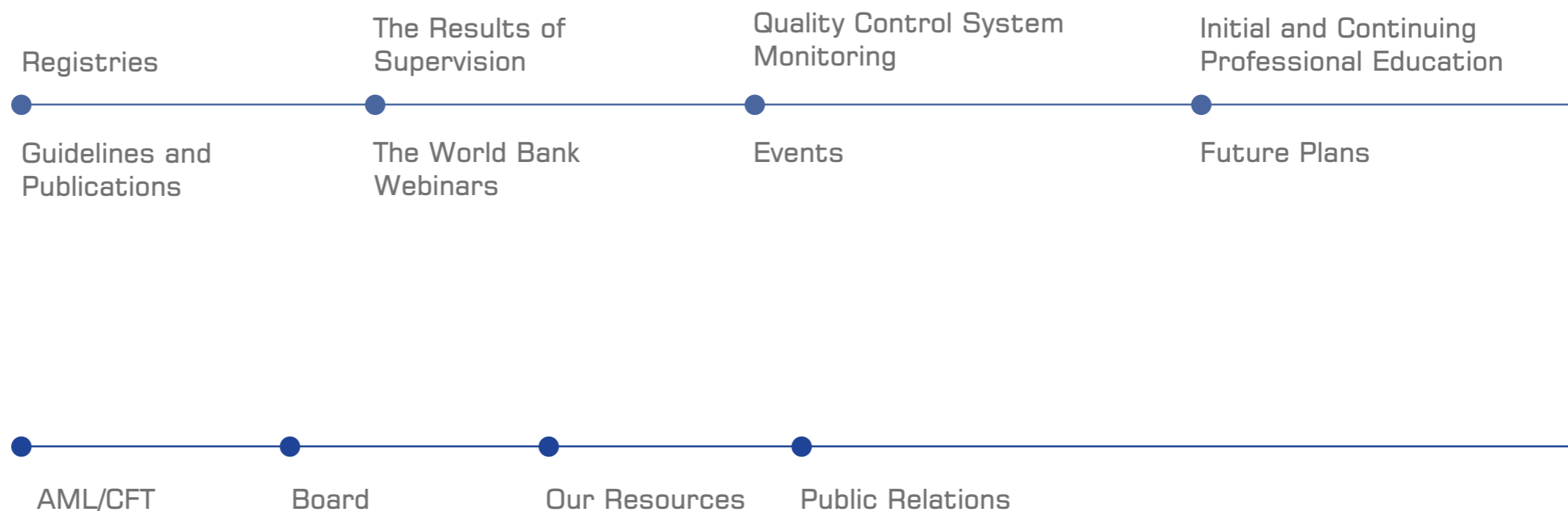
- Maintain an online terminology dictionary of IFRS and ISA Standards
- Systematically update and improve terminology

# Contents

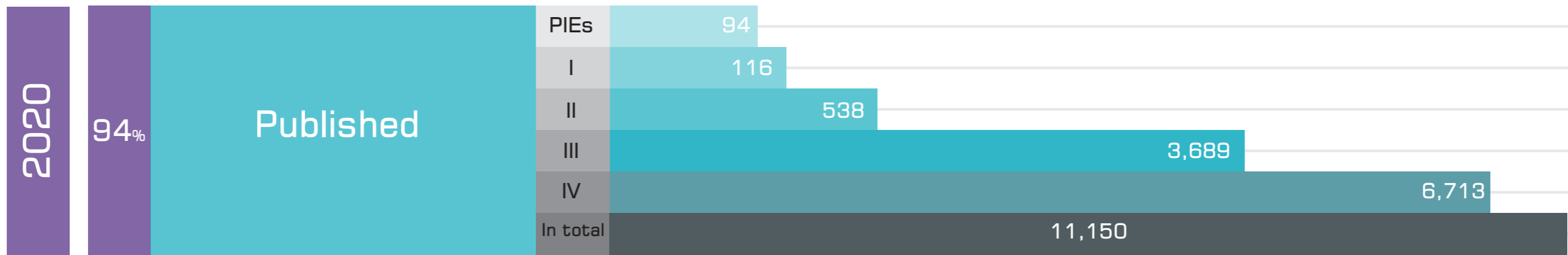
## Accounting and Reporting Supervision Department



## Auditing and Professional Education Supervision Department

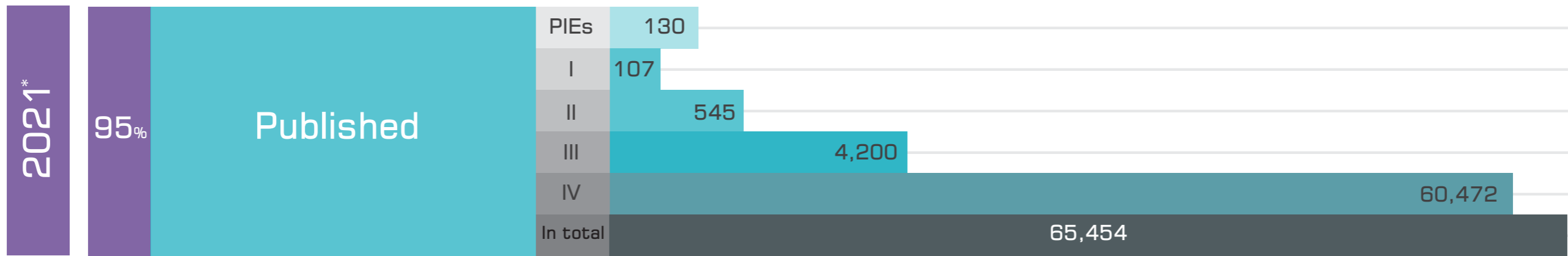


The Statistics of Submission of Annual Reports



More than 4,800 entities of PIEs, I, II and III category entities were required to submit their annual reports in **2020**.

The total submission rate was **94%**



More than 81,000 entities (PIEs, I, II, III, and IV category) were required to submit their annual reports in **2021**.

The submission rate for PIEs, I, II and III category entities comprised - **95%**, and for IV category entities - 80%.

In order to enhance the quality of annual reports preparation and submission, SARAS issued 26 262 written warnings/the Defect Act for the reporting year of 2020

\*In 2021 entities submit annual reports for 2020.

## The Impact Assessment of the Reform

Ilia State University conducted a survey within the Twinning Project in 2020 in order to assess the impact of the new regulations and standards established in the country under the reform, the results of which have been recently summarized.

During the impact assessment of the reform, [the results of the survey](#), conducted among representatives of the profession and business, showed that the regulatory framework significantly increased the transparency of financial reporting, significantly improved the perception of information provided in the financial reporting, and the delivery of financial information in a timely manner. According to the survey, the qualitative characteristics of financial statements appear to meet the requirements of external users. Therefore, most of the respondents believe that the adoption of internationally recognized Financial Reporting Standards would provide Georgian companies with an opportunity to promote international recognition of local financial reporting and also to increase their business value.

According to the majority of survey participants, the initiatives and actions taken by SARAS not only play a crucial role in the introduction and implementation of the new accounting requirements, but also positively affect the quality of auditing and reporting.



## A Detailed Review of Annual Reports

In order to increase the reliability of information presented on Reporting Portal, SARAS, based on a risk-based methodology, started reviewing the contents of annual reports submitted since 2020 to identify their compliance with IFRS and IFRS for SMEs. The process still continues.



As a result of the review, SARAS prepared a document - [“Non-compliances identified as a result of reviewing financial statements” - second edition](#). The document summarizes the major non-compliances identified as a result of an in-depth review of some of the PIEs and I category entities' 2019-2020 financial statements' compliance with IFRS. It is important that entities closely examine and analyze the documents, and consider them when preparing annual reports. This, in turn, will help enhance the quality of financial reporting.

SARAS published a document - [“Priorities for 2020 and 2021 annual reports review process”](#) - on its webpage. The document outlines the issues that SARAS will focus on during the review process of 2020-2021 annual reports. It also describes the criteria by which SARAS will select financial statements submitted and published by the entities.

## COVID-19

SARAS updated COVID-19-related [guidance](#) too. The document focuses on the most relevant potential effects due to pandemic. It is important that entities obtain an understanding of the document, and take it into consideration when preparing annual reports.

## Events

SARAS always takes into consideration relevant issues related to the field, and organizes relevant events for various stakeholders.

Due to pandemic, events were still held online in 2021.

1500 attendees

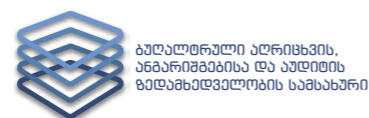
7 online events

800 attendees

We participated in three online events

### IFRS Standards and Management Commentary – Main Updates

On November 17, SARAS and IFRS Foundation with the support of European Union-World Bank joint Financial Inclusion and Accountability Project, held the 5th online meeting on: [“IFRS Standards and Management Commentary – Main Updates”](#).



This time, the meeting was chaired by Tadeu Cendon, a member of the International Accounting Standards Board (IASB). He reviewed draft amendments to IFRS Standards and Management Commentary, and answered the questions of the attendees.

### A meeting was held concerning Environmental, social, and governance (ESG) issues

On May 21, with the support of SECO, representatives of SARAS participated in the [event](#) hosted by IFC and the World Bank.



Representative of SARAS spoke about the global initiatives related to sustainability reporting, in particular, on the new Directives of EU. He also spoke about the plans for the development of the relevant standard of IFRS Foundation, and Georgia's likely involvement.

### BARTA 2021

On December 14, winners announced for 2021 Best Annual Report and Transparency Award ([BARTA](#)). The award was established three years ago by EU and the World Bank joint project - Financial Inclusion and Accountability, in partnership with National Reforms Support Foundation in Accounting, Reporting and Auditing.



The award is intended to facilitate compliance with new reporting regulations, foster healthy competition between companies, and enhance the quality of corporate reporting as part of the country's quest to build up investor trust and confidence at local and international levels.

## Instructional Videos

Reporting Portal was updated in 2021. In addition, certain automated checks were added to the report submission system. This update aims to enhance the quality of submitted financial statements.

SARAS recorded 14 instructional videos for report submission system and posted them on its social media in order to simplify the process of report submission and support updated system with an effective navigation. Instructional videos had a total of sixty thousand views.



In addition, certain terms in the terminology of the IFRS Standards were updated in 2021. The list of updated terminology is placed on the SARAS website.



## An Updated Self-Learning Manual of Financial Reporting Standard for 4th Category Entities

A self-learning manual of the Financial Reporting Standard for 4th Category Entities was updated in order to simplify the application of the standard. The updated manual is available on the SARAS webpage for any interested person.

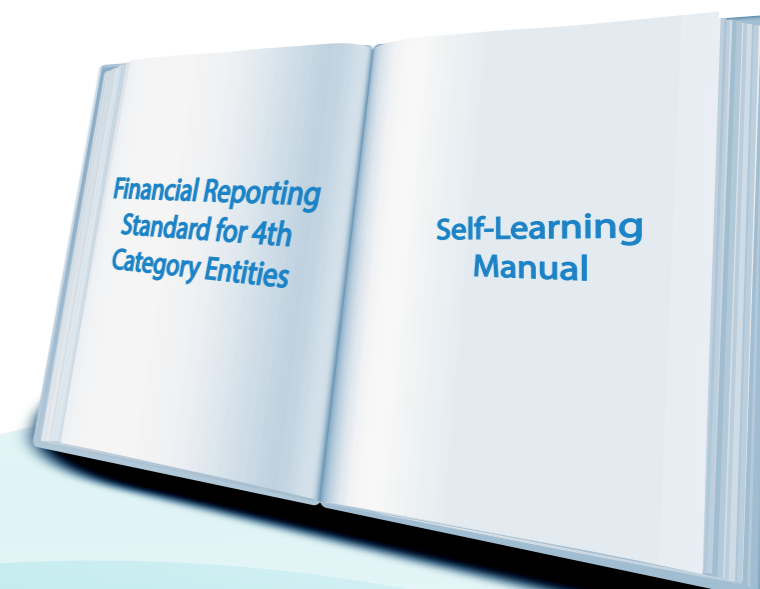
Representatives of SARAS spoke about changes at various events, and they answered the questions of public concern.

## Updated IFRS

2021 edition of the IFRS Blue Book were adopted in 2021. The Georgian translation of IFRS was published on the SARAS website, and it is now available to all interested persons.

It is noteworthy, that Georgia was the first country to translate and adopt 2021 edition of the Blue Book in 2021.

An updated standard and manual supported by the World Bank were developed within the framework of European Union - World Bank joint project – Financial Inclusion and Accountability.



## IFRS for SMEs Taxonomy

SARAS [started translation](#) of IFRS Taxonomy into the Georgian language under the License Agreement signed between SARAS and IFRS Foundation (IFRS Taxonomy comprises both IFRS and IFRS for SMEs).

The material of [IFRS for SMEs Taxonomy](#) translated into the Georgian language was placed on the SARAS webpage in 2021. We would like to inform you that SARAS will translate IFRS Taxonomy and place it on its webpage in 2022.



IFRS Taxonomy is developed by IASB. The objective of IFRS Taxonomy is to facilitate the electronic use and sharing of financial data prepared under IFRS. Translation of IFRS Taxonomy into the Georgian language is the first step to create a new environment for financial reporting specialists.

IFRS Taxonomy is one of the reporting-area specific dictionaries used by the XBRL community. XBRL is the open international standard for digital business reporting. It aims to support the high-quality searching and tagging of information reflected in financial statements, making the reporting process faster and easier. The main objective of XBRL is to protect the public interest. In doing so, it makes effort to improve financial reporting. XBRL is used around the world in more than 50 countries.

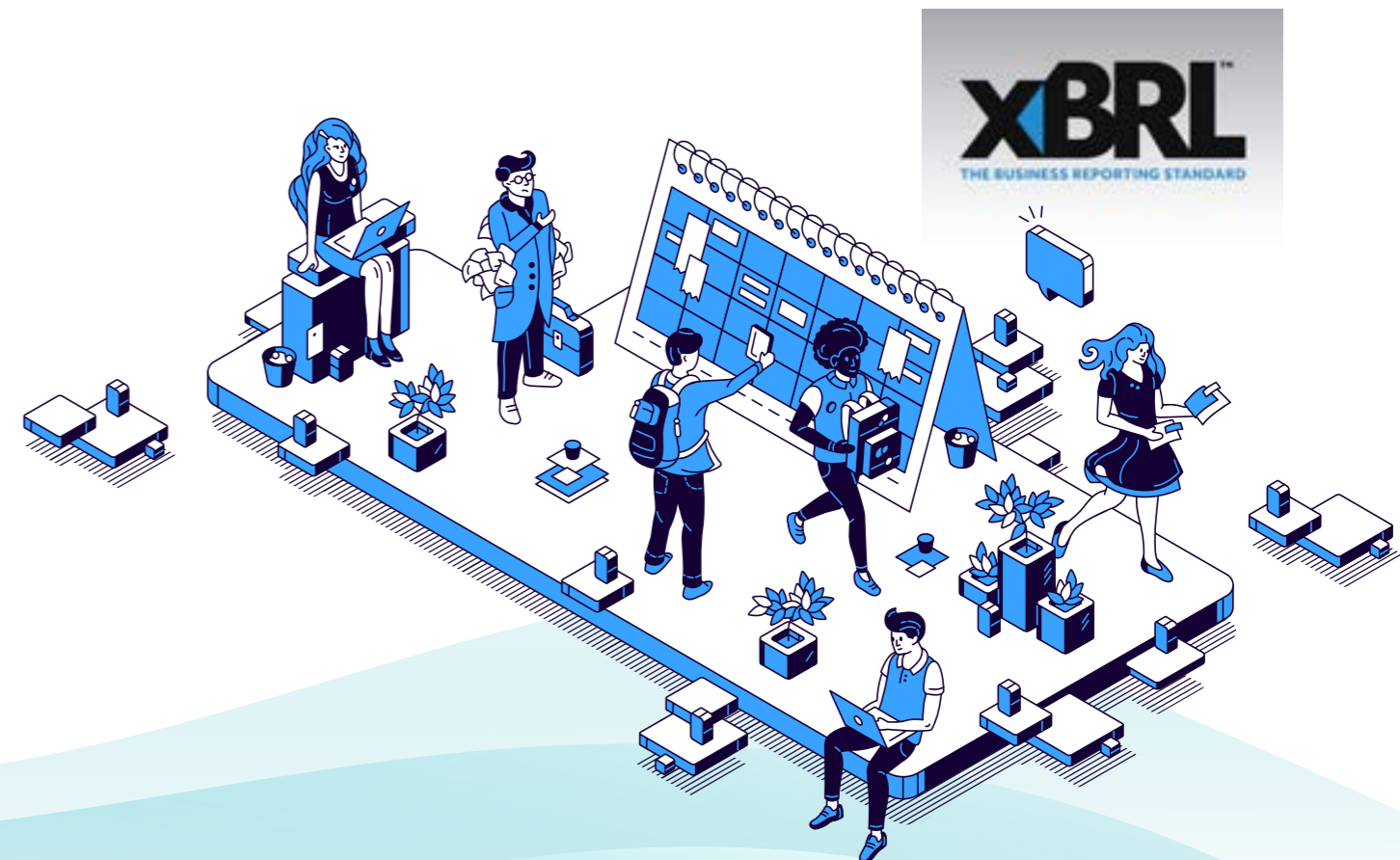
## ESEF and XBRL

On the initiative of SARAS, within the final stage of the EU Twinning project, on February 5, an online event was held on: [ESEF and XBRL](#).

The meeting aimed to review the key issues of the usage of ESEF and XBRL. The event was attended by SARAS, Financial Analytical Service of MOF, National Bank of Georgia, the Insurance State Supervision Service, Semeki, and the representatives of the Communications Commission.

Within the meeting, the dialogue was held on the current situation in Georgia and its future plans, including implementing the “single window principle”.

European experts positively assessed the first and important step which is already taken by Georgia in terms of translating IFRS Taxonomy. There is planning for an in-depth study of the issue with the involvement of stakeholders.



## IFRS for SMEs Training

IFRS for SMEs Training Programme was launched in 2019 on the initiative of SARAS. The project aims to enhance the qualification of accountants, financial specialists of the small and medium-sized business sector and other interested parties.

Trainings supported by the World Bank were held within the framework of European Union - World Bank joint project – Financial Inclusion and Accountability.



ევროკავშირი  
საქართველოსთვის  
Project funded by the European Union



THE WORLD BANK  
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Up to 1000 individuals were trained in 2019. Considering the feedback from participants, as well as the quality of financial statements submitted to SARAS, IFRS for SMEs Training was deemed successful. Therefore, the project financed by the World Bank also continued in 2020 with the involvement of professional organizations and business associations. In doing so, up to 400 individuals were trained in 2020, and 128 individuals were trained in 2021.

The Georgian translation of [Learning materials](#) is available on the SARAS webpage to all interested persons.

The trainings were held by trainers trained with the support of USAID's G4G project and the World Bank, using the Training Material developed under the license agreement with IFRS Foundation.



## The Results of Trainings

For the 2020 financial year, 15% of Georgian entities (excluding IV category entities) prepared their financial statements under IFRS, and 85% - under IFRS for SMEs. Below is the statistic of financial statements by size category prepared in accordance with IFRS for SMEs by trained individuals. The statistic was published without errors by SARAS in 2021.

II category

77%

III category

82%

IV category

92%





ასოციაციის შეთანხმება  
ASSOCIATION AGREEMENT

### The rate of fulfillment of the commitments taken on within the EU-Georgia Association Agreement

SARAS continues fulfilling the commitments taken on within the EU-Georgia Association Agreement and agenda. In this regard, events were conducted within 5 different activities throughout 2021. This is a dynamic process, and there is planning for certain activities in 2022 as well.

## Single Window Principle

Inter-agency cooperation is an essential precondition to successfully implement reform. We actively cooperate with different agencies.

Throughout the year, a memorandum of cooperation was signed with the following agencies:



Revenue  
Service



National  
Bank of Georgia



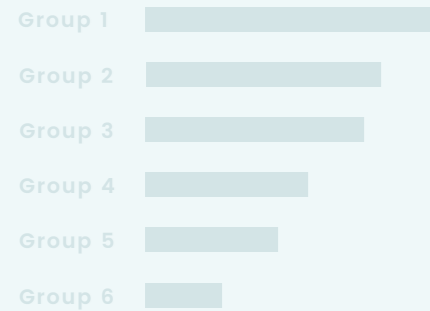
Insurance State Supervision  
Service of Georgia



Civil Development Agency  
(CiDA)/Global Compact\  
Network Georgia



Georgian National  
Communications Commission



## Priorities for 2022

### Improvement of the submission rate of annual reports

Meetings with business representatives on the following issues: Reform benefits, FAQs, common errors, and financial reporting standard for IV category entities.

### The promotion of the quality enhancement of submitted annual reports

Submitted annual reports' compliance with the law and normative acts;

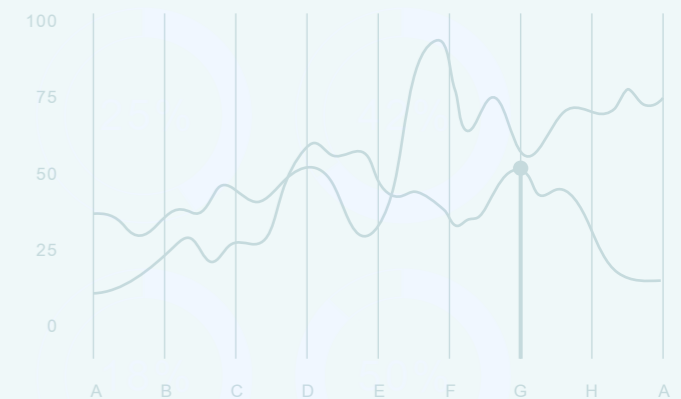
Submitted annual reports' compliance with standards;

An event to review the update of the international standards;

About implemented/planned amendments. The event is scheduled for November of this year;

Translation and adoption of IFRS;

Commencement of active working process on XBRL implementation. (The project implies digitalisation of annual reports fully).



# Auditing and Professional Education Supervision Department

It is extremely important to provide high-quality audit services in order to improve investment environment. Over the past decade globally, and from 2016 in Georgia, the supervision of the audit quality has become the state's legitimate purpose aiming to protect the public/investor rights.

The processes carried out under the leadership of Auditing and Professional Education Supervision Department are derived from these commitments of the state. It comprises the maintenance of registries, implementation of Education Standards, investigation/quality control, and implementation of efficient reforms for both entrants and those already employed in the auditing profession. SARAS cooperates with representatives of the profession, and it holds workshops on relevant issues.



The objective of SARAS is to respond to the current challenges in the field by sharing the world's best practice so that the ethics of officials involved in the implementation of reforms is always based on the current legislation and standards established in the field. This ensures the objectivity and independence of SARAS. In doing so, it facilitates professional development, quality enhancement, and cooperation openness for reaching overall goals.

In order to bring the auditing field in Georgia into line with international standards, SARAS has created important registries: Auditors, Audit firms, certified accountants, etc. SARAS annually presents the statistics of registries in the annual report. It allows to track changes and progress.

## Registries

The Unified Registry of Certified Accountants provides information on those certified accountants who are the members of professional organization operating in Georgia.

### Unified Registry of Certified Accountants



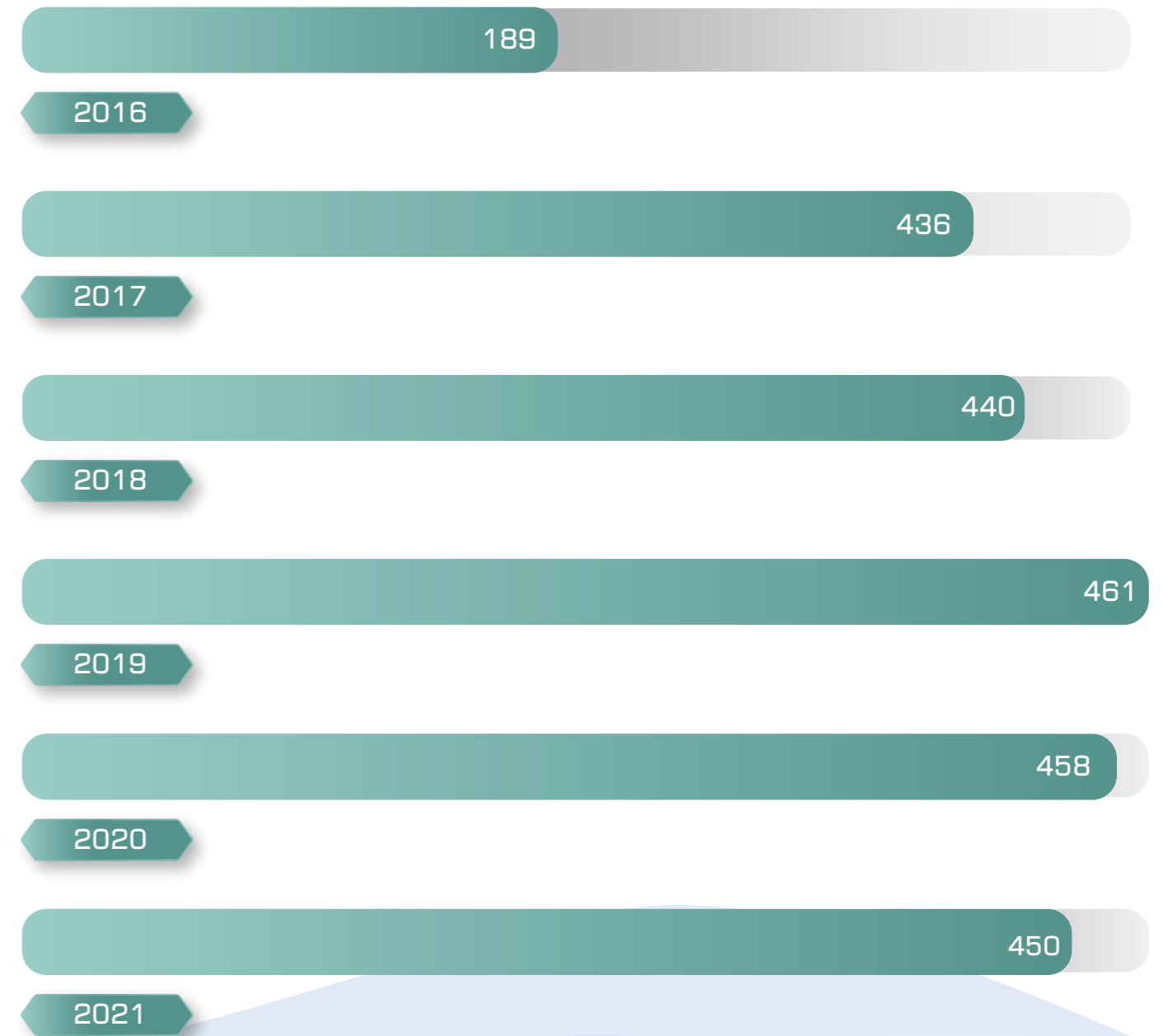
## The Registry of Auditors and Audit Firms

This is a reliable information resource that provides information on natural person and legal entity who have the right to provide audit services in Georgia. Interested investors, heads of entities, audit committees, and other stakeholders receive detailed information on auditors/audit firms through the registry in order to obtain audit of financial statements and assurance services.

### Audit Firms

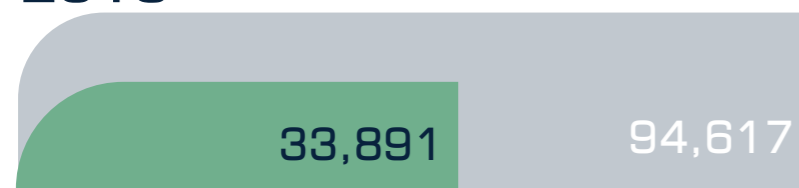


### Auditors

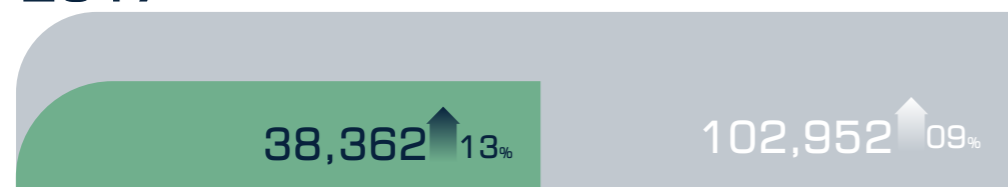


## The volume of audit and other professional services market (at thousands of Gel)

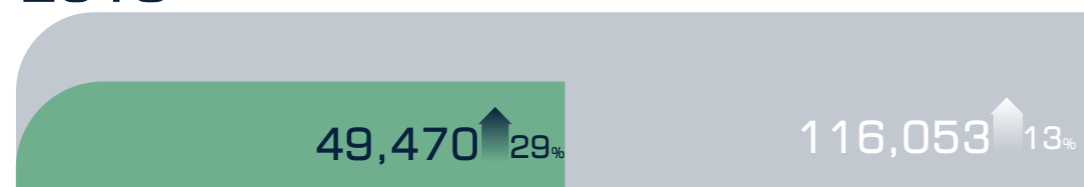
2016



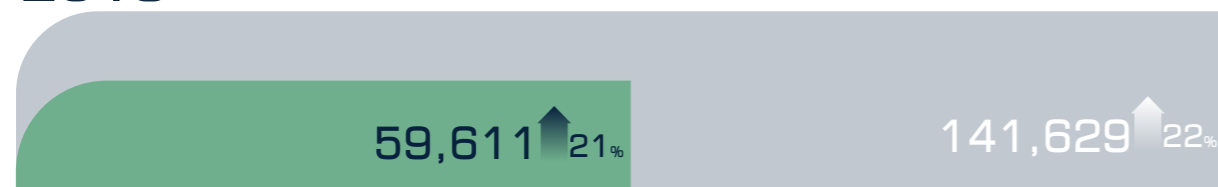
2017



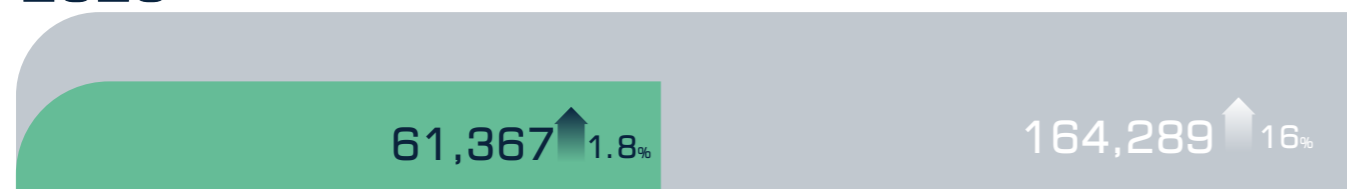
2018



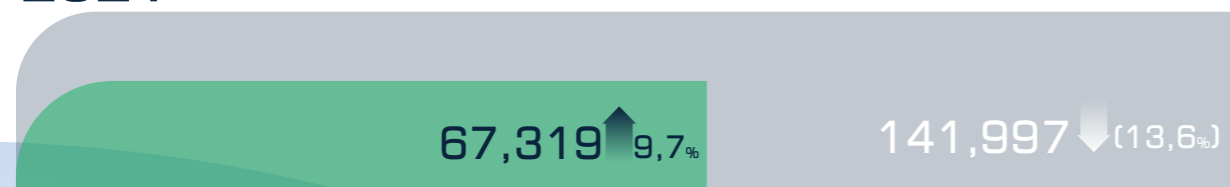
2019



2020



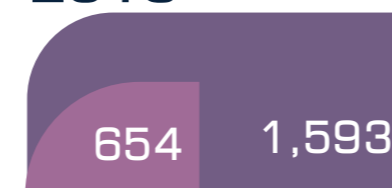
2021



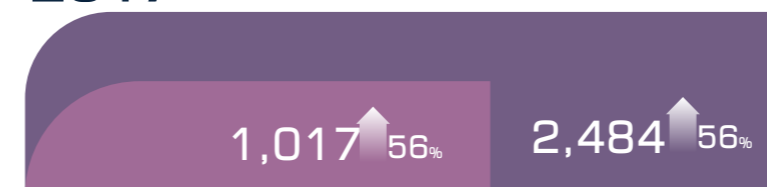
- From audit services
- Total Income

## The staff employed at the audit and professional services market

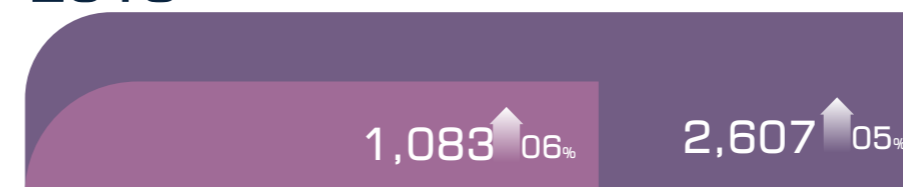
2016



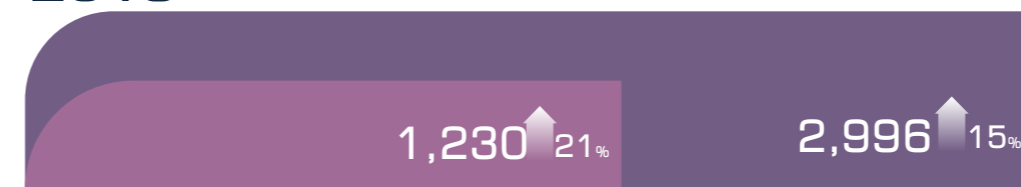
2017



2018



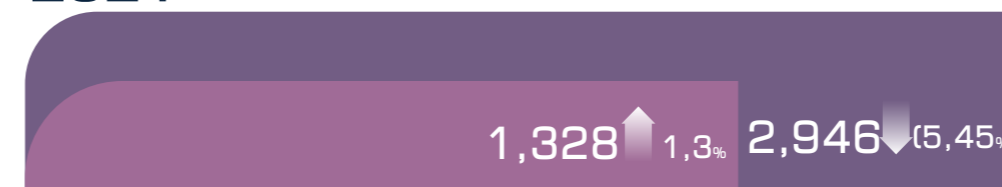
2019



2020



2021



- Audit Staff
- Total Staff

## Audit Market Insurance



2019

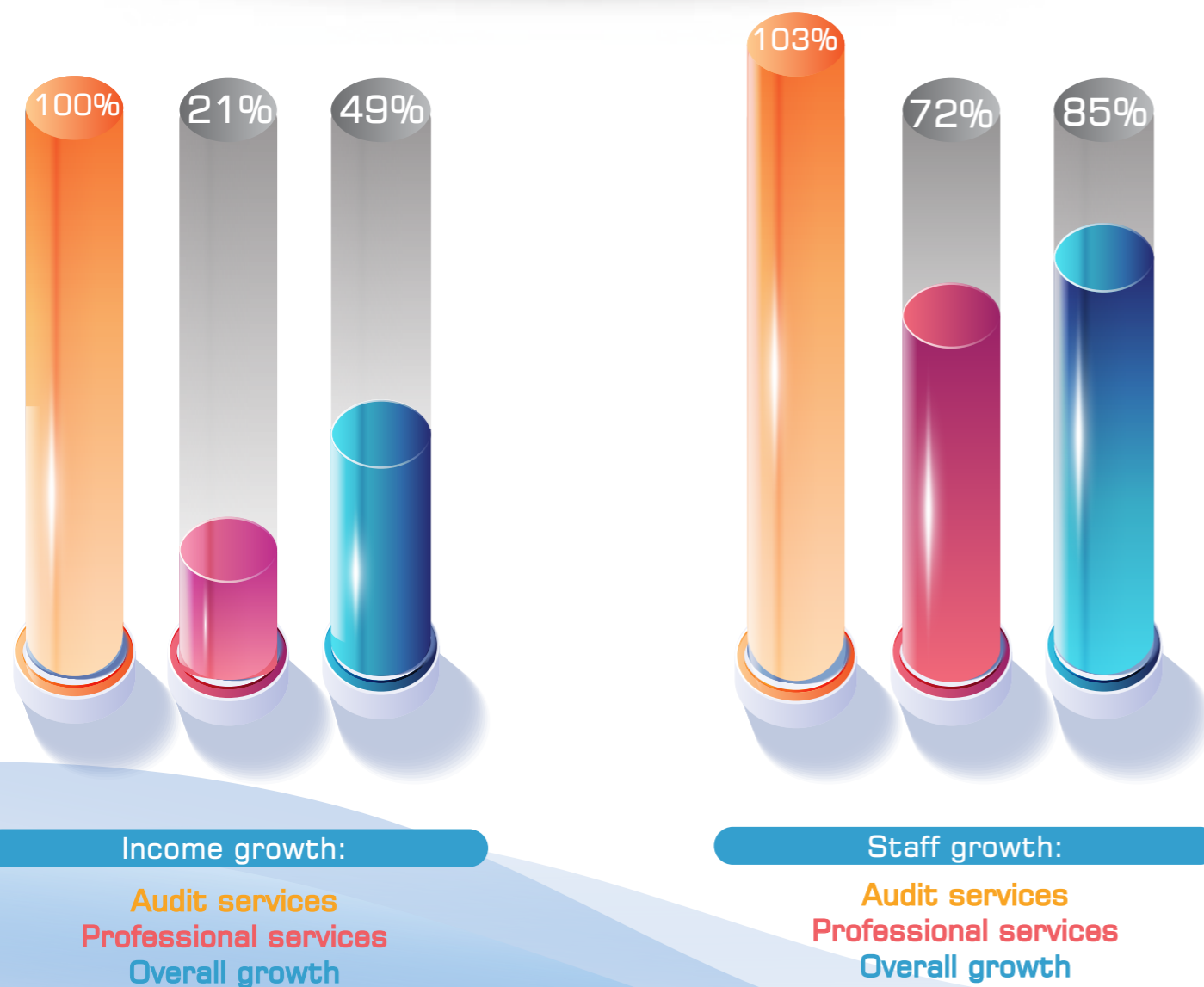
2020

2021

## The Results of Supervision

SARAS started supervising the audit field in 2016. The previous pages set out information about income received from audits and other services as well as a number of individuals involved in audits and other professional services that significantly increase every year. Based on the results obtained, we can conclude that the supervision has a positive impact on the field.

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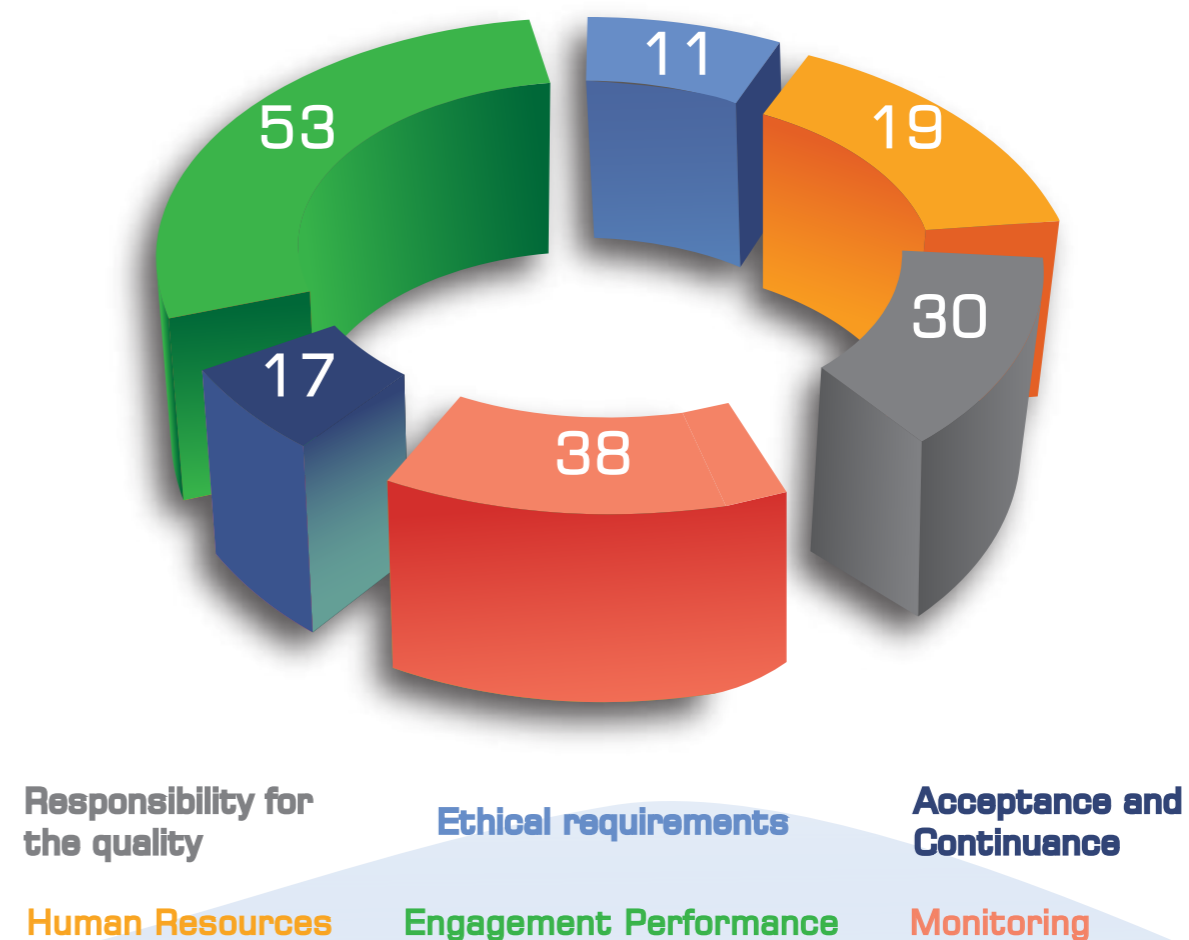
## Quality Control System Monitoring

In order to assess current situation regarding the audit quality of audit firms/auditors, quality control system monitoring is conducted either fully or thematically. Monitoring can be commenced with the initiative of SARAS, also on the basis of an appropriate application of an individual auditor or an auditor firm.

For the attention of audit firms, auditors and other stakeholders, information on the planned directions of quality Control System Monitoring in 2021 was [published](#) on the SARAS webpage. The document provides information on types of monitoring, timing, monitoring commencement indicators, and monitoring processes.

Here is the statistics for monitoring results:

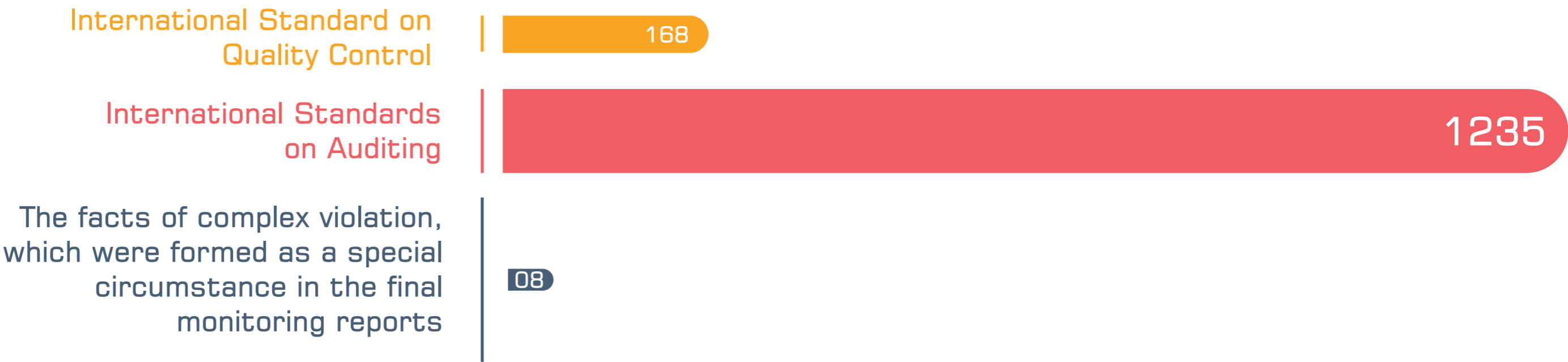
The Facts of Violation of ISQC 1



# The Scope of Monitoring

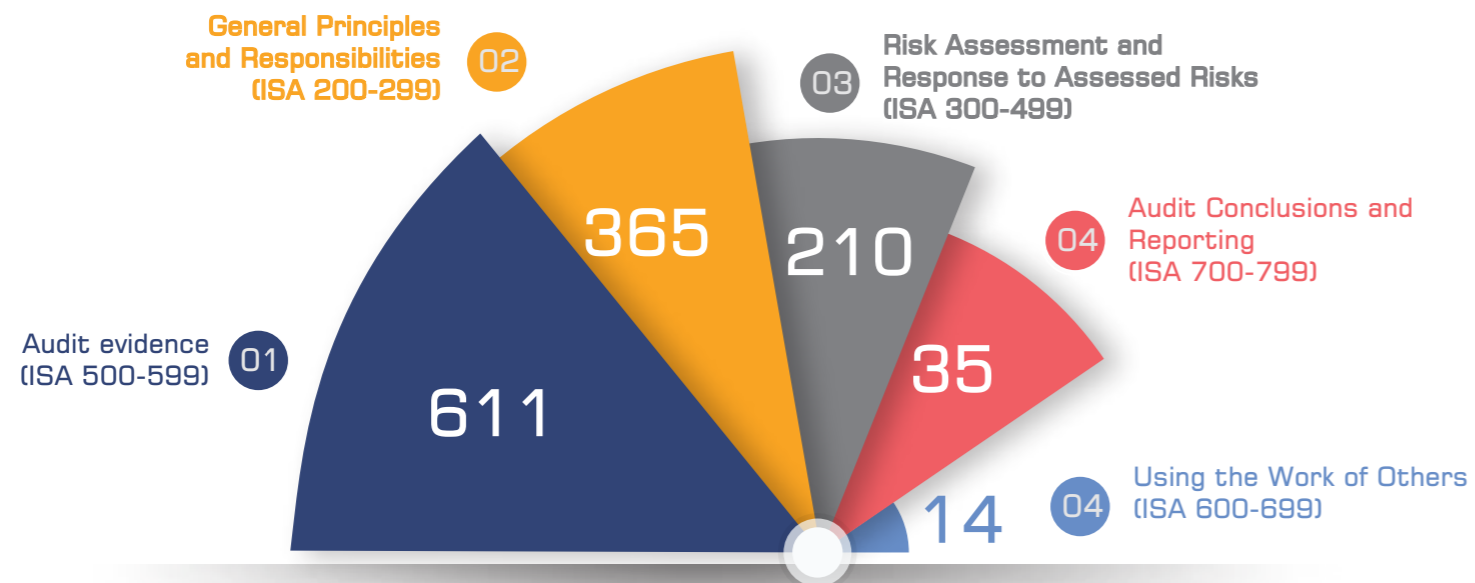


# The Facts of Violation of Standards and Legislation

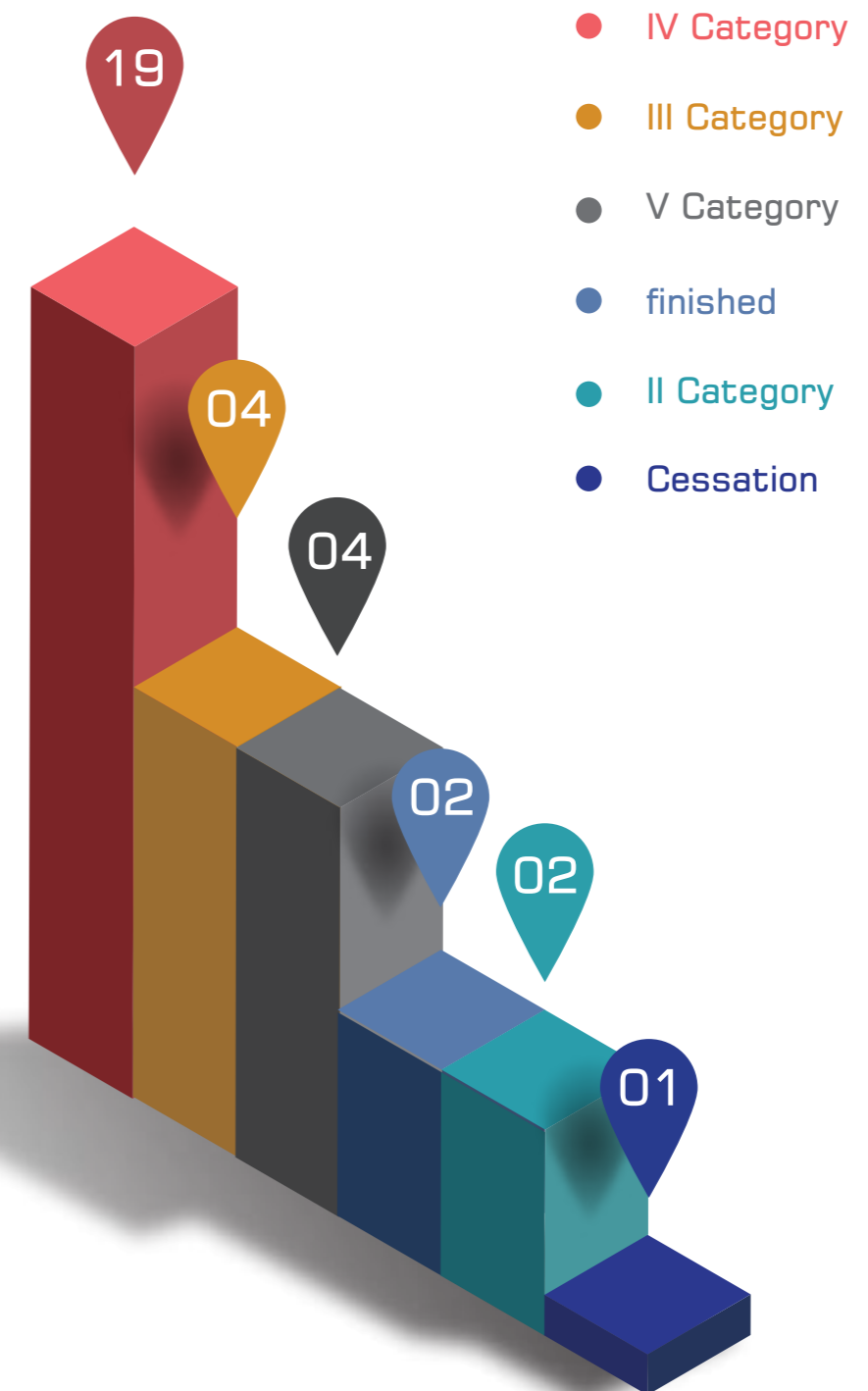
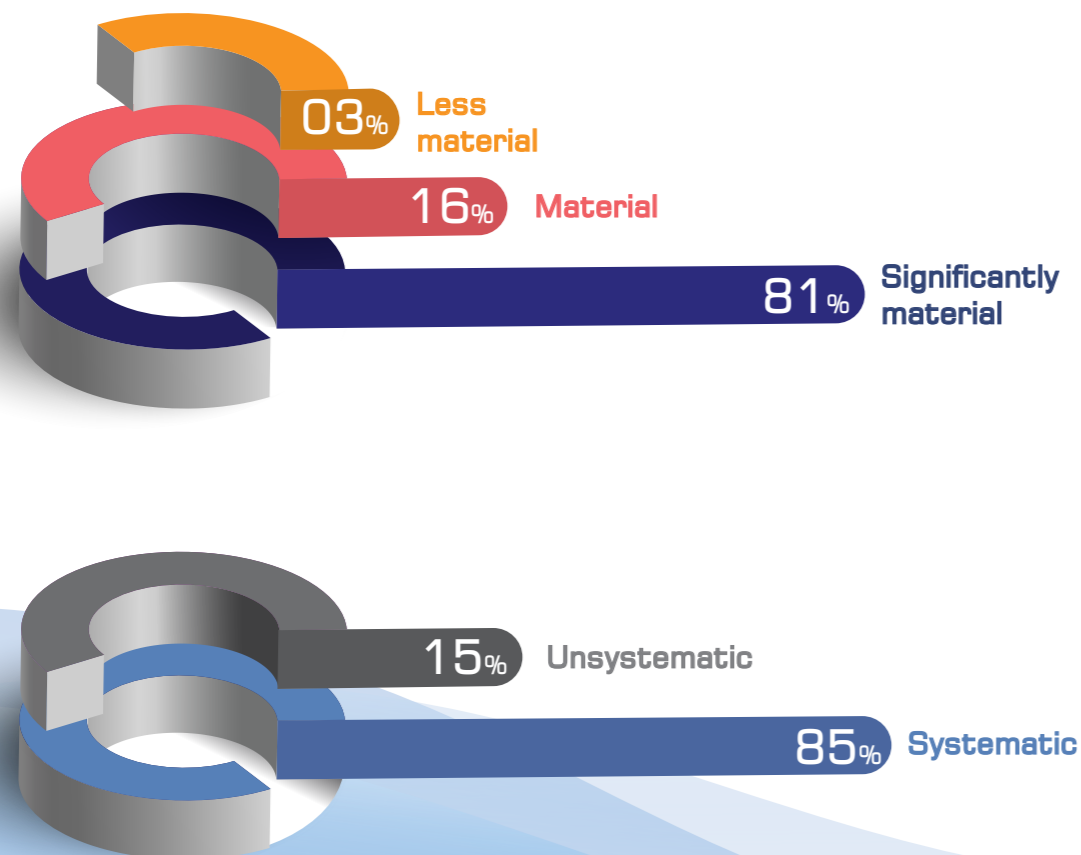


# The Facts of Violation of the International Standards on Auditing

## The Monitoring Results



### Significance and Systematicness



## Initial and Continuing Professional Education

One of the main objectives of SARAS is to achieve high-quality audits in Georgia. For this purpose, Professional Certification and Continuing Education Standards have been established. These standards comply with the requirements of EU Directives and International Education Standard developed by IFAC. In order to maintain the quality, SARAS annually recognizes the continuing education programs provided by professional organizations under the established standards.

### Certification



## Voluntary Guidelines and Publications

### Adapted form of timekeeping

From March 1, 2021, the rule of tracking time came into force, according to which tracking time becomes mandatory for the employers provided by Labor Code of Georgia. In addition, more than once, the International Standard on Quality Control (ISQC) 1, has stressed the need for systems to determine the workload of engagement partners and staff.

SARAS developed [an adaptive form](#) of time tracking as a recommendation for auditors/audit firms, and it is available on its webpage. The document is fully in line with the form defined by the above rule.



### IFAC and ACCA publications

Within the frames of the World Bank and the European Union joint Project – Financial Inclusion and Accountability, the World Bank translated three publications of IFAC and ACCA into the Georgian language, covering hot topics of the profession:

- [Encouraging Successful Exit Strategies - Passing the Baton;](#)
- [Why joining an international network is a good move for SMPs;](#)
- [Global firms grow despite pandemic.](#)

## The IFAC Publication

The Georgian translation of the publication - "Getting Started on the New IAASB Quality Management Standards: An Overview" - was [published](#) on the SARAS web-page. The publication provides an overview of the new IAASB Audit Quality Management Standards.

### Explanatory notes

Explanatory notes on public procurement of audit of annual reports

A checklist on performed engagements under International Standards of Assurance Engagement (ISAE) 3000 (Revised)

"On the usage of status and registration number granted to auditors/audit firms as a result of registration"

A voluntary guideline about earning exemptions for the syllabus of certain academic disciplines of the persons carrying out educational activities

## The World Bank Webinars

The World Bank developed [a series of webinars](#) in 2021 to support SMPs.

At the webinars, attendees gained knowledge from the leading specialists in the field, and learnt about how to overcome the crisis.

Webinars were held within the frames of the World Bank and the European Union joint Project – Financial Inclusion and Accountability



## Events

Representatives of SARAS attended the following events throughout 2021:

"The Statutory Audit Regulation in the EU: The Experience of France" – CFRR

IFIAR's 15th inspection workshop

The Annual Plenary Session of IFIAR

Joint IFAC and the World Bank Event - New ISQMs: Raising the Bar for Quality Management

"Implementation of the Statutory Audit Regulation in the European Union: The Experience of Slovenia" – CFRR

Enforcement Workshop by IFIAR

The representatives of SARAS participated in the following events:

### The EU-Georgia Association Cooperation Subcommittee meeting

A positive assessment was given to the reforms implemented by Georgia as regards to an approximation with the European Union and the implementation of the association agreement, both in terms of legislative and institutional compatibility. Successful cooperation in the areas of accounting and reporting, mining, tourism, customs, manufacturing, and entities' policies was especially noted.

### 25th Anniversary of the Chamber of Auditors of the Republic of Azerbaijan

The conference was attended by representatives of audit field and audit supervisory agencies from different countries. The representatives of SARAS also participated in the conference. They reviewed the sanctions existing in the field of auditing in Georgia and other countries.

## A meeting was held between Audit Committee of JSC Georgian State Electrosystem and SARAS

Participants of the meeting discussed the common practices used by the Audit Committees in leading countries to assess the quality of the audit and the possibilities of introducing similar practices to the Georgian market. Discussion dealt with the mechanisms available to the audit committees, that are aimed at ensuring the quality of financial statements and its audit and, consequently, the protection of the interests of users of financial information.

## The World Bank held an online meeting with universities

At the meeting - "National Educational Initiatives Integration of Higher and Professional Education in the field of Accounting and Auditing" - representative of SARAS delivered a speech to the audience, and presented the draft syllabus for professional certification that will guide universities in the credit admission process.

## News in the Field

### IFIAR released a report on eighth annual survey of audit inspection findings

An annual report of inspection results is based on data prepared by supervisory authorities of 54 member countries. It was developed under the inspections carried out in the audit firms affiliated with the sixth largest global audit firm networks. Georgia also participated in the survey through SARAS.

### IFIAR released a Report on its new Survey

Based on IFIAR Members' survey responses, the report summarizes observations on various issues.



## Goals for 2022

Translation and adoption of International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services under the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements;



Implementation of measures provided for by the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism;



Publication and implementation of priority directions for Quality Control System Monitoring.

## AML/CFT

"Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism" was adopted in 2019. The Law is adapted to the international experience, and it is of great importance for the development of the field. Therefore, SARAS is actively working to maximize the improvement of legislation and communication with stakeholders within its competence.

In 2021, an online training was held for auditors/audit firms and accountants, on: [Anti-Money Laundering \(AML\) and Countering the Financing of Terrorism \(CFT\) Compliance for Accountants and Auditors](#). The training will be conducted twice again in 2022.

Trainings are held within the project on "Enhancing the Systems of Prevention and Combating Corruption, Money Laundering and Terrorist Financing in Georgia" (CoE/EU Partnership for Good Governance (PGG II)).

## "Risk-based Supervision" - FATF Webinar

FATF aims to develop legislative and institutional measures against money laundering and terrorist financing on local and international levels, and also to manage common policy for anti-money laundering.



The representatives of SARAS attended the webinar - [„Risk-based Supervision“](#) - organized by FATF. The webinar was aimed to enhance participants' knowledge on how to assess and properly manage AML risks by the authors of FATF's risk-based supervision guidelines.

## Changes in SARAS Management

From its establishment (2016) to September 1, 2021, [Yuri Dolidze](#) was Head of SARAS. From October 8, 2021, Mr. Dolidze became a member of the SARAS Board as a representative of Business Associations.

SARAS team expresses gratitude towards the work Mr. Dolidze has done and significant contribution that he has made to the development of the field and wishes him success in his new position.

[Mr. David Mchedlidze](#) was appointed as Head of SARAS. Mr. Mchedlidze held the position of Head of the Accounting and Reporting Supervision Department since 2017. Over the four years, he has executed many important projects with his team.

The change was also made to the Department of Audit and Professional Education Supervision - [Tornike Dzagnidze](#) was appointed as Acting Head of the Department. Mr. Dzagnidze joined the SARAS team in 2017 for the position of Audit Supervision Inspector.



## Board

Board is a body with SARAS, which discusses issues related to accounting, reporting and auditing, and makes appropriate decisions. In its activities, the board is guided by the Constitution of Georgia, international treaties and agreements of Georgia, EU Directives regulating the field of accounting, reporting and auditing, the Law of Georgia on Accounting, Reporting and Auditing, other legislative and subordinate normative acts, and the board's provision.

### Composition of the board in the first half of 2021



**Nikoloz Gagua**  
Chairman of the board

### Board members:



Ekaterine Mikabadze



Levan Sabauri



Nikoloz Kavelashvili



Shota Komladze



Irakli Tutarashvili



Giorgi Vasadze

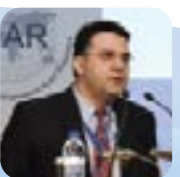
### Invited members of the board:



Salome Skhirtladze



Andria Manelashvili



Panagiotis Giannopoulos

### Renewed composition of the board in the second half of 2021



**Tsotne Kavlashvili**  
Chairman of the board

### Board members:



Nino Enukidze



Levan Sabauri



Nikoloz Kavelashvili



Irakli Tutarashvili

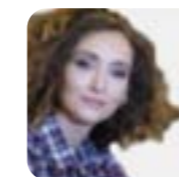


Yuri Dolidze



Zurab Mamukelashvili

### Invited members of the board:



Salome Skhirtladze

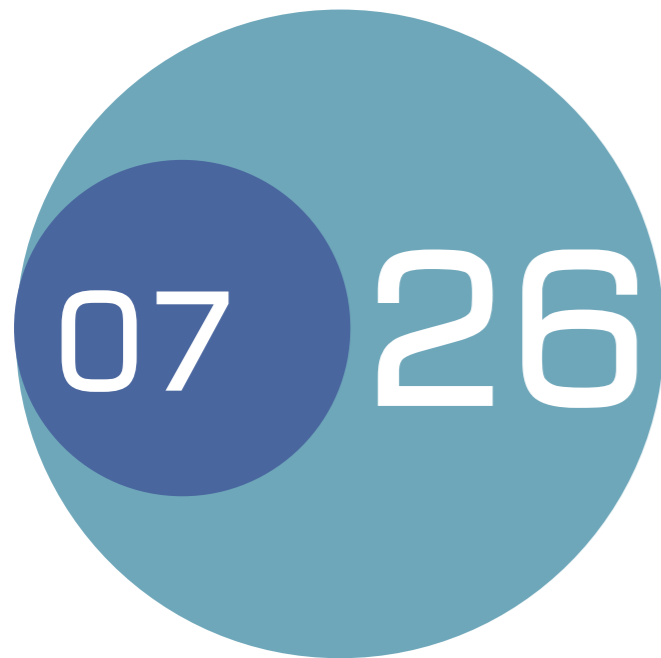


Andria Manelashvili



Panagiotis Giannopoulos

## Complaint Review



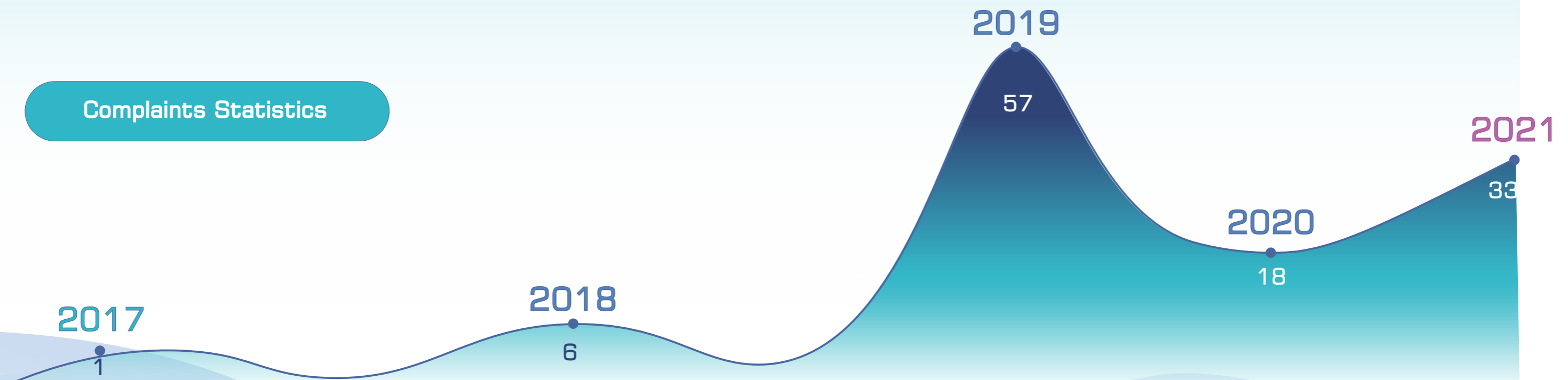
A total of 33  
complaints  
were received

- In auditing
- In reporting



Total of  
21 complaints  
reviewed

## Complaints Statistics



# Our Resources

28 employees  
11 interns



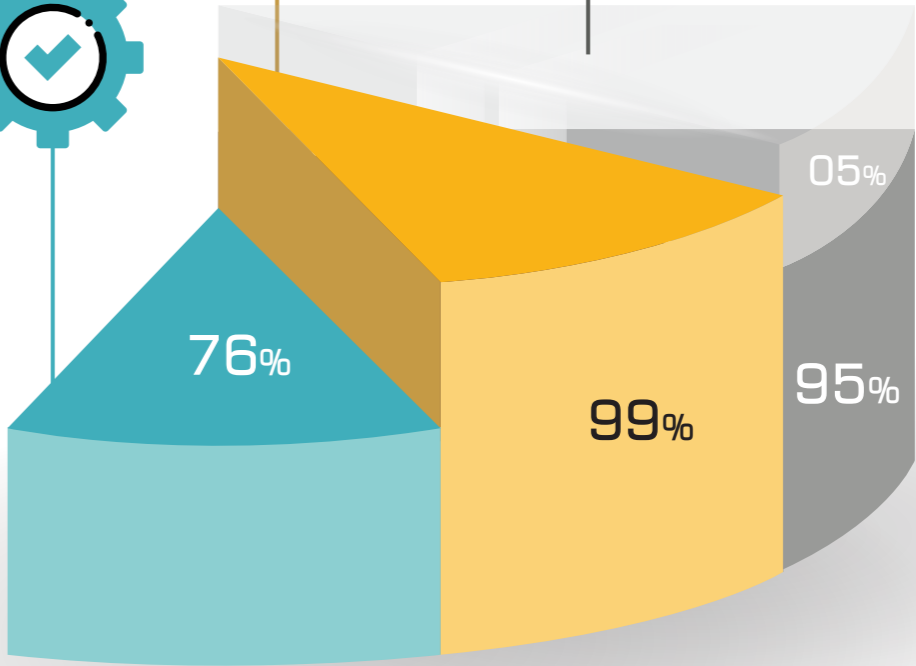
Remuneration  
933,000



Goods and  
Services  
165,000



Total Budget  
1.098,000



## Public Relations

Remote services were provided via hotline and e-mail.

Current news of the field is available on

and

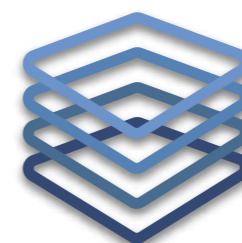


REPORTAL.GE



SARAS.GOV.GE

Instructional videos were recorded.



73,894 Unique Visitors

693,401 Annual number of total views



76,406 Unique Visitors

1,124,833 Annual number of total views



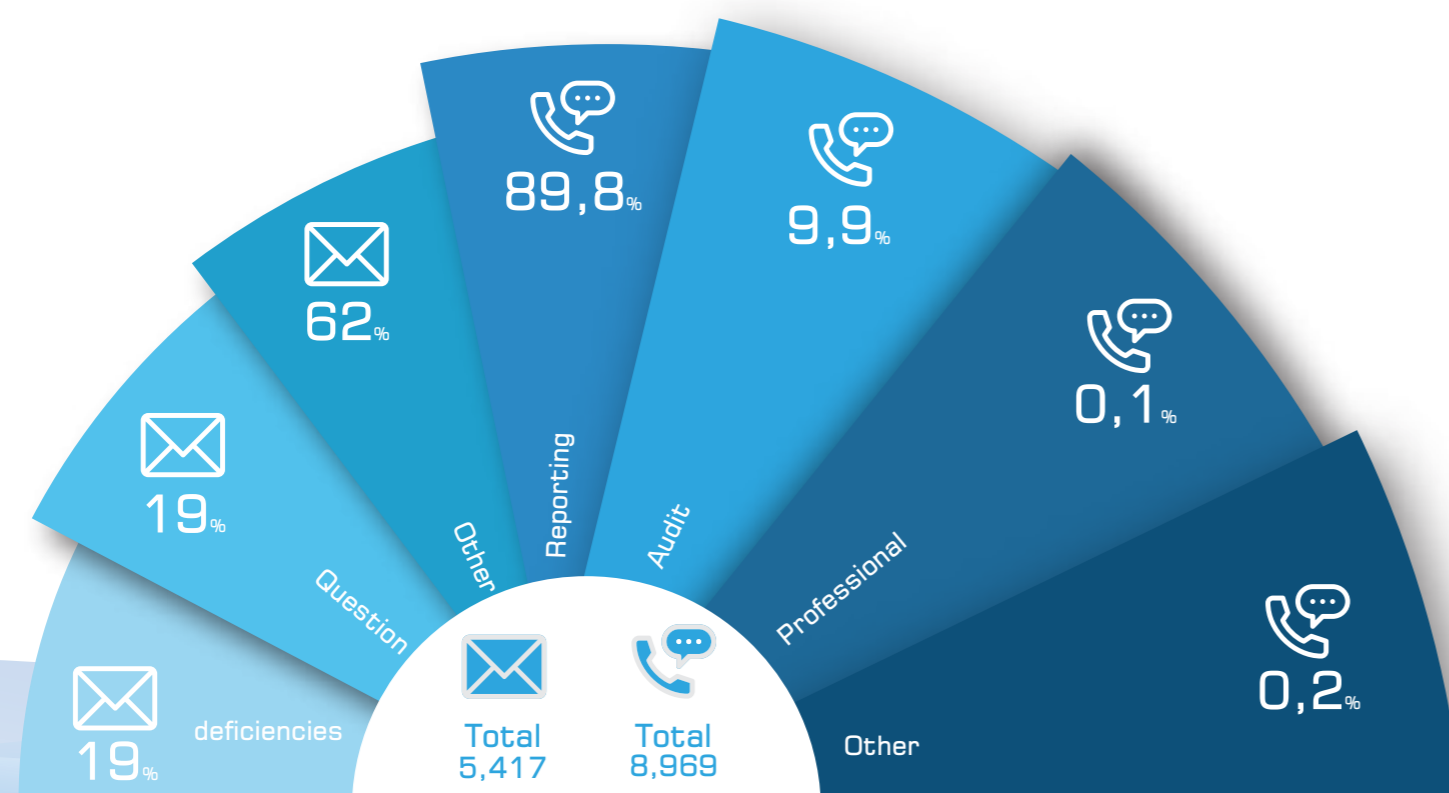
8,056 Subscribers

1,342 New Subscribers



1,233 Subscribers

516 New Subscribers



1,195 Subscribers

406 New Subscribers

Video instructions  
Informative videos  
webinar recordings