



SERVICE FOR ACCOUNTING,
REPORTING AND AUDITING
SUPERVISION

MAIN ASPECTS OF QUALITY MANAGEMENT SYSTEM MONITORING

ABOUT THE DOCUMENT

This document provides information on the main aspects of quality management system monitoring (hereinafter - Monitoring).

The document includes information about the types of monitoring, time frame and monitoring commencement indicators, also the document provides guidance on the monitoring process from the commencement of monitoring to the reflecting final results in the registry.

TYPES OF MONITORING

In order to assess registered audit firms'/auditors' compliance with professional standards, SARAS exercises monitoring of the quality management system, fully or thematically.

Full monitoring of the quality management system commences:

- A) Based on the due date determined by law SARAS continues to carry out full mandatory monitoring of quality management system (see **Appendix 1** for further information);
- B) Early - on the basis of risk-based approach If SARAS identifies a circumstance that gives rise to a risk that the quality of audit services provided by the firm/auditor may be lower than the category assigned to the firm/auditor or the risks that requires a full scope monitoring of the audit firm/auditor, SARAS initiates a risk-based full monitoring (see **Appendix 1** for further information).

- C) On the initiative of an audit firm/auditor

Thematic monitoring of the quality management system may address:

- A) The specific elements of quality management system, selected engagements and the other activity areas which SARAS has identified as risk-bearing (see **Appendix 2** for further information);
- B) Engagements performed by an engagement partner.

It should be noted that, when the monitoring is being conducted by SARAS, while discussing the key issues of the engagement(s) subject to monitoring, the involvement of an engagement partner, as an individual responsible for overall quality of the audit engagement, is of special importance. Therefore, the monitoring workgroup will conduct meetings directly with an engagement partner.



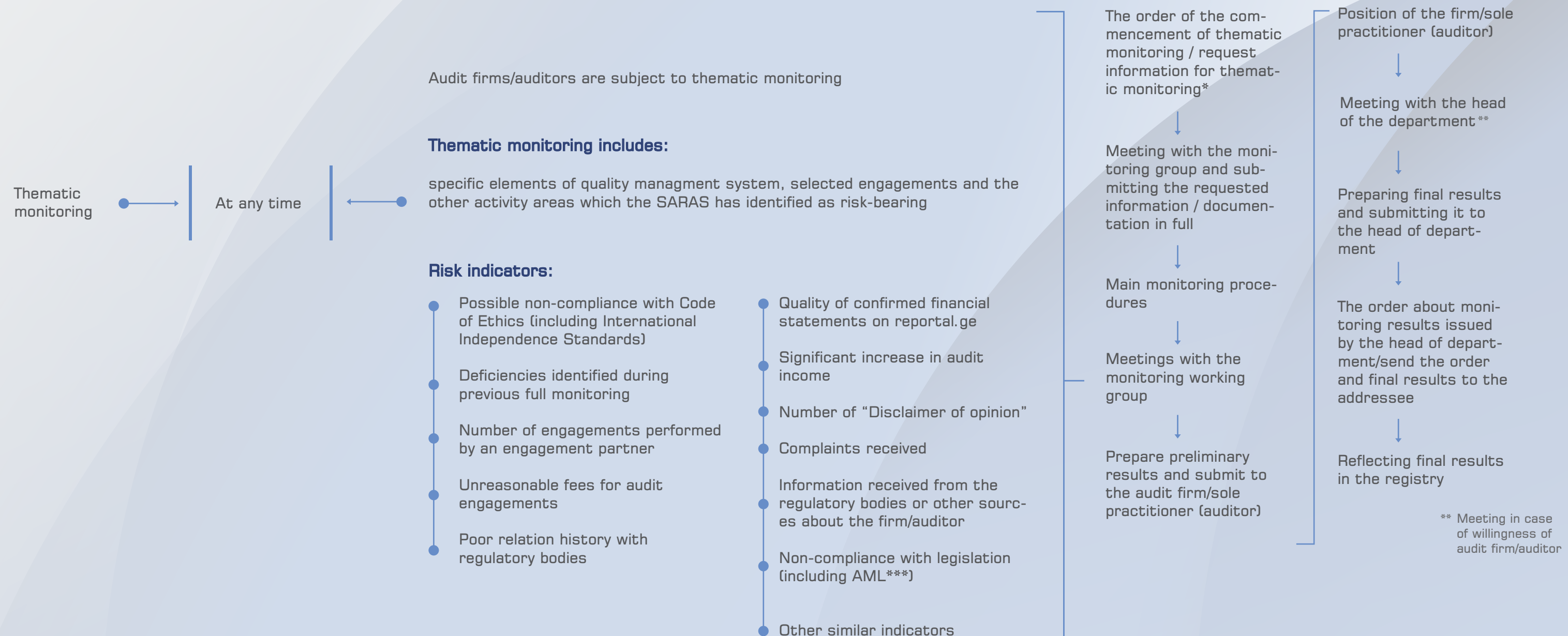
* As soon as SARAS commences monitoring, as a rule, all audit firms/auditors subject to monitoring are sent a written request to present a full list in connection with complete/current engagements and mandatory meetings. According to Georgia's current legislation, the auditor/audit firm is obliged to provide the necessary information and documentation required for monitoring requested within the time limits specified by SARAS. Otherwise, (particularly if the auditor/audit firm will not submit or submit incomplete forms of the requested information and documentation), according to the requirements of Chapter VII of the Law of Georgia "On Accounting, Reporting, and Auditing", for the violation of the requirements of the law and the by-law adopted on its basis, SARAS will be obliged to apply to the auditor/audit firm the sanctions imposed by the legislation - monetary fine and/or annulment of the registration of an auditor/audit firm.

Monitoring

Monitoring
Timeframe

Who is subject to monitoring/Risk indicators

Monitoring process



OTHER INFORMATION

~~ISQC 1~~
(Inactive)

From 15 December, 2022 new standards -

**ISQM 1 and
ISQM 2**
are in force

Accordingly,
ISA 220
was revised

The International Code of Ethics for Professional Accountants (including International Independence Standards) 2021 edition was adopted on November 23, 2022

ISQM 1 - ISQM 1 requires the firm to design, implement and operate a SOQM to manage the quality of engagements performed by the firm. The firm's SOQM creates an environment that enables and supports engagement teams in performing quality engagements.

ISQM 2 - Engagement quality reviews form part of the firm's SOQM. ISQM 2 builds upon ISQM 1 by including specific requirements for:

- The appointment and eligibility of the Engagement quality reviewer;
- The performance of the engagement quality review; and
- The documentation of the engagement quality review.

ISA 220 (Revised) - ISA 220 (Revised) deals with the responsibilities of the auditor regarding quality management at the engagement level, and the related responsibilities of the engagement partner. This standard applies to audits of financial statements.

The International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility.

The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles.

In the case of audits, reviews and other assurance engagements, the Code sets out International Independence Standards, established by the application of the conceptual framework to threats to independence in relation to these engagements.

Links

https://www.saras.gov.ge/Content/files/ISQM_1_GEO_2020.pdf
https://www.saras.gov.ge/Content/files/ISQM_2_GEO_2020.pdf
<https://www.saras.gov.ge/ka/FinAudit/Pdf/739>
<https://www.gfpaa.ge/site/files/gamocemebi/daergvis%20sax.1.pdf>
<https://gfpaa.ge/site/files/gamocemebi/xar.marTv.stand.2.2.pdf>
<https://gfpaa.ge/site/files/gamocemebi/220%20gadasinjuli.pdf>
https://saras.gov.ge/Content/files/IESBA_CODE_2021_GEO.pdf

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