

LAW OF GEORGIA

On Accounting, Reporting and Auditing

Chapter I

General Provisions

Article 1. Scope of the Law

1. The present Law sets the legal framework in Georgia, according to internationally recognized standards, for accounting, preparing and filing financial and management reports, reports on payments to government according to this Law, professional certification, auditing (service) and its quality assurance, public oversight and enforcement in these areas.
2. The present Law aims to facilitate financial transparency and economic growth through approximation to the requirements of the respective European Union Directives regulating accounting and audit of entities.
3. The present Law shall not apply to budgetary organizations defined under the Budget Code of Georgia except for in cases provided for in the legislation.

Article 2. Definitions of Terms

1. For the purposes of this Law, the terms used herein shall have the following meanings:
 - a) **Accounting** – organized and continuous system for collecting, recording, measuring, and generalizing information on economic events in monetary terms, which impacts the entity's activities and resources;
 - b) **Accountant** – a natural person who performs accounting and/or prepares financial statements;
 - c) **Accounting documents** - primary documents providing evidence for an economic transaction, and accounting ledgers;
 - d) **Financial statements** – financial information of the prior period, which provide structured reflection of the entity's financial position, outcome of its activities, cash flow and changes in equity, accounting policy and disclosure notes in accordance with respective reporting requirements;
 - e) **Entity** - legal entities of public and private law, except for budgetary organizations provided for in the Budget Code of Georgia and the National Bank of Georgia, a branch of a foreign enterprise, sole proprietors that meet the criteria with respect to revenues, assets used in an economic activity and employee numbers specified in subparagraphs (t), (u) and (v) of this Article;

- f) **Auditing (service)** - work carried out by an auditor / audit firm in accordance with the International Standards on Auditing aimed at:
- f.a) expressing the auditor's /audit firm's opinion in all material respects on the authenticity and completeness of financial statements (including special purpose statements) prepared in accordance with the respective reporting requirements;
 - f.b) expressing the opinion of the auditor / audit firm by review of financial statements;
 - f.c) expressing or making the respective opinion on the other substantiated or/and limited assurance engagement;
 - f.d) achieving other objectives provided for in Article 14 (2) of this Law;
- g) **Auditor** – a certified accountant, who is a member of a Professional Organization of Accountants and/or Auditors, who is registered in the State Registry of Auditors /Audit Firms (hereinafter the Registry), and who is authorized to perform auditing (service), inter alia, on an individual basis;
- h) **Audit Firm** – a legal entity registered in Georgia or a branch of the foreign registered legal entity operating in Georgia, which is registered in the Auditors' Registry and renders professional services through engagement partner (partners);
- i) **Accounting, Reporting and Auditing Oversight Service (hereinafter the Service)** – a public subordinated agency of the Ministry of Finance of Georgia (hereinafter the Ministry);
- j) **Professional services** – services that require accounting and related skills, when an auditor / audit firm renders services in accounting, audit, tax, financial management and/or other similar business consulting areas;
- k) **Certified accountant** – a natural person who is certified by a Professional Organization of Accountants or/ and Auditors in accordance with professional certification standards set by the Service, or is recognized as such under this Law, and who can prove his/her qualification after certification in accordance with the continuous education standard;
- l) **Engagement partner** - an auditor, appointed by an audit firm as the main person in charge of a specific audit assignment or another audit service, and who acts on behalf of an audit firm or an auditor in signing an audit opinion or the other document prepared as a result of the other audit activity (service);
- m) **Audit opinion** - a document issued by an auditor / audit firm, in which auditor / audit firm expresses an opinion whether the financial statements of an entity are prepared in all material respects in accordance with the respective reporting requirements, or issues a disclaimer of opinion;
- n) **Respective reporting requirements** – requirements for the preparation and filing of financial statements, the application of which are mandatory or permitted for an entity in accordance with the Georgian and international legislation;
- o) **Assurance Engagement** - means an engagement in which an Auditor/ Audit Firm

expresses an opinion about the outcome of the evaluation or measurement of a subject matter against criteria and is aimed to enhance the degree of confidence of the third parties towards such subject matter.

p) **Accounting, Reporting and Auditing Board (hereinafter the Board)** - a body established at the Service that reviews issues related with accounting, reporting and audit and makes respective decisions.

q) **Professional Organization of Accountants and/or Auditors** – a Professional Organization of accountants and/or auditors (hereinafter the Professional Organization), which, pursuant to the Georgian legislation, is registered as a non-entrepreneurial (non-profit) legal entity and meets the requirements of the present Law.

r) **Specialized Examination Body** – a legal entity, or a branch of a foreign registered legal entity in Georgia, which, for purposes of this Law, is recognized by the Service as an examination body for organizing certified accountant exams;

s) **Enterprise of the fourth category** – an entity, the indicators of which at the end of the reporting period meet at least two criteria out of the following three:

s.a) The value of total assets does not exceed GEL 1 million;

s.b) The revenues do not exceed GEL 2 million;

s.c) The average number of employees during the reporting period does not exceed 10 (ten) people.

t) **Enterprise of the third category** - an entity which does not represent an enterprise of the fourth category and the indicators of which at the end of the reporting period meet at least two criteria out of the following three:

t.a) The value of total assets does not exceed GEL 10 million;

t.b) The revenues do not exceed GEL 20 million;

t.c) The average number of employees during the reporting period does not exceed 50 (fifty) people.

u) **Enterprise of the second category** - an entity which does not represent an enterprise of the fourth or a third category and the indicators of which at the end of the reporting period meet at least two criteria out of the following three:

u.a) The value of total assets does not exceed GEL 50 million;

u.b) The revenues do not exceed GEL 100 million;

u.c) The average number of employees during the reporting period does not exceed 250 (two hundred and fifty) people.;

v) **Enterprise of the first category** - an entity, the indicators of which meets at least two criteria out of the following three:

v.a) The value of total assets exceeds GEL 50 million;

v.b) The revenues exceed GEL 100 million;

- v.c) The average number of employees during the reporting period exceeds 250 (two hundred and fifty) people;
- w) **Revenue** –the gross inflow of economic benefits of an entity (cash, receivables, other assets) arising from the ordinary operating activities, such as sales of goods and/or services; it does not include any sales discount, VAT, funds derived on behalf of a third party, economic benefit in the form of dividends, or interest and royalty from the use of an entity’s assets, unless such benefit represents an outcome of entity’s ordinary economic activity.
- x) **Public Interest Entity** (hereinafter PIE) – a legal entity, which represents:
- x.a) a reporting enterprise, the securities of which are traded at the stock exchange in accordance with the Law of Georgia on Securities Market;
 - x.b) a commercial bank or qualified credit institution - in accordance with the Organic Law of Georgia on the National Bank of Georgia;
 - x.c) a microfinance organization – in accordance with the Law of Georgia on Microfinance Organizations;
 - x.d) an insurer- in accordance with the Law of Georgia on Insurance;
 - x.e) a founder of a non-state pension scheme – in accordance with the Law of Georgia on Non-State Pension Insurance and Welfare;
 - x.f) an investment fund - in accordance with the Law of Georgia on Investment Funds;
 - x.g) a non-bank deposit institution – credit union – in accordance with the Law of Georgia on Non-Bank Deposit Institutions – Credit Union;
 - x.h) Entities defined as PIEs by the Government of Georgia;
- y) **Non-practitioner** - any natural person who, for at least three successive years prior to appointment as a member of the Board, has not carried out auditing (service), has not held voting rights in an audit firm, has not been employed by an audit firm and has not been a member of the management or supervisory body of an audit firm, or otherwise associated with it.
- z) **Control** – this term with respect to enterprise relations shall be defined in accordance with International Financial Reporting Standards (IFRS);
- aa) **Parent company** - an entity which controls one or more subsidiaries;
- bb) **Subsidiary** – an entity controlled by a parent company, including a subsidiary representing a parent enterprise;
- cc) **Group** – a parent company and all its subsidiaries.
- dd) **Quality Control System Monitoring** – evaluation of compliance of audit, review, assurance engagement and related procedures performed by an Auditor/ Audit Firm with international standards and law requirements, including an assessment of compliance with applicable ethical rules, as well as of the quantity and quality of resources utilized, the audit fees charged and the internal quality control system of the audit firm;
- ee) **Corporate Governance Code** – a document which regulates the work of an entity’s

management and governance bodies, their efficiency, remuneration, relations with partners/shareholders and rules on reporting to them, as well as other issues related to corporate governance.

ff) **Regulatory Body** – national regulatory body acting in Georgia defined under the Law of Georgia on National Regulatory Bodies;

gg) **Supervision (Oversight) Body** – oversight body defined under the *Organic Law of Georgia on the National Bank of Georgia*, the *Law of Georgia on Insurance*, and the *Law of Georgia on Investment Funds*.

hh) **Asset Manager** – manager of assets defined under the Law of Georgia on State Property.

2. For purposes of this Law, the terms used herein other than those presented in Paragraph 1 of this Article, shall be interpreted in accordance with the international standards on financial reporting, auditing, assurance, related services and other audit services.

Chapter II **Accounting and Reporting**

Article 3. Legal Framework for Accounting and Reporting

1. Accounting and financial reporting shall be regulated by this Law and other legislative and normative acts of Georgia. Accounting and financial reporting shall meet the international standards for accounting and financial reporting.

2. Accounting and financial reporting standards consist of:

a) International Financial Reporting Standards (IFRS);

b) International Financial Reporting Standards for Small and Medium-sized Businesses (IFRS for SMEs);

c) Financial reporting standards for the enterprises of the fourth category.

d) Financial reporting standards set for non-entrepreneurial (non-profit) legal entities.

3. International Financial Reporting Standards (IFRS) comprise the full set of standards adopted and published by the International Accounting Standards Board (IASB) or its successor body and include:

a) International Financial Reporting Standards (IFRS);

b) International Accounting Standards (IAS);

c) Interpretations adopted by International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC).

4. International Financial Reporting Standards for Small and Medium-sized Entities (IFRS

for SMEs) represent international financial reporting standards for enterprises of the second and third categories approved by the International Accounting Standards Board (IASB) or its successor body.

5. The application of standards provided for in Paragraphs 3 and 4 of this Article shall be mandatory. Their availability in the official language of Georgia shall be ensured by the Service within 6 months following their update. An entity is entitled to use an effective (English) version of these standards.

6. Financial reporting standards for enterprises of the fourth category and non-entrepreneurial (non-profit) legal entities shall be set by the Service. The application of these standards shall be mandatory. A sole proprietor which does not represent an entity defined under Paragraph 1 (e), Article 2 of this Law, shall be entitled to use the financial reporting standards set for the enterprises of the fourth category for accounting and financial reporting purposes.

7. For the purpose of applying accounting and financial reporting standards, entities are divided based on size categories. The division of entities by their size categories is regulated under the present Law.

8. Entities shall perform accounting and financial reporting in accordance with the following procedures:

a) PIEs and enterprises of the first category perform accounting and financial reporting in accordance with the International Financial Reporting Standards (IFRS);

b) Enterprises of the second and the third category shall perform accounting and financial reporting in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs). In addition, they are entitled to apply the International Financial Reporting Standards (IFRS).

c) Enterprises of the fourth category and non-entrepreneurial (non-profit) legal entities, except for the case provided in Paragraph 9 of this Article, shall perform accounting and financial reporting in accordance with standards set by the Service.

9. The requirement to prepare financial statements in accordance with respective standards depending on size categories set under this Law shall not apply to those entities for which respective regulatory legislative or normative acts provide for a procedure to apply different standards set according to this Law, unless such procedures require application of a lower rank of reporting standards than those set for the size category.

10. Enterprises of the fourth category and non-entrepreneurial (non-profit) legal entities are entitled to apply the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) or the International Financial Reporting Standards (IFRS).

11. Where an entity or a group, after the end of the two successive reporting periods, no longer meets at least two out of the three criteria set under the Subparagraphs (s) -(v), Article 2 (1) of this Law, the size category of an enterprise/ group of enterprises shall change and the requirements of the new category apply.

12. The period provided for in Paragraph 11 of this Article, shall not apply to that

enterprise/ group for which the size category has increased by two or more categories compared to the previous reporting period.

13. In the case where a size category of an entity has not changed since the previous reporting period and it intends to apply another permitted standard of accounting and financial reporting, the entity shall be entitled to use only a standard permitted for entities belonging to a larger size category.

14. For ascertaining a size category of a group, the total value of assets calculated by means of a consolidated procedure at the end of the period, in accordance with subparagraphs (s) -(v), Article 2 (1) of this Law, income and the average number of employees during the reporting period shall be used.

15. Indicators of enterprise size categories and the requirements set for those shall apply to consolidated financial statements of the enterprises of the first, second and third category. In addition, these criteria shall be assessed at the end of the reporting period of the parent company with consideration of consolidated data.

16. An entity may be assigned PIE status based on its public importance, the Service's initiative and/or the application of a regulatory body submitted to the Ministry. PIE status shall be assigned to an entity under the Resolution of the Government of Georgia on the basis of information filed by the Ministry. PIE status shall be assigned by each respective supervision body to entities subject to its regulation.

17. Entities subject to supervision, except a commercial bank, non-bank depository institution, credit union and microfinance organization, in case of making decision by respective supervision body on assigning the PIE status to it, shall not be regarded as PIEs if they meet size category requirements set for enterprises of the fourth category. Given the requirements of this paragraph, an entity subject to supervision shall be regarded as a PIE for at least 3 reporting periods following its recognition as such.

18. Apart from the cases provided for in this Law, the exceptions set for the size criteria shall not apply to PIEs.

Article 4. Accounting

1. An entity shall perform accounting in accordance with the present Law, unless otherwise provided for in a legislative act regulating the respective area.

2. An entity shall perform accounting based on natural measurement units, generally in monetary terms, through their chronological, uninterrupted and documented reflection.

3. An entity shall perform accounting through a hired accountant or by using services of any other qualified individual or legal entity.

4. An entity shall ensure completeness of internal control of all economic transactions implemented by it in accounting records.

5. An entity, for the purpose of meeting the requirements of the present Law and with consideration of the complexity level of its activity and organizational structure, shall:

a) Define the accounting policy;

- b) Design the chart of accounts within the framework set under the Georgian legislation;
- c) Develop the mechanism and procedures for keeping and controlling documents reflecting economic events;
- d) Define the timeframe and technology for processing accounting information;
- e) Develop financial reporting forms and define the procedures related with the preparation and filing of financial statements on the basis of respective financial reporting standards;
- f) Develop the set of processes and regulations (internal control system) that ensures business efficiency and effectiveness, reliability of financial statements and compliance with the effective legislation.

6. Entities shall perform accounting and prepare financial statements in material form or through electronic systems in conformity with the respective financial reporting standards.

7. Entities shall perform accounting on the basis of accounting documents. Accounting documents can be prepared as one or more copies. Accounting documents are:

- a) Primary accounting documents, including internal primary documents (proving the internal transaction of an entity), as well as external primary documents (documents received from any other party or an original of a document submitted by an entity to the other party);
- b) Cumulative documents (accounting registers, ledgers etc.)

8. Economic transactions, as the basis of accounting documents, are reflected in accordance with the double entry principle. An economic transaction in accounting is reflected upon its occurrence in cumulative documents and in the financial statements of the period to which the transaction belongs.

9. An accounting record (accounting entry) has the following details:

- a) Transaction date;
- b) Debit and credit accounts, with indication of respective amounts;
- c) Brief description of the transaction;
- d) Title and number of the primary document /cumulative document (if any);
- e) Transaction amount.

10. (Deleted – 21.04.2017, № 640).

11. A primary accounting document represents a document proving an economic transaction, which, as necessary is made in one or more identical copies and has the following details, unless provided otherwise in the legislation:

- a) Title and number of the document;
- b) Date of drafting the document;
- c) Economic content of transaction;

- d) Name/ names of person/ persons taking part in the transaction;
- e) Identification details and address/ addresses (supply of goods/ services or in other essential cases) of parties participating in the transaction;
- f) Signatures that prove the transaction between the parties;
- g) Transaction amount and quantitative data.

12. Primary accounting documents reflecting economic transactions shall be subject to mandatory examination both by form (completeness of documents, accuracy, details etc.) and content (lawfulness of an economic transaction, logical and arithmetic accuracy etc.). Documents incorrectly drafted by form and content shall be returned to preparers.

13. Drafting accounting documents, introduction of corrections or supplements therein shall be permitted with observance of the Georgian legislation and the respective procedures and security measures set by an entity, after which it will be impossible to doubt the reliability of such documents.

14. Information given in primary accounting documents is presented in a chronological and systemized manner in cumulative documents with observance of general accounting principles.

15. Accounting documents reflecting economic transactions shall be signed (both in writing and electronically) by a person responsible for an entity's management, an accountant or other authorized persons of the entity as defined by the internal policy of the entity.

16. Pursuant to the legislation, an entity shall be responsible for its internal control system, the preparation of financial statements and their correct submission.

17. Preparers and signatories shall be held liable for the accuracy of information reflected in documents, as well as for the promptness and quality of preparation of accounting documents.

18. Electronic accounting documents and financial statements as well as their hard copies shall be kept with the entity for 6 years following the respective reporting period end, except for cases provided for in the Georgian legislation.

Article 5 – Financial Statements and Basic Principles for their Preparation

1. An entity shall prepare financial statements in accordance with this Law unless provided for otherwise in a normative act regulating the respective field. In addition, financial statements of the fourth category enterprises and non-entrepreneurial (non-profit) legal entities shall be prepared in accordance with standards defined only for them.

2. An entity shall prepare financial statements at least once a year.

3. Financial statements prepared by an entity shall be complete and accurate and present fairly the financial position of an entity, as well as the Income Statement, Cash Flow Statement, Statement of Changes in Equity and disclosure notes; information presented in financial statements shall comply with the fundamental quality characteristics defined under the International Financial Reporting Standards.

4. The rule for the submission of financial statements, provided for in Paragraph 1 of this Article, as well as for consolidation, shall be defined by an accounting and financial reporting standard permitted for an entity and chosen by it in accordance with Article 3 of this Law, except for cases set out under the Law.

5. An entity shall apply policies and methods permitted for it consistently except for the case when another permitted policy or method reflects the entity's financial position and activities in a more realistic and unbiased manner. Policies and methods can be amended only within the scope of the chosen accounting and financial reporting standard.

6. PIEs and enterprises of the first category shall present the following information in disclosure notes of their financial statements:

a) Income of the entity by business category and geographic allocation of the market, if there is substantial difference between these categories and markets in the light of product/ service sale;

b) Fees paid to an Auditor/Audit Firm for auditing annual financial statements of the entity and the other professional services rendered to it.

7. Enterprise of the third category shall present the information envisaged under Paragraph 6 (e), Article 7 of this Law in disclosure notes of financial statements.

8. The name of an entity, registering body, registration number, legal form, legal address, as well as information on liquidation proceedings (if any) against entity shall be indicated in documents reflecting financial statements.

Article 6 Audit Requirement for Financial Statements

1. PIEs, first and second category enterprises and groups of the first and second categories are obliged to have an audit of their financial statements/consolidated financial statements performed in accordance with the procedure specified under Article 15 of this Law unless provided otherwise in the respective regulatory normative acts.

2. For enterprises subject to regulation/ supervision by a regulatory/ supervision body, audit or /and other assurance engagement requirements with respect to interim financial statements shall be set by the regulatory legislation of the respective field.

3. The third and fourth category enterprises and non-entrepreneurial (non-profit) legal entities shall be exempt of the obligation to have an audit of their financial statements , unless provided for otherwise in the legislation.

4. Paragraph 1 of this article shall also apply to that entity which is a subsidiary of the Group.

Article 7 – Management Report

1. PIEs and the first and second category enterprises shall prepare and file a management report with the Service. The procedure for preparation and filing of the management report with consideration of respective EU Directives shall be defined by the Service.

2. The management report shall include a:

- a) Review of the entity's business;
- b) Corporate Governance Statement;
- c) Non-financial statement.

3. The review of the entity business provided for in subparagraph (a), paragraph 2 of this Article shall be prepared by PIEs and the first and second category enterprises.

4. The Corporate Governance Statement provided for in Paragraph 2 (b) of this Article shall be prepared by entities defined in Paragraph 1 (x.a), Article 2 of this Law ;

5. The non-financial statement provided for in paragraph 2 (c) of this Article shall be prepared by those PIEs which meet the first category enterprise size criteria and the average number of whose employees during the reporting period is over 500.

6. The review of the entity's business provided for in Paragraph 2 (a) of this Article, with consideration of the size and complexity of the business, shall present a comprehensive analysis of the entity's business development, performance and position, major risks and uncertainties faced by it, and which shall further include key financial and non-financial indicators associated with the entity's business, including employment and environmental aspects, as well as additional explanations of amounts given in the annual financial statements. The review of business shall also include the following elements:

- a) Entity's future development plans;
- b) Review of the research and development performed by the entity;
- c) Information on the branches of an entity;
- d) Review of the entity's credit, market, liquidity and cash flow risks and mechanisms for their management;
- e) Detailed information on the acquisition of its own shares, which at least shall include:
 - e.a) reason for any stock acquisition during the reporting period;
 - e.b) the number and par value of the stock acquired and disposed of during the reporting period, or in case of their absence – the book value and its percentage share in the placed equity;
 - e.c) action taken in response to stock acquisition or disposal;
 - e.d) the number and par value of the stock acquired and kept in ownership during the reporting period, or in case of their absence – the book value and its percentage share in the placed equity;
- f) Enterprise goal and policy with respect to financial risk management.

7. The Corporate Governance Statement provided for in paragraph 2 (b) of this Article, shall at least include the following:

- a) A review of the Corporate Governance Code that is mandatory for an entity or is selected voluntarily (if any); also a review of all those corporate governance practices that exceed the requirements set under the legislation; in the event of using a corporate

governance code selected by an entity at its own discretion, it shall specify where the code is publicly available. In case of disclosing corporate governance practices, the enterprise shall publicize detailed information on them;

b) Deviations by an entity from the mandatory or voluntarily selected corporate governance code or cases of not referring to the Code specified under Subparagraph (a) of this Paragraph and explanation of respective reasons;

c) Review of internal controls and risk management systems related to the financial reporting process;

d) Review of and authority of shareholders and shareholders' general meeting;

e) Review of the composition and operation of the entity's management and supervision bodies;

f) Review of the diversity policy used by an entity (e.g. age, gender, qualification etc.) for its management and supervisory boards, except for those reporting enterprises that meet the second and the third category requirements, as well as a review of the policy goals, the methods used and the results achieved during the corresponding period. Where there is no such policy, the reasons are to be explained in the Corporate Governance Statement;

g) The following information for mandatory tender offer provided for in Article 53² of the Law of Georgia on Entrepreneurs:

g.a) Direct or indirect significant participation in capital;

g.b) Information on holdings of shares that grant special control rights and a description of such rights;

g.c) Information on any restriction of voting rights, such as restriction of voting rights for holders of a certain percentage of shares or votes;

g.d) Rules related to the appointment and replacement of members of management bodies, as well as information on amending the Charter;

g.e) Powers of members of management bodies;

8. The non-financial statement provided for in Paragraph 2 (c) of this Article shall reflect at least the essential information on the development, performance, position and impact of the company's activities with respect to environmental, social, employment matters, human rights, anti-corruption and bribery issues, including:

a) A brief review of the entity's business model;

b) Description of the policies pursued in relation to the issues provided for in this paragraph, including due-diligence processes implemented and the outcome of those policies. If an entity does not use a similar policy, the respective explanation shall be provided in this regard in the statement;

c) Risk analysis of the entity's operations, which includes but is not limited to the entity's business relations, the potential negative impact of products or services on issues specified in this paragraph and the risk management methods applied by the entity;

d) Non-financial KPIs relevant to the particular business.

e) Whenever necessary, the non-financial statement includes reference to amounts in the annual financial statements and additional explanations with respect to them.

9. An entity that represents a subsidiary shall not be obliged to file a non-financial statement as specified in Paragraph 8 of this Article if such information is submitted in the group's consolidated statement.

10. PIE and enterprises of the first and second categories shall provide the management report to an Auditor/ Audit Firm. The Auditor/ Audit Firm according to Paragraph 6 and Paragraph 7 ((c) and (g)) of this Article will express its opinion on the management report, its compliance with regulatory normative acts and its correspondence with the financial statements of the same reporting period, as well as about material inaccuracies and their substance. The Auditor/ Audit Firm shall check whether the report includes the information provided for in Paragraph 7 (a, b and d – f) and Paragraph 8 of this Article.

11. In case the information provided for in this Article is already reflected in financial statements prepared in accordance with Article 9 (2) of this Law, the entity shall be relieved of the obligation to reflect the submitted information in the management report.

12. The requirements of this Article shall apply to groups that meet the criteria for enterprises of the first and second categories.

13. Regulatory/ supervision bodies in agreement with the Service shall be entitled to set restrictions with respect to the requirement to publish the information provided for in this Article, if the disclosure of such information endangers the financial stability of a PIE or the respective industry.

Article 8. Report on Payments to government

1. PIEs and enterprises of the first and second categories, active in the extractive industry (including extraction of oil and gas) or timber processing in a natural forest, shall annually prepare and submit report on payments to government. Such reports shall reflect payments in the form of profit tax, licenses and natural resources usage fees, regulation fees for use of natural resources, royalties, dividends, bonuses in accordance with the Law of Georgia on Oil and Gas, rent and concessions, amounts paid in cash or in-kind, which, as a single payment or as a series of related payments, exceed GEL 100,000.

2. Payments to government imply any payment made to the state budget, administration agency and those enterprises where the state share exceeds 50%, as well as payments made to foreign governments, and regional and local self-government agencies.

3. The types of subsoil and extraction thereof, as well as procedures for preparation, submission and publishing of the report on payments to government shall be defined under the Resolution of the Government of Georgia.

Article 9 – Filing and Publishing Financial Statements

1. The Service shall ensure the development and management of a webpage for the placement of entities' financial statements and consolidated statements of groups, as well as access of users to it.

2. An entity, other than non-entrepreneurial (non-profit) legal entity, shall file financial

statements (including consolidated ones) specified under this Law, a management report (including a consolidated one), a report on payments to government and an audit opinion, in cases specified under the present Law, immediately, though no later than the October 1 of the year following the reporting period to the Service in accordance with established rules.

3. The Service shall publish financial statements (including consolidated statements) submitted by entities (except for statements of the fourth category enterprises) and audit opinions within a month following filing. The Service shall ensure random, risk-based verification of compliance of filed financial statements with this Law and normative acts adopted on its basis. In cases provided for in this paragraph, the Service shall be entitled to request from the entity correction of deficiencies.

4. If a reporting period of an entity does not coincide with a calendar year, it shall file the statements to the Service as soon as they are available, but no later than 9 months following the reporting period end.

5. PIEs shall publish statements (including consolidated ones) provided for in Paragraph 2 of this Article on their webpage or in printed media.

6. An entity shall submit interim financial statements to a regulatory /oversight body in cases defined by such a regulatory/ oversight body. The procedure for submission of interim financial statements to a regulatory /oversight body shall be defined under the respective regulatory legislation.

7. The Service shall set the procedure for the submission of financial statements by enterprises of the third category in a simplified form with consideration of the EU Directive requirements.

Chapter III

Professional Organizations, Professional Certification and Continuous Education

Article 9. Requirements for Professional Organizations

1. For the purposes of this Law, a Professional Organization shall be a Professional Organization of Accountants or/ and Auditors established according to Georgian legislation, which is registered as a non-entrepreneurial (non-profit) legal entity and meets requirements of this Law and the by-laws adopted on its basis.

2. In addition, a Professional Organization shall have an internal policy, systems and procedures for:

a) Meeting requirements for professional certification and continuous education;

b) Compliance by its members with the requirements of the **Code of Ethics** of the International Ethics Standards Board of Accountants' (**IESBA**), as well as the requirements of the quality control system;

3. The Service shall be entitled to exercise monitoring over the compliance of the Professional Organization with the requirements of this Law and normative acts adopted on its basis.
4. The majority of a Professional Organization's management body members shall be auditors or/ and certified accountants.
5. A professional Organization shall ensure the detection of violations of the requirements set by the Professional Organization of members and the imposition of disciplinary action over them. The procedure for the detecting by Professional Organizations of offences committed by PO members, and for defining disciplinary actions, shall be set by the Professional Organization in agreement with the Service.
6. A professional Organization shall manage its webpage where it will place the register of member auditors and accountants certified by professional organization, as well as annual financial statements of the professional organization and a report on activities performed.

Article 11– Professional Certification and Continuous Education

1. The Service shall introduce professional certification and continuous education standards for the recognition of persons as certified accountants and for maintaining of the qualification by them, which correspond to the requirements of the EU Directive and the International Education Standards set by the International Federation of Accountants (IFAC). The Professional Certification Standard defines the subjects for professional certification, the rules for carrying out the exam process, the rules for exemption from exams and tests, the documents to be submitted for professional certification and the rule on certificate issuance. The continuous education standard defines continuous education programs and the continuous education procedures.
2. A person's qualification shall be confirmed through professional certification. Professional certification is conducted by those professional organizations whose certification programs or/ and examination procedures meet the standards set by the Service and which are recognized in accordance with the rule on certification program and examination process recognition. The rule for the recognition of certification programs and examination procedures shall be set by the Service.
3. The Service is entitled to recognize specialized examination bodies only for the purposes of ensuring the examination process. The professional organization with recognized certification programs only, is entitled to conduct certification on the basis of exams held with a specialized examination body. A Professional Organization may be recognized as a specialized examination body in accordance with the certification program and examination process recognition rule defined under Paragraph 2 of this Article.
4. The Service shall ensure maintenance of the registry of recognized certification and continuous education programs and examination processes, provided for in Paragraphs 2 and 3 of this Article.
5. The preparation of tests for professional certification represents an integral part of the examination process, which is ensured by specialized examination bodies.

6. For the purpose of exempting a person from passing qualification disciplines defined under the standard or allowing them to sit qualification exams, the Service recognizes curriculums or separate disciplines (subjects) of professional organizations or/and educational institutions.
7. As a result of professional certification, a person is assigned the status of a certified accountant and is awarded with a status certificate by the professional organization.
8. The status of certified accountant does not grant the person the right to perform audit unless they are registered in the Auditors' Registry.
9. The continuous education process is ensured by Professional Organizations according to the procedure set by the Service. Professional Organizations shall monitor the continuous education of certified accountants and keep respective records. In the event that a person no longer meets the requirements of continuous education under the decision of the Professional Organization, the latter shall notify the Service about this fact within 5 working days following the decision date.
10. Imposing liability for the violation of certification rules in the field of professional certification and continuous education by a professional organization shall be defined under the present Law and by-laws adopted on its basis.

Chapter IV

Registry

Article 12. Keeping the Registry and Access to Information

1. The Service shall ensure the keeping of the registry, as well as the disclosure and availability of its information.
2. For the purpose of maintaining the Registry, the Service shall use software and automated means of management. The Registry of auditors shall be public.
3. The procedure for maintaining the webpage and the Registry electronically, its structure/form, the list of information and the user identification procedure shall be defined by the Service.
4. The Service, based on an electronic or written request, is entitled to provide an electronic document or a hard copy drafted or/and kept in the Service.
5. The procedure and terms of getting familiar with kept information and documents, and requesting their originals or copies shall be defined under the procedure set by the Service.
6. The identification of an Auditor/ Audit Firm is ensured under the individual registration number.
7. The Registry shall reflect at least the following information about the Auditor:
 - a) Name, surname, legal address, location of activities and the registration number;

- b) Name, address, webpage and registration number of that audit firm in which an auditor is employed, is a partner / shareholder or is otherwise related to it;
- c) Information on being registered as an auditor in another country, with indication of the registering authority and registration number (if any);
- d) Professional organization where the auditor is a member;
- e) Results of quality control system monitoring;
- f) Income derived from a person's audit (non-employment) activity.
- g) Professional liability insurance with reference to the amount and insurance company.

8. The Registry shall at least reflect the following information on an audit firm:

- a) Legal form, name, address, webpage, contact information and registration number;
- b) Name, surname and registration number of any auditor/ certified accountant who is employed in the audit firm or represents a partner/ shareholder, member of management board or is otherwise related to it, as well as the full number of employees;
- c) Results of Quality Control System Monitoring;
- d) Name of PIEs, if any, to which it renders professional services;
- e) Holdings of partners/ shareholders;
- f) Professional liability insurance with reference to the amount and insurance company.
- g) Revenues from the firm's audit activities by years.

9. The Service receives the information provided for in Paragraph 8 (e) of this Article from the LEPL National Agency of the Public Registry under the Ministry of Justice of Georgia.

10. An Administrative Act that imposes sanctions on an Auditor/ Audit Firm shall be published (with reference to information on appeals, if any) at the Service's webpage at least for the term of 5 years immediately after its entry into force and the sending of notice to such Auditor/Audit Firm.

11. In the event provided for in Paragraph 10 of this Article, the Service shall be entitled not to publicize the information if such an action endangers the interests of the country or/and the third parties. The decision on the expediency of information assessment, analysis and its publishing shall be made by the Service.

12. An extract from the Registry shall be prepared in Georgian.

Article 13. Registration Proceedings

1. A legal entity registered in Georgia, a branch of a foreign enterprise or a natural person shall acquire the authority to perform audit in Georgia only after registration in the Auditors' Registry. A person's application and fulfillment of the requirements of this law and regulations issued on its basis shall be the grounds for registering an Auditor/ Audit Firm in the registry or the renewal of a registration. The Service shall within 10 working

days verify compliance of a request with the requirements of this Law and of the normative acts issued on its basis.

2. An application submitted to the Service shall be accompanied with registration documents and information as defined by the Service. The Service is entitled to request in each specific case the submission of any document or information which is necessary to make a decision on the requested matter.

3. In the case of the Service's request, the Professional Organization shall submit information/ documents on its members.

4. A natural person seeking registration in the Registry, shall meet the following requirements:

a) Be a certified accountant;

b) Have at least 3 years of practical experience in the audit of financial statements under the supervision of an auditor, which is certified in writing by the supervising auditor;

c) Not to be convicted for terrorism financing or/ and illicit income legalization or other economic crimes as well as of the other heavy or aggravated crimes;

d) Be a member of professional organization;

e) Comply with the code of ethics of professional accountants (IESBA Code), as evidenced by a professional organization or an auditor specified in the Subparagraph (b) of this paragraph.

5. An Audit Firm seeking registration in the Auditors' Registry shall meet the following requirements:

a) Perform audit through at least one engagement partner;

b) More than 50% of voting rights in the firm is held by an auditor(s), Audit Firm (s) listed in the Registry or/ and an Audit Firm registered in the Auditors' Registry of the EU or/ and OECD member countries or/and individual member(s) of IFAC member organization in the EU or/ and OECD member countries;

c) The majority of management body members is represented by auditors. If the management body comprises two members, one of them shall be an auditor.

d) Have a professional indemnity insurance.

6. Any Auditor/ Audit Firm listed in the Registry shall notify the Service and the Professional Organization about any change in the information recorded in the Registry within 5 working days following the effective date of such a change.

7. An Auditor/ Audit Firm that does not meet the terms of registration in the Auditors' Registry shall be subject to removal from the Registry and its right to perform audit shall be annulled; the Service shall be responsible for delisting the auditor /audit firm from the Registry in accordance with its procedure. In case of delisting from the Registry, the Auditor/ Audit Firm shall not have the right to use the word "Auditor" or "Audit Firm" in its title.

8. The Service shall be entitled to enter into the Registry an individual who is a member

of an organization which is a full member of the International Federation of Accountants (IFAC) from the OECD and EU member states that intends to perform audit in Georgia, based on a passed aptitude test in Georgian Law and a respective request. Pursuant to this paragraph, the requirements and restrictions defined under this law and normative acts adopted on its basis shall apply to the persons entered in the Registry.

9. Except for the case provided for in Paragraph 8 of this Article, the Service is entitled to make the list of those countries, where there are full members of IFAC wherefrom persons will have the right to get listed in the Registry.

10. The Service shall be entitled to make a decision on suspending registration proceedings if:

- a) An application is not accompanied with the documents, or includes incomplete documents, as specified in this Law and normative acts adopted on its basis or/and information, which is necessary to make decision on requested matter;
- b) There are other grounds provided for in Georgian legislation.

11. If an applicant does not submit a document or information required under this Law, or a normative act adopted on its basis, which is necessary for the entry of an Auditor/ Audit Firm in the Registry to the Service, then the Service, within 10 working days following receipt of the application, shall define a 30-day period for an applicant during which it shall submit additional documents or information. The Service shall be entitled to prolong this term once, for a maximum of 15 days, based on an applicant's request. After the expiry of this term, the Service shall be entitled to make a decision on the termination of the registration proceedings.

12. During the registration suspension period, if documents proving the elimination of the grounds for suspension of registration are provided, the Registering Authority shall make a decision on resuming registration proceedings. In the case of a resumption, the term of the registration proceedings shall be counted again.

Chapter V

Audit and Quality Assurance

Article 14. Legal Framework for Audit

1. Audit in Georgia shall be performed in accordance with the International Standards on Auditing (ISA). International Standards on Auditing (ISA) represent a directory of official international documents on auditing and assurance engagements, approved by the **International Auditing and Assurance Standards Board (IAASB)** or its successor body;

2. When performing other services apart from audit, such as review, other assurance engagements and related services, an auditor/ audit firm shall use international standards on review and related services, as well as on assurance services adopted and approved by the International Auditing and Assurance Standards Board (IAASB) or its successor body.

3. The Service shall ensure the availability of the standards referred to in Paragraphs 1 and 2 of this Article in the official language of Georgia within 6 months following their update. An Auditor/ Audit Firm is entitled to use the effective English version of these standards.
4. Additional requirements for the process and procedures of auditing the financial statements of PIEs shall be defined under the Order of the Director of the Service, except for the case provided for in Article 15 (3).
5. An Audit Firm which has passed the monitoring of its quality control system in accordance with the procedure set by the Service shall be entitled to audit the financial statements of PIEs.
6. An Auditor/ Audit Firm that renders audit services to a legal entity of the public law, a local self-government body, or another entity for which the audit of financial statements or an independent audit of activities is required under the respective legislation, shall follow in the course of its service provision the requirements of the present Law.
7. An Audit Firm that has passed the quality control system monitoring required for the audit of financial statements of PIEs under Paragraph 5 of this Article, according to the procedure set by the Service, shall be entitled to render audit services related to the fulfillment of liabilities defined by an Agreement to which the Asset Administrator is a party.
8. The requirements for audit services provided for in Paragraph 7 of this Article shall be set by the Government of Georgia on the basis of a proposal of the Ministry of Economy and Sustainable Development.
9. The Government of Georgia shall be entitled to introduce additional or different requirements for an audit firm rendering audit services provided for in Paragraph 7 of this Article on the basis of a proposal of the Ministry of Economy and Sustainable Development. The Service shall ensure the reflection of respective information on such requirements in the registry.

Article 15. Audit Procedure

1. Audit may be conducted according to the procedure specified in Article 6 (1) of this Law or based on the entity's initiative.
2. The audit opinion is validated by a signature of an engagement audit partner and/or a person authorized by an audit firm. The internal procedures of an audit firm shall make it possible to identify an engagement partner.
3. An audit of the financial statements of PIEs and enterprises/groups of the first and second categories is conducted for each reporting period unless provided for otherwise in the legislation. The Service shall be entitled to introduce additional requirements for the process and procedures of audits of PIEs in agreement with the Regulator or Supervisory Body based on the business/industry specifics (that are additionally subject to quality control system monitoring).

4. An Auditor/ Audit Firm shall keep documents prepared and used in the course of an audit (in an electronic form as well as hard copies) for 6 years following the end of the respective reporting period.

5. According to the International Auditing Standards, an audit opinion shall not include assurance on the entity's future viability and/or the efficiency or effectiveness of the entity's management body.

6. An Auditor /Audit Firm shall show professional skepticism. Based on suggested facts and actions, it shall identify the possibility of material offences committed by an entity, including fraud or error. In such cases, the past experience of an auditor/audit firm with respect to managers and their integrity shall not be taken into consideration. The audit firm, when auditing an entity, shall focus special attention on fair values, asset impairment, provisions and forecasted cash flow as assessed by management, which is related with the entity's capacity to continue operations.

Article 16. Ethical Rules and Independence

1. A Certified Accountant/ Auditor/ Audit Firm, in the course of rendering professional services, shall comply with the Code of Ethics for Professional Accountants (hereinafter the Professional Code of Ethics) set by the International Federation of Accountants (IFAC).

2. The Service shall ensure the availability of the Code of Ethics for Professional Accountants (IESBA Code) in the official language of Georgia within six months following its update. A Certified Accountant/ Auditor/ Audit Firm shall be entitled to use the effective English version of the code.

3. An Auditor/ Audit Firm and any individual that may have direct or indirect influence on the audit outcome shall be independent from the entity being audited. In addition, they shall not be involved in the decision making process of such entity. This requirement shall apply during the financial reporting period and auditing period.

4. Partners/ shareholders of an Audit Firm, as well as members of the governance and supervisory bodies of the Audit Firm and its affiliates, shall not interfere in an audit in any such form which would prejudice the independence and impartiality of an engagement partner.

5. In the course of an audit, an Auditor/ Audit Firm shall take all the required measures to observe the independence requirement. An Auditor/ Audit Firm shall reflect information in writing or in an electronic form about the risks to its independence and the methods applied for their mitigation.

6. It shall not be permitted that additional services other than audit influence or determine the audit fee. The audit fee cannot be based on any form of contingency.

7. An Auditor/ Audit Firm shall not be entitled to accept tangible or/and intangible gifts or/ and benefits from an entity or its employee, the value of which can be perceived as exceeding the limit allowed for the audit practice and specific transaction. The Auditor/

Audit Firm shall have an approved policy on gifts corresponding to the professional code of ethics in relations with their clients .

8. An Auditor/ Audit Firm shall not be entitled to render audit services to an entity if there is a risk of a conflict of interest or a threat due to financial, personal, business, labor or/ and other present or possible future relations between the entity and an Auditor/ Audit Firm, persons within its system and the individual that may directly or indirectly influence the audit findings, based on which an impartial, informed and reasonable third person can conclude that independence of an auditor/ audit firm is at risk;

9. For the purposes of this Article, financial relations shall be ownership of shares/stock, other securities or financial instruments of that entity by an Auditor/ Audit Firm and persons defined by Article 8 of this Law, which is being audited or whose financial outcome can be influenced otherwise, except for indirect ownership through an investment fund. Financial relations shall also include the ownership of the shares /stocks, and other securities and financial instruments of another enterprise affiliated with the entity, if such ownership can cause a conflict of interest.

10. A difference of opinion with respect to accounting issues shall not become grounds for termination of contractual relations with an Auditor /Audit Firm. The reason for termination of contractual relations between an entity and an Auditor/ Audit firm shall be substantiated in writing.

11. An Auditor/ Engagement Partner shall be prohibited within one year following completion of audit, and in case of PIE's within 2 years:

- a) to become a significant member of the management body of the entity it audited;
- b) to become a member of the audit committee or other body with the similar functions of the entity that was audited;
- c) to become a member of the supervisory body of the entity which was audited.

12. Provisions of Paragraph 11 of this Article shall apply to employees of an auditor/ audit firm, partners/ shareholders of an audit firm and an individual whose services are subject to management/ control by an Auditor/ Audit Firm during one year following the carrying out of an auditor's functions by them.

13. In the event of a merger (take-over, acquisition) of an entity with another one, an Auditor/ Audit Firm shall evaluate interests and relations with respect to the new entity (formed as a result of merger or acquisition) which may endanger the independence of the Auditor/ Audit Firm. An Auditor/ Audit Firm shall take all required measures immediately, though not later than within 3 months, for the elimination of conflict of interest and the termination of those relations that threaten its independence.

14. Prior to the commencement or continuation of audit services, an Auditor/ Audit Firm shall check on, and reflect the following information in writing:

- a) its compliance with independence requirements;
- b) those risks which threaten its independence and measures taken for their mitigation;

c) the availability of qualified employees, time and resources for conducting the audit with adequate quality;

d) the registration of the engagement partner in the Auditors' Registry in case of an audit firm.

15. An engagement for auditing the financial statements of PIEs may be signed for at least 2 and maximum 10 years. This term may be increased additionally for a 10-year period in case of winning a public tender held under the decision of the PIE members/ shareholders meeting. Following the expiry of the term specified under the Law, a new engagement can be signed with the audit firm only after a 4-year cooling-off period. In the event of breaching this term, the audit requirement will be deemed not met. The audit firm shall ensure the internal rotation of an engagement partner and the other key personnel at least once in 7 years with respect to each PIE it renders services to.

16. In the event of failure to meet the requirements defined under the present Article, an auditor will have liability imposed by the Service in accordance with the procedure set under this Law. In the event of failure to meet requirements defined under Paragraphs 8, 11, 12 and 15 of this Article during a PIE audit, the entity shall have an audit re-performed for the respective reporting period, while the timeframe provided for in the legislation for the entity shall be deemed met except for cases provided for in Paragraph 11. The timeframe for the repeated audit shall be defined by the Service.

Article 17. Insurance of Professional Liability

An Auditor /Audit Firm that performs an audit on its own behalf shall insure its professional liability for at least GEL 100,000 against negligence and other claims initiated by their clients. The procedure for insurance of professional liability shall be set by the Service in agreement with the LEPL Insurance State Supervision Service of Georgia.

Article 18. Confidentiality of Information

1. The information received by an Auditor/ Audit Firm in the course of the fulfillment of its duties shall represent confidential information.

2. An Auditor/ Audit Firm shall:

a) protect confidential information during the period of rendering professional services as well as thereafter, notwithstanding time expiry and the changing of the type of activities;

b) not disclose confidential information in their possession without the consent of the entity, except for cases provided for in Georgian legislation;

3. In the event of changing the Auditor/ Audit Firm, the previous Auditor/ Audit Firm shall be entitled to provide the new Auditor/ Audit Firm with information about the entity it audited.

4. The scope of this Article shall also apply to a person in charge of quality control system monitoring employed in an audit firm with respect to information received by him/her in fulfillment of their respective duties.

Article 19. Audit Quality Assurance

1. An Auditor/ Audit Firm **shall have** its own quality control policy and procedures in accordance with the International Standards on Quality Control (ISQC).
2. International Standards on Quality Control (ISQC) represent standards and guidelines on the quality control system of those entities that render audit and financial statements review services, as well as other assurance and related services, as adopted by the International Auditing and Assurance Standards Board (IAASB), or its successor.
3. The introduction of standards provided for in Paragraph 2 of this Article shall be ensured by the Service within six months following their revision. An Auditor/ Audit Firm shall be entitled to use the effective English version of these standards.
4. An Auditor/ Audit Firm shall develop a Manual on Audit and Other Services and formulate respective policies and procedures for raising personnel qualification, training, monitoring and performance evaluation. The Manual defines respective policy and procedures of an Auditor/ Audit Firm.
5. An Auditor/ Audit Firm shall use adequate systems and procedures to ensure business continuity and uninterrupted operation.
6. The regulation on monitoring quality control systems and the procedures for the review of the advanced findings, elimination of revealed deficiencies, and challenging the quality control system monitoring report shall be defined by the Service.
7. The monitoring of the Quality Control System of an Auditor/ Audit Firm shall be performed by the Service. It is entitled to exercise quality control according to a risk-based approach. In addition, the Service shall conduct quality control based on a received request or complaint. Quality control system monitoring shall be adequate for the scope and complexity of the auditor/ audit firm's activities.
8. The Service shall review a request to perform quality control system monitoring based on the Auditor/ Audit Firm's initiative within 10 working days following the receipt of such a request. The Service shall commence quality control system monitoring within 2 weeks following a decision to grant the request.
9. The monitoring of quality control systems, except in the case referred to in Paragraph 7 of this Article, shall be performed once in a maximum of 6 years for Auditors/ Audit Firms and once in a maximum of 3 years for those Auditors/ Audit Firms that perform audits of PIEs and first category enterprises.
10. An Audit Firm which intends to perform audits of financial statements for PIEs and has passed quality control system monitoring, though has not yet conducted an audit of financial statements of a PIE, shall apply to the Service 5 working days before signing the audit agreement, with the request to have quality control system monitoring performed. The Service shall make a decision within 5 working days following the application for conducting quality control system monitoring. The form of application to the Service shall be established by the latter.
11. The Service shall perform monitoring of Auditor/ Audit Firm quality control systems

through such persons who during at least the previous year have not conducted audit activities, have not held voting right in an audit firm, have not been a member of a governance or supervision body of audit firm or have been related in any other form with it, have not had an interest in quality control system monitoring results and who meet the qualification requirements set by the Service.

12. A person shall be prohibited to perform quality control system monitoring if such a person has been a partner/ shareholder, engagement partner, employee or other affiliate of that Auditor/ Audit Firm of which the quality control monitoring is being conducted. This requirement shall be effective for three years following the end of such relations.

13. The Service is entitled to engage experts of the relevant field and support personnel in the monitoring process when conducting quality control system monitoring.

14. Within one month following the full submission of information requested by the Service on monitoring the quality control systems, the Service shall present preliminary results. The final results of the quality control system monitoring shall be reflected in the quality control monitoring report, prepared in a format set by the Service. The Service shall review the final monitoring report and make its decision on setting requirements for the Auditor/ Audit Firm or/and imposing liability. The decision of the Service on the results of the quality control system monitoring can be appealed to the Board and to the court.

15. An Auditor/ Audit Firm, engagement partner and certified accountant employed in the audit firm shall be entitled to participate in a review of a monitoring report concerning them personally, or through a representative, and present explanations.

16. If the results of quality control monitoring are not satisfactory and an Audit Firm/ Auditor fails to fulfill recommendations provided by the Service within the term set by the Service, then the latter shall apply sanctions against such an Auditor/ Audit Firm or the relevant engagement partner (for a specific audit opinion) in accordance with this law.

17. Liability for violations identified as a result of the monitoring of the Auditor's Quality Control System shall be imposed on the Auditor. Liability for violations revealed as a result of the monitoring of Audit Firm's quality control system shall be imposed on the Audit Firm, and/or the relevant engagement partner for each specific audit opinion.

18. A Regulator or Oversight Body shall cooperate with the Service for the purpose of increasing the degree of reliability of audited financial statements filed by entities.

19. In the event provided for in Paragraph 16 of this Article, the Service shall be entitled to issue instructions to, and receive explanations from, an Auditor/ Audit Firm and an engagement partner for the elimination of deficiencies detected in financial statements and the resolution of related issues.

20. The results of Quality Control Monitoring shall be made public and reflected in the Auditors' Registry within five working days following the decision date.

21. The service shall publish annually a general report on audit quality.

Chapter VI

Organization and Management of the Service and the Authority of the Board

Article 20. Organization and Management of the Service

1. The Service is a subordinated agency within the system of the Ministry of Finance. It shall report to the Government of Georgia and the Ministry of Finance.
2. The Service shall be organized on the basis of regulations approved under the Decree of the Minister of Finance.
3. The Service shall ensure:
 - a) the introduction of international standards and other norms provided for in this Law in Georgian language, and setting financial reporting standards for the fourth category enterprises and non-entrepreneurial (non-profit) legal entities;
 - b) defining the rules for the preparation and filing of financial statements, the development of common policy, rules and other normative acts in the area of financial accounting, reporting and auditing, as well as to develop such rules/acts for PIEs in cooperation with the relevant supervisory / regulatory body.
 - c) defining relevant rules and requirements for audit;
 - d) defining rules for quality control systems and for monitoring, reviewing preliminary results, eliminating identified deficiencies and challenging the quality control system monitoring report;
 - e) monitoring the quality control system of Auditors/ Audit Firms registered in the auditors registry;
 - f) imposing liability for offences defined under this Law;
 - g) defining requirements for professional certification, examination procedures and continuous education in accordance with the International Education Standards set by IFAC and the EU Directive, and approving the respective standards;
 - h) The review and approval of standards, rules and methodology set under this Law;
 - i) setting rules for the recognition of certification programs, examination procedures and continuous education programs;
 - j) The recognition of certification programs, examination procedures and continuous education programs implemented in accordance with the set standards;
 - k) exercising compliance monitoring of professional organizations, examination bodies and other persons engaged in professional educational activities with this Law and with regulations and standards established by the Service;
 - l) maintaining the registry of auditors / audit firms, recognized training and continuous education programs, specialized examination bodies, persons in charge of quality control system monitoring and the webpage of financial statements in accordance with its rules and the requirements of the EU Directive;

- m) compliance of submitted financial statements with requirements of this Law and ensuring their publication;
- n) development of an investigation system, the rules and methodology for it and the commencement of investigations with respect to Auditors/ Audit Firms for the purpose of detecting offences based on the Service's own initiative or/and a submitted application or/ and a claim;
- o) prevention and detection of offences;
- p) development and approval of methodological guidelines on accounting and reporting matters;
- q) exercising other powers in audit field, as provided for in Georgian legislation.

4. The Service, for the purpose of developing standards and rules set out under this Law, shall be entitled to establish working groups with the participation of professional organizations, practitioners and other stakeholders. The activities of such working groups shall be regulated under the individual administrative and legal acts of the Head of the Service.

5. The Service is governed by the Head who shall be appointed for the period of 5 years and dismissed, if grounds exist, by the Prime Minister of Georgia based on the nomination of the Minister of Finance. One and the same person can be appointed to this position only twice in succession.

6. The powers of the Head shall be defined under the Georgian legislation and Regulations of the Service.

7. The Head is a public servant and is subject to the requirements, including the conflict of interest provisions, specified in legislation for public servants.

8. The Head shall be a non-practitioner and meet the following criteria:

- a) he/she shall have higher education with a specialization in one of fields such as accounting, audit, economics, finance and banking;
- b) he/she shall have at least 5-years of experience of working at a managerial position in the audit field;
- c) he/she shall not have been convicted of terrorism financing or/ and illicit income legalization or other economic, heavy or aggravated crimes;
- d) The Head and members of his/ her family shall not be entitled to hold stock or capital, shares or voting rights in an audit firm that is subject to supervision by the Service.

9. The Head shall:

- a) govern the Service; he/ she shall be responsible for fulfilling duties assigned under the Georgian legislation;
- b) make decisions, within their competence;
- c) submit draft regulations of the Service, its structure, expenditure as well as the claim reviewing procedure and drafts on introducing amendments thereto to the Minister of Finance of Georgia for approval;

- d) issue normative act orders within the competence of the Service;
 - e) appoint and dismiss public servants of the Service to/ from positions, approve internal regulations of the Service for the purpose of regulating legal relations, and approve the qualification requirements for the Service staff;
 - f) submit reports on the activities of the Service to the Minister of Finance, publish reports on Service activities and information on its plans on the Service webpage;
 - g) coordinate rules to be introduced by professional organizations for revealing offences committed by their members and imposing disciplinary liability, performing the other functions provided for in the Service regulations and in the Georgian legislation.
10. The number of the Service staff is defined by the Minister of Finance on the basis of the nomination of the Head of the Service, while the staffing schedule is approved by the Head of the Service.
11. Normative acts on standards, rules and methodology referred to in Paragraph 3 of this Article shall be published by the Board after reviewing the relevant recommendation.

Article 21. The Board and its Authority

1. The Board is a body under the Service that reviews accounting, reporting, audit and related issues, and makes respective decisions. The composition of the Board is defined under this Law. According to its decision, employees of the Service and other invited persons may be represented on the Board. Such persons shall not take part in the decision-making process. The authority of the Board and the procedures of its activities shall be defined under the Board regulation, which is approved under the Decree of the Minister of Finance of Georgia.

2. The Board shall:

- a) Review drafts of normative acts provided for in this Law, make sectoral and professional assessments and submit respective recommendations within 10 working days;
- b) Submit proposals on changes to be introduced to the normative acts to the Head of the Service;
- c) Render consultations to the Ministry of Finance of Georgia with respect to the candidacy of the Head, and formulate the Board's position as a recommendation;
- d) Review claims related to decisions made by the Services with respect to the accounting, reporting and auditing areas;
- e) Perform other activities provided for in this Law and normative acts adopted on its basis.

3. The Board shall consist of 7 members. A Board member shall be a non-practitioner who is a qualified professional, experienced and competent in the areas of accounting and reporting, audit, economics, finance, business administration or law, with at least 7 years of experience in the field.

4. The Board members represent: Ministry of Finance (1 member), National Bank's Board

(1 member), Ministry of Economy and Sustainable Development (1 member), Insurance State Supervision Service of Georgia (1 member), Professional Organizations (1 member), Business Associations (1 member) and Academia (1 member).

5. Nominations for the Board membership provided for in Paragraph 4 of this Article shall be submitted to the Minister of Finance.

6. 3 candidates shall be nominated from professional organizations, business associations and academic circles as referred to in Paragraph 4 of this Article. 1 candidate from professional organizations, 1 from business associations and 1 from academia will be selected by the Minister of Finance of Georgia. The process of Board member selection shall be independent and transparent.

7. The Minister of Finance shall submit candidates provided for in Paragraph 4 of this Article to the Prime Minister of Georgia, who will approve them within 2 weeks following the nomination.

8. The Board is governed by the Chairman. In the case of his/ her absence, the Chairman's functions shall be fulfilled by one of the Board members based on the Board decision.

9. A Board member shall not take part in a review or resolution of an issue if there is a conflict of interest with respect to the dispute. A person whose case is being reviewed shall be entitled to request the recusal of a respective Board member, if the latter has a personal interest in the issue being reviewed.

10. The Board is not authorized to fulfill its duties if the number of Board members is less than 4. In such a case, the composition of the Board shall be filled within 2 months following the occurrence of such a fact.

11. A Board membership candidate shall not be a person who has been convicted of terrorism financing or/ and the legalization of illicit income, or other economic offences as well as of serious or especially aggravated crime.

12. A member of the Board, as well as his/her family members, shall not be entitled to hold stock or capital shares, or voting rights in an audit firm that is subject to supervision by the Service.

13. The term of office for Board members shall be 5 years.

14. The activities of Board members shall not be remunerated.

Article 22. Cooperation with the International and Local Organizations

1. In order to ensure effective accounting and audit, and with consideration of the principles of this Law, the Service shall cooperate with the international and local organizations.

2. The purpose of the international cooperation provided for in Paragraph 1 of this Article is implementing international practices, methodology and EU directives by the Service, and sharing experience on the basis of agreements and treaties signed with international organizations active in this field.

3. Cooperation with local organizations, provided for in Paragraph 1 of this Article,

implies cooperation and coordinated work of the Service with public institutions, including cooperation with those public agencies that exercise the regulation/supervision of the entities which, according to Georgian legislation, are required to prepare financial statements or/ and have an audit done.

4. The Service shall cooperate with professional organizations and entities defined in Article 11 of this Law.

Chapter VII

Liability and Dispute Resolution

Article 23. Liability for Violation of this Law

1. The Service shall apply simultaneously or/and separately in sequence, for violation of this Law and the normative acts issued on its basis, and in proportion to the given significance of a violation and the potential risks:

a) The following sanctions against an Engagement Partner Auditor/ Audit Firm under this Law, a:

a.a) Written warning;

a.b) Public warning (reflected in Auditors' Registry);

a.c) Pecuniary penalty;

a.d) Delisting of the Auditor/ Audit Firm from the Registry;

a.e) Temporary, maximum 3-year, prohibition for an auditor/ audit firm or engagement partner to perform an audit or/and sign an audit opinion and for partners/ shareholders of audit firm to fulfill functions.

b) The following sanctions are defined under this Law against a Professional Organization:

b.a) Written warning;

b.b) Pecuniary penalty;

b.c) Depriving the rights granted under Paragraphs 2 and 3, Article 11 of this Law.

c) The following sanctions are defined against a Specialized Examination Body:

c.a) Written warning;

c.b) Pecuniary Penalty

c.c) Depriving the rights granted under Paragraphs 2 and 3, Article 11 of this Law.

d) The following sanctions shall be applied against those PIEs and first, second, third and fourth category enterprises that are not subject to Regulation/ Supervision:

d.a) Written warning;

d.b) Pecuniary Penalty

d.c) Prohibit a PIE governance body member to exercise their functions temporarily, for a maximum of three years.

2. Sanctions for violations of this Law, and legal acts issued on its basis, against entities subject to supervision /regulation shall be defined by the respective Regulatory/ Supervisory body.

3. Liability imposed for violation of this Law and normative acts issued on their basis shall not relieve the persons from the responsibility to meet the requirement.

4. Sanctions applied in accordance with this Article shall be proportionate to the offence and potential risk.

5. Pecuniary paid shall be directed to the budget according to the procedure set under the Budget Code of Georgia.

Article 24. Liability of an Auditor/ Audit Firm /Engagement Partner

1. In the case of the non-fulfillment of requirements of this Law and regulations issued on its bases, the Service shall be entitled to prohibit an Auditor/ Audit Firm or Engagement Partner to perform audits or/and sign audit opinions, and partners/shareholders of an audit firm to fulfill audit services, temporarily, though for no longer than three years.

2. Failure to comply with the international standards, and audit quality system monitoring requirements provided for in Chapter V of this Law (including relevant international standards, rules set under Article 16, requirements for quality control system and its monitoring) shall entail penalizing an Auditor/ Audit Firm or/ and respective Engagement Partner - in the amount of GEL 500 – 5,000 or/ and delisting from the registry;

3. Failure to meet the regulations for registration proceedings provided for in Chapter IV, shall entail delisting an Auditor/ Audit Firm from the Registry or suspending its authority to pursue audit or/and penalizing in the amount up to GEL 1,000.

4. Failure to meet the professional liability insurance requirement envisaged under Article 17 of this Law shall entail a warning to an Auditor / Audit Firm in writing. In the case of non-fulfillment of the Service's written warning, the latter shall be entitled to make a decision on delisting an Auditor/ Audit Firm from the Registry.

Article 25. Liability of Professional Organization and Specialized Examination Body

1. If a Professional Organization or/ and a Specialized Examination Body refuses or avoids cooperation with the Service it shall receive a warning in writing. In the event of a repetition of such case, the Service shall be entitled to deprive the Professional Organization or/ and Specialized Examination Body of the right assigned under recognition procedure, provided for in Article 11 of this Law.

2. Violations of the requirements of Article 10, as well as violations of the professional certification and continuous education requirements shall entail penalizing the Professional Organization or/ and Specialized Examination Body in the amount ranging between GEL 500 – 5,000.

Article 26. Responsibilities of Entities

1. Failure to meet the requirements for accounting and preparation/ consolidation of financial statements provided for in Article 3(8) of this Law and requirements envisaged under Article 7, Article 8, Article 9 (paragraphs 2 and 4) and Article 16 (paragraph 11) or/and evasion of audit shall result in:

- a) penalizing fourth category enterprises by GEL 500
- b) penalizing third category enterprises by GEL 1,000
- c) penalizing second category enterprises by GEL 5,000
- d) penalizing first category enterprises and PIEs by GEL 10,000.

2. In the event provided for in Paragraph 1 of this Article, the Service may apply written warning instead of pecuniary penalty for offences. In the event of failure to meet the written warning of the Service and/or non-fulfillment of the warning within a month following its imposing, the penalty shall be doubled.

3. In the event of failure to meet the requirement provided for in Article 6(1) of this Law, the entity shall be penalized in accordance with Paragraph 1 of this Article. The Service shall send notification to an entity within 10 days following its imposing of a fine and define an additional term for the submission of audited financial statements. The period defined by the Service for an entity shall not be less than a month and not exceed 6 months. Failure by an entity to file audited financial statements within this timeframe shall double the penalty.

4. The Service performs an examination of an entity by means of a risk management system. On the basis of information available in the risk management system and provided by GRS, the Service makes decision on imposing liability on the entity.

Article 27. Procedure for Imposing Liability and Dispute Resolution

1. The grounds for commencement of offence case proceedings shall be the detection upon which an authorized person prepares a protocol on an administrative offence or/ and issues an individual administrative–legal act.

2. In the event of the revealing of offences provided for in Articles 24 – 26 of this Law, an individual administrative-legal act shall be issued by the Service or a person designated by the Head of the Service.

3. In the event of the revealing of offences provided for in Paragraph (2) of Article (23) of this Law, the offence protocol and/or individual administrative–legal act shall be compiled / issued by the relevant Regulatory/ Supervisory Body.

4. Disputes related with to individual administrative-legal act of the Service may be reviewed in the Board and the court. Claimants shall be entitled to apply to the court at any stage of the dispute review process.

5. Appealing the decision of the Service shall not result in its suspension.

6. The procedure for an appeal review shall be defined under the Decree of the Minister

of Finance of Georgia.

7. Administrative offence case proceedings provided for in this Law shall be conducted in accordance with the Administrative Breaches Code and the procedure set by the Service.

Chapter VIII

Transitional and Final Provisions

Article 28. Transitional Provisions

1. Within 4 months following the entry into force of this Law, the Minister of Finance of Georgia shall ensure:

- a) Approval of the Service regulations and issuance of normative acts related with its activities;
- b) Approval of the Board by-law and submission of candidacies for Board membership to the Prime Minister of Georgia for approval;
- c) Correspondence of normative acts issued by the Ministry with this Law;
- d) Implementation of activities required for funding the Service.

2. The Minister of Finance, within 2 months following the entry into force of this Law, shall ensure the submission of candidacies for the position of the Head of the Service to the Prime Minister of Georgia.

3. The Prime Minister shall ensure the appointment of the Head of the Service within 2 weeks following the nomination of a candidacy.

4. The Service shall ensure establishing the auditors' registry prior to November 1, 2016. During this period, audit firms/ auditors registered in accordance with the previous Law, as well as non-registered auditors acting in accordance with the law effective prior to 2016, shall have the right to perform audit without registration in the Registry defined under the present Law. An organization accredited under the Law of Georgia on Accounting and Auditing Financial Statements (of June 29, 2012; Georgian Legislative Herald (www.matsne.gov.ge), 13.07.2012, Registration Number: 260000000. 05. 001. 016869) shall provide data on the registry of statutory and non-statutory auditors to the Service.

5. The Service shall define the requirements of the quality assurance system and the rules for its monitoring by January 1, 2017.

6. The Service shall ensure the introduction of the standards referred to in Article 3 (2 (a) and (b)) and Article 14 (1, 2), as well as the international standards provided for in Article 16 (1) and Article 19 (2), before 31 December, 2017.

7. Those entities that have been performing audit prior to entry into force of this Law shall be entitled to submit audited financial statements to the Service within the timeframe set under Article 9(2) of this Law. The Service shall ensure the keeping of the

webpage and the publicity of financial statements presented by entities by January 1, 2018 in accordance with the set procedure.

8. For the purpose of segregating the audit and valuation professions, the Government of Georgia prior to December 31, 2017 shall draft a normative act on valuation activity, prior to entry into force of which:

a) The LEPL Accreditation Center, a Single National Agency of Accreditation under the Ministry of Economic and Sustainable Development, shall carry out the accreditation and monitoring of valuer professional organizations in accordance with rules and procedures adopted by the Accreditation Center;

b) A member of the International Valuation Standards Council (IVSC) as well as accredited bodies of valuers' certification shall ensure the availability of the Georgian version of the International Valuation Standards.

c) The right to render valuation services shall be granted only to those persons where a valuer certified by accredited certification body is employed. Evaluation shall be performed and the right to sign a valuation report/ opinion shall be granted to a valuer certified by accredited certification body.

d) A Certification body of valuers accredited by the Accreditation Center shall ensure quality monitoring of the education of certified persons, observance of ethical norms and quality of activities in accordance with the certification scheme.

9. An Audit Firm which, prior to effective date of this Law, was conducting the statutory audit as evidenced by the registry of persons having the right to perform statutory audit according to the Law of Georgia on Accounting and Auditing Financial Statements (of June 29, 2012; Georgian Legislative Herald (www.matsne.gov.ge), 13.07.2012, Registration Number: 260000000. 05. 001. 016869), or which audited financial statements of a PIE during the period from January 1, 2013 to November 1, 2016, can apply to the Service prior to November 30, 2016 for the temporary right to audit PIEs. The procedure for granting the temporary authority shall be set by the Service. The temporary right shall be effective before the findings of quality control system monitoring are known. The grounds for granting the temporary right shall be the information presented in the registration application on the quality control system and the information provided by those competent government or regulatory agencies to which the audit opinion was being submitted. The temporary right to perform PIE audit shall be granted prior to December 31, 2016 and be effective until December 31, 2017. The Service shall complete quality control system monitoring of an audit firm which applied to it with a request to perform quality control system monitoring and reflect the respective findings in the Registry by January 1, 2018. The temporary authority to perform PIE audit shall be abolished if a person having such authority does not apply to the Service with a request to perform quality control system monitoring. In addition, according to the Agreement a party of which is the Asset Administrator, the audit firms on the list approved under Resolution #360 (September 5, 2012) on *Approving the List of Entities, Auditing Financial Statements of Companies or/ and Issuers of Expert and Audit Opinions and State Owned Companies of the Government of Georgia* shall have the right to perform audit services until January

1, 2018, which are assigned the temporary right based on this Article. Moreover, for firms on the list adopted under Resolution #360 (September 5, 2012) on Approving the List of Entities, Auditing Financial Statements of Companies or/ and Issuers of Expert and Audit Opinions, according to the Agreement a party of which is the Asset Administrator, the right to perform audit shall be retained prior to completion of audit services envisaged under the contract signed prior to entry into force of the present Law, while the authority to render audit service provided for in the contract signed before January 1, 2017 shall be retained until March 1, 2017. In addition, audit firms provided for in this Paragraph shall meet the liabilities assumed under audit agreements before November 1, 2016 for the 2016 reporting or a prior period.

10. The Service shall ensure adoption of the procedure for assigning the temporary right provided for in Paragraph 9 of this Article by November 1, 2016. Resolution #360 (September 5, 2012) on Approving the List of Entities, Auditing Financial Statements of Companies or/ and Issuers of Expert and Audit Opinions and State Owned Companies of the Government of Georgia shall be abolished on January 1, 2017.

11. Prior to introducing financial reporting standards defined in Article 3(6) of this Law, fourth category enterprises shall use the temporary standard approved under the Resolution N9 (April 5, 2005) of the Accounting Standards Commission at the Parliament of Georgia on Approving the Simplified (Temporary) Accounting Standard of Small Enterprises. The Non-Entrepreneurial (Non-Profit) Legal Entities shall use the temporary standard approved under the Resolution N10 (April 5, 2005) of the Accounting Standards Commission at the Parliament of Georgia *on Approving the Temporary Accounting Standard and the Structure of the Chart of Accounts*. The Service shall introduce the standards defined under this Paragraph prior to December 31, 2017.

12. PIEs and the first and second category enterprises, shall meet requirements envisaged under Article 9 of this Law for the reporting period ending December 31, 2017 and the following periods, or if the entity's reporting period does not coincide with the calendar year, for the reporting period ending after December 31, 2017. Third and fourth category enterprises shall meet requirements provided in Article 9 of this Law for the period ending December 31, 2018 and the following periods, or if the entity's reporting period does not coincide with the calendar year, for the reporting period ending after December 31, 2018. Third and fourth category enterprises are entitled to file statements for that reporting period, for which filing is not required under the Law. The exception provided for in this paragraph shall not apply to that entity which according to the Law of Georgia on Accounting and Auditing Financial Statements (of June 29, 2012; Georgian Legislative Herald (www.matsne.gov.ge), 13.07.2012, Registration Number: 260000000. 05. 001. 016869) is subject to statutory audit.

13. Holders of auditor's certificates issued by the Board of the Audit Council at the Parliament of Georgia, whose certificates are valid as of January 1, 2013, and holders of professional accountants' certificates issued by an accredited body by the effective date of this Law are considered as certified accountants. For persons provided for in this Paragraph, the requirement defined under Paragraph 4(b) of Article 13 of this Law shall be deemed met if such a person prior to the entry into force of this Law was rendering

audit services independently on behalf of an audit firm or with the status of an auditor or engagement partner as evidenced in writing.

14. For persons who at least during seven years prior to entry into force of this Law were engagement partners and in accordance with this Law do not represent certified accountants, the Service shall introduce a simplified procedure of professional certification within six months following the effective date of this Law. Persons provided for in this paragraph shall pass tests under the simplified procedure within one year following the entry into force of this procedure. For persons envisaged under this paragraph, the requirement provided for in Paragraph 4 (b), Article 13 of this Law shall be deemed met if such a person passes the quality control system monitoring.

15. The Service shall perform quality control system monitoring prior to September 1, 2017 based only on the application of an auditor/ audit firm, while starting from September 1, 2017, it will make it a mandatory procedure.

16. The following standards, translated into the official language by a member of IFAC and published, are effective until the introduction by the Service from June 1, 2016 of international standards, as referred to in Paragraph 6 of this Article:

- a) International Financial Reporting Standards (IFRS);
- b) International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs);
- c) The latest versions of the International Standards on Auditing (ISA) and the IESBA Code set by the International Federation of Accountants (IFAC).
- d) International Standards on Quality Control (ISQC) and International Standards on other assurance and related services, as adopted by the International Auditing and Assurance Standards Board (IAASB)

17. Normative acts adopted under the Resolution of the Board of the Audit Council and Accounting Standards Commission at the Parliament of Georgia, as well as those effective in the field of accounting and audit as of January 1, 2013, shall remain valid until the effective date of standards and rules provided for in this Law. In addition, the respective Supervisory Body or/and the Service shall set/ amend the rules for use of Charts of Accounts for the industries subject to supervision by oversight/ regulatory body under the Resolutions of the Accounting Standards Commission at the Parliament of Georgia.

18. The Service is a legal successor of the Audit Council at the Parliament of Georgia.

19. In the event provided for in Article 21 (1) of this Law, within a month following the staffing of the Board, based on nomination of professional organizations, 2 practitioners shall be invited to the Board prior to January 1, 2018 under the Board's decision.

20. The Government of Georgia shall ensure compliance of respective legal acts with this Law by January 1, 2017.

21. Pursuant to Article 21(6) of this Law, Professional Organizations shall be entitled to nominate 2 candidacies for Board membership, which do not meet requirement of the

Article 2 (1 z) of this Law. In the case of election as a Board member, the term of office shall be 1 year.

Article 29. Annulment of the Normative Act upon Entry into Force of the Law

Upon entry into force of the present Law, the Law of Georgia RS 6598 of June 29, 2012 on Accounting and Auditing Financial Statements (of June 29, 2012; Georgian Legislative Herald (www.matsne.gov.ge), 13.07.2012, Registration Number: 260000000. 05. 001. 016869) shall be declared null and void.

Article 30. Final Provisions

1. The present Law, except for Article 5 (6b), Article 7, Article 8, Article 13 (5b) and Article 26 (1) shall come into force upon its promulgation.
2. Article 5 (6b), Article 7, Article 8, Article 13 (5b) and Article 26 (1 c and d) shall come into force on January 1, 2018.
3. Article 26 ((a) and (b)) shall come into force on January 1, 2019.
4. Article 28 (16) shall apply to legal relations emerging after June 1, 2016.

Giorgi Margvelashvili
President of Georgia
Kutaisi
June 8, 2016
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