

## TRANSPOSITION TABLE

<p><b>European legislation:</b></p> <p><b>1. DIRECTIVE 2006/43/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1413881876519&amp;uri=CELEX:02006L0043-20140616">http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1413881876519&amp;uri=CELEX:02006L0043-20140616</a>)</b></p> <p><b>2. DIRECTIVE 2014/56/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1413881964695&amp;uri=CELEX:32014L0056">http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1413881964695&amp;uri=CELEX:32014L0056</a>)</b></p>
<p><b>National legislation:</b></p> <ol style="list-style-type: none"> <li>1. <b>LAW OF GEORGIA on Accounting, Reporting and Auditing (law on accounting and auditing)</b></li> <li>2. <b>Entrepreneurs Law of Georgia (<a href="https://matsne.gov.ge/index.php?option=com_ldmssearch&amp;view=docView&amp;id=28408&amp;impose=translationEn&amp;lang=ge">https://matsne.gov.ge/index.php?option=com_ldmssearch&amp;view=docView&amp;id=28408&amp;impose=translationEn&amp;lang=ge</a>)</b></li> <li>3. <b>ISA (<a href="http://www.ifac.org/auditing-assurance/clarity-center/clarified-standards_">http://www.ifac.org/auditing-assurance/clarity-center/clarified-standards_</a>)</b></li> <li>4. <b>HANDBOOK OF INTERNATIONAL QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE, AND RELATED SERVICES PRONOUNCEMENTS, PART I - 2014 EDITION (<a href="https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a">https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a</a>)</b></li> <li>5. <b>HANDBOOK OF INTERNATIONAL QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE, AND RELATED SERVICES PRONOUNCEMENTS, PART II - 2014 EDITION (<a href="https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a">https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a</a>)</b></li> <li>6. <b>SUPPLEMENT TO THE HANDBOOK OF INTERNATIONAL QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE, AND RELATED SERVICES PRONOUNCEMENTS, PART III - 2014 EDITION (<a href="https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a">https://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a</a>)</b></li> <li>7. <b>HANDBOOK OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS, 2014 EDITION (<a href="https://www.ifac.org/publications-resources/2014-handbook-code-ethics-professional-accountants">https://www.ifac.org/publications-resources/2014-handbook-code-ethics-professional-accountants</a>)</b></li> <li>8. <b>SARAS Regulation on Maintenance of the Website and Registry in the Electronic Form, its Structure, Form, the List of Information Provided therein and Identification of Users (<a href="https://matsne.gov.ge/ka/document/view/3422918">https://matsne.gov.ge/ka/document/view/3422918</a>)</b></li> </ol>
<p>THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty establishing the European Community, and in particular Article 44(2)(g) thereof, Having regard to the proposal from the Commission, Having regard to the opinion of the European Economic and Social Committee, Acting in accordance with the procedure laid down in Article 251 of the Treaty, Whereas:</p>
<ol style="list-style-type: none"> <li>1) Currently, the Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies, the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts, Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions and Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings require that the annual accounts or consolidated accounts be audited by one or more persons entitled to carry out such audits.</li> <li>2) The conditions for the approval of persons responsible for carrying out the statutory audit were laid down in the Eighth Council Directive 84/253/EEC of 10 April 1984 on the approval of persons responsible for carrying out the statutory audits of accounting documents.</li> <li>3) The lack of a harmonised approach to statutory auditing in the Community was the reason why the Commission proposed, in its 1998 Communication on the statutory audit in the European Union: the way forward, the creation of a Committee on Auditing which could develop further action in close cooperation with the accounting profession and Member States.</li> <li>4) On the basis of the work of that Committee, on 15 November 2000 the Commission issued a Recommendation on quality assurance for the statutory audit in the European Union: minimum requirements and on 16 May 2002 a Recommendation on Statutory Auditors' Independence in the EU: A Set of Fundamental Principles.</li> <li>5) This Directive aims at high-level — though not full — harmonisation of statutory audit requirements. A Member State requiring statutory audit may impose more stringent requirements, unless otherwise provided for by this Directive.</li> </ol>

6)	Audit qualifications obtained by statutory auditors on the basis of this Directive should be considered equivalent. It should therefore no longer be possible for Member States to insist that a majority of the voting rights in an audit firm must be held by locally approved auditors or that a majority of the members of the administrative or management body of an audit firm must be locally approved.
7)	The statutory audit requires adequate knowledge of matters such as company law, fiscal law and social law. Such knowledge should be tested before a statutory auditor from another Member State can be approved.
8)	In order to protect third parties, all approved auditors and audit firms should be entered in a register which is accessible to the public and which contains basic information concerning statutory auditors and audit firms.
9)	Statutory auditors should adhere to the highest ethical standards. They should therefore be subject to professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care. The public-interest function of statutory auditors means that a broader community of people and institutions rely on the quality of a statutory auditor's work. Good audit quality contributes to the orderly functioning of markets by enhancing the integrity and efficiency of financial statements. The Commission may adopt implementing measures on professional ethics as minimum standards. When doing so, it might consider the principles contained in the International Federation of Accountants (IFAC) Code of Ethics.
10)	It is important that statutory auditors and audit firms respect the privacy of their clients. They should therefore be bound by strict rules on confidentiality and professional secrecy which, however, should not impede proper enforcement of this Directive. Those confidentiality rules should also apply to any statutory auditor or audit firm which has ceased to be involved in a specific audit task.
11)	Statutory auditors and audit firms should be independent when carrying out statutory audits. They may inform the audited entity of matters arising from the audit, but should abstain from the internal decision processes of the audited entity. If they find themselves in a situation where the significance of the threats to their independence, even after application of safeguards to mitigate those threats, is too high, they should resign or abstain from the audit engagement. The conclusion that there is a relationship which compromises the auditor's independence may be different as regards the relationship between the auditor and the audited entity from that in respect of the relationship between the network and the audited entity. Where a cooperative within the meaning of Article 2(14), or a similar entity as referred to in Article 45 of Directive 86/635/EEC, is required or permitted under national provisions to be a member of a non-profit-making auditing entity, an objective, reasonable and informed party would not conclude that the membership-based relationship compromises the statutory auditor's independence, provided that when such an auditing entity is conducting a statutory audit of one of its members, the principles of independence are applied to the auditors carrying out the audit and those persons who may be in a position to exert influence on the statutory audit. Examples of threats to the independence of a statutory auditor or audit firm are a direct or indirect financial interest in the audited entity and the provision of additional non-audit services. Also, the level of fees received from one audited entity and/or the structure of the fees can threaten the independence of a statutory auditor or audit firm. Types of safeguards to be applied to mitigate or eliminate those threats include prohibitions, restrictions, other policies and procedures, and disclosure. Statutory auditors and audit firms should refuse to undertake any additional non-audit service that compromises their independence. The Commission may adopt implementing measures on independence as minimum standards. In doing so, the Commission might take into consideration the principles contained in the abovementioned Recommendation of 16 May 2002. In order to determine the independence of auditors, the concept of a 'network' in which auditors operate needs to be clear. In this regard, various circumstances have to be taken into account, such as instances where a structure could be defined as a network because it is aimed at profit- or cost-sharing. The criteria for demonstrating that there is a network should be judged and weighed on the basis of all factual circumstances available, such as whether there are common usual clients.
12)	In cases of self-review or self-interest, where appropriate to safeguard the statutory auditor's or audit firm's independence, it should be for the Member State rather than the statutory auditor or the audit firm to decide whether the statutory auditor or audit firm should resign or abstain from an audit engagement with regard to its audit clients. However, this should not lead to a situation where Member States have a general duty to prevent statutory auditors or audit firms from providing non-audit services to their audit clients. For the purposes of determining whether it is appropriate, in cases of self-interest or self-review, that a statutory auditor or audit firm should not carry out statutory audits, so as to safeguard the statutory auditor's or audit firm's independence, the factors to be taken into account should include the question whether or not the audited public-interest entity has issued transferable securities admitted to trading on a regulated market within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
13)	It is important to ensure consistently high quality in all statutory audits required by Community law. All statutory audits should therefore be carried out on the basis of international auditing standards. Measures implementing those standards in the Community should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission. A technical committee or group on auditing should assist the Commission in the assessment of the technical soundness of all the international auditing standards, and should also involve the system of public oversight bodies of the Member States. In order to achieve a maximum degree of harmonisation, Member States should be allowed to impose additional national audit procedures or requirements only if these stem from specific national legal requirements relating to the scope of the statutory audit of annual or consolidated accounts, meaning that those requirements have not been covered by the adopted international auditing standards. Member States could maintain those additional audit procedures until the audit procedures or requirements have been covered by subsequently adopted international auditing standards. If, however, the adopted international auditing standards contain audit procedures the performance of which would create a specific legal conflict with national law stemming from specific national requirements related to the scope of the statutory audit, Member States may carve out the conflicting part of the international auditing standard as long as those conflicts exist, provided the measures referred to in Article 26(3) are applied. Any addition or carving out by Member States should add a high level of credibility to the annual accounts of companies and be conducive to the public good. The above implies that Member States may, for example, require an additional auditor's report to the supervisory board or prescribe other reporting and audit requirements based on national corporate governance rules.
14)	For the Commission to adopt an international auditing standard for application in the Community, it must be generally accepted internationally and have been developed with full participation of all interested parties following an open and transparent procedure, add to the credibility and quality of annual accounts and consolidated accounts and be conducive to the European public good. The need for the adoption of an International Auditing Practice Statement as part of a standard should be assessed in accordance with Decision 1999/468/EC on a case-by-case basis. The Commission should ensure that before the start of the adoption process a review is conducted in order to verify whether those requirements have been met and report to members of the Committee set up under this Directive on the outcome of the review.
15)	In the case of consolidated accounts, it is important that there be a clear definition of responsibilities as between the statutory auditors who audit components of the group. For this purpose, the group auditor should bear full responsibility for the audit report.
16)	In order to increase comparability between companies applying the same accounting standards, and to enhance public confidence in the audit function, the Commission may adopt a common audit report for the audit of annual accounts or consolidated accounts prepared on the basis of approved international accounting standards, unless an appropriate standard for such a report has been adopted at Community level.

17)	Regular inspections are a good means of achieving a consistently high quality in statutory audits. Statutory auditors and audit firms should therefore be subject to a system of quality assurance that is organised in a manner which is independent from the reviewed statutory auditors and audit firms. For the application of Article 29 on quality assurance systems, Member States may decide that if individual auditors have a common quality assurance policy, only the requirements for audit firms need to be considered. Member States may organise the system of quality assurance in such a manner that each individual auditor is to be subject to a quality assurance review at least every six years. In this respect, the funding for the quality assurance system should be free from undue influence. The Commission should have the competence to adopt implementing measures in matters relevant to the organisation of quality assurance systems, and in respect of its funding, in cases where public confidence in the quality assurance system is seriously compromised. The public oversight systems of Member States should be encouraged to find a coordinated approach to the carrying-out of quality assurance reviews with a view to avoiding the imposition of unnecessary burdens on the parties concerned.
18)	Investigations and appropriate penalties help to prevent and correct inadequate execution of a statutory audit.
19)	Statutory auditors and audit firms are responsible for carrying out their work with due care and thus should be liable for the financial damage caused by a lack of the care owed. However, the auditors' and audit firms' ability to obtain professional indemnity insurance cover may be affected by whether they are subject to unlimited financial liability. For its part, the Commission intends examining these issues, taking into account the fact that liability regimes of the Member States may vary considerably.
20)	Member States should organise an effective system of public oversight for statutory auditors and audit firms on the basis of home country control. The regulatory arrangements for public oversight should make possible effective cooperation at Community level in respect of the Member States' oversight activities. The public oversight system should be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit. These non-practitioners may be specialists who have never been linked with the audit profession or former practitioners who have left the profession. Member States may, however, allow a minority of practitioners to be involved in the governance of the public oversight system. Competent authorities of Member States should cooperate with each other whenever necessary for the purpose of carrying out their oversight duties on statutory auditors or audit firms approved by them. Such cooperation can make an important contribution to ensuring consistently high quality in the statutory audit in the Community. Since it is necessary to ensure effective cooperation and coordination at European level among competent authorities designated by Member States, the designation of one entity, responsible for ensuring cooperation, should be without prejudice to the ability of each single authority to cooperate directly with the other competent authorities of the Member States.
21)	In order to ensure compliance with Article 32(3) on principles of public oversight, a non-practitioner is deemed to be knowledgeable in the areas relevant to the statutory audit either because of his or her past professional skill or, alternatively, because he or she has knowledge of at least one of the subjects listed in Article 8.
22)	The statutory auditor or audit firm should be appointed by the general meeting of shareholders or members of the audited entity. In order to protect the independence of the auditor it is important that dismissal should be possible only where there are proper grounds and if those grounds are communicated to the authority or authorities responsible for public oversight.
23)	Since public-interest entities have a higher visibility and are economically more important, stricter requirements should apply in the case of a statutory audit of their annual or consolidated accounts.
24)	Audit committees and an effective internal control system help to minimise financial, operational and compliance risks, and enhance the quality of financial reporting. Member States might have regard to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, which sets out how audit committees should be established and function. Member States may determine that the functions assigned to the audit committee or a body performing equivalent functions may be performed by the administrative or supervisory body as a whole. With regard to the duties of the audit committee under Article 41, the statutory auditor or audit firm should in no way be subordinated to the committee.
25)	Member States may also decide to exempt public-interest entities which are collective investment undertakings whose transferable securities are admitted to trading on a regulated market from the requirement to have an audit committee. This option takes into account the fact that where a collective investment undertaking functions merely for the purpose of pooling assets, the employment of an audit committee will not always be appropriate. The financial reporting and related risks are not comparable to those of other public-interest entities. In addition, undertakings for collective investment in transferable securities (UCITS) and their management companies operate in a strictly defined regulatory environment and are subject to specific governance mechanisms such as controls exercised by their depositary. For those collective investment undertakings which are not harmonised by Directive 85/611/EEC but are subject to equivalent safeguards as provided for by that Directive, Member States should, in this particular case, be allowed to provide for equal treatment with Community-harmonised collective investment undertakings.
26)	In order to reinforce the independence of auditors of public-interest entities, the key audit partner(s) auditing such entities should rotate. To organise such rotation, Member States should require a change of key audit partner(s) dealing with an audited entity, while allowing the audit firm with which the key audit partner(s) is/are associated to continue being the statutory auditor of such entity. Where a Member State considers it appropriate in order to attain the objectives pursued, that Member State might, alternatively, require a change of audit firm, without prejudice to Article 42(2).
27)	The interrelation of capital markets underlines the need also to ensure high-quality work performed by auditors from third countries in relation to the Community capital market. The auditors concerned should therefore be registered so as to make them subject to quality assurance reviews and to the system of investigations and penalties. Derogations on the basis of reciprocity should be possible subject to an equivalence testing to be performed by the Commission in cooperation with Member States. In any case, an entity which has issued transferable securities on a regulated market within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC should always be audited by an auditor either registered in a Member State or overseen by competent authorities of the third country from which the auditor comes from, provided that the said third country is acknowledged by the Commission or a Member State as meeting the requirements equivalent to Community requirements in the field of principles of oversight, quality assurance systems and systems of investigations and penalties, and that the basis of this arrangement is reciprocity. While one Member State may consider a third country's quality assurance system equivalent, other Member States should not be bound to accept that assessment, nor should the Commission's decision be pre-empted thereby.
28)	The complexity of international group audits requires good cooperation between the competent authorities of Member States and those of third countries. Member States should therefore ensure that competent authorities of third countries can have access to audit working papers and other documents through the national competent authorities. In order to protect the rights of the parties concerned and at the same time facilitate access to those papers and documents, Member States should be allowed to grant direct access to the competent authorities of third countries, subject to the agreement of the national competent authority. One of the relevant criteria for the granting of access is whether the competent authorities in third countries meet requirements which the Commission has declared adequate. Pending such a decision by the Commission, and without prejudice thereto, Member States may assess whether the requirements are adequate.

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29)	Disclosure of information as referred to in Articles 36 and 47 should be in accordance with the rules on the transfer of personal data to third countries as laid down in Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.
30)	The measures necessary for the implementation of this Directive should be adopted in accordance with Decision 1999/468/EC and with due regard to the declaration made by the Commission in the European Parliament on 5 February 2002 concerning the implementation of financial services legislation.
31)	The European Parliament should be given a period of three months from the first transmission of law amendments and implementing measures to allow it to examine them and to give its opinion. However, in urgent and duly justified cases, it should be possible to shorten that period. If, within that period, a resolution is adopted by the European Parliament, the Commission should re-examine the law amendments or measures.
32)	Since the objectives of this Directive — namely requiring the application of a single set of international auditing standards, the updating of the educational requirements, the definition of professional ethics and the technical implementation of the cooperation between competent authorities of Member States and between those authorities and the authorities of third countries, in order further to enhance and harmonise the quality of statutory audit in the Community and to facilitate cooperation between Member States and with third countries so as to strengthen confidence in the statutory audit — cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale and effects of this Directive, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.
33)	With a view to rendering the relationship between the statutory auditor or audit firm and the audited entity more transparent, Directives 78/660/EEC and 83/349/EEC should be amended so as to require disclosure of the audit fee and the fee paid for non-audit services in the notes to the annual accounts and the consolidated accounts.
34)	Directive 84/253/EEC should be repealed because it lacks a comprehensive set of rules to ensure an appropriate audit infrastructure, such as public oversight, disciplinary systems and systems of quality assurance, and because it does not provide specifically for regulatory cooperation between Member States and third countries. In order to ensure legal certainty, there is a clear need to indicate that statutory auditors and audit firms that have been approved under Directive 84/253/EEC are considered as approved under this Directive,
HAVE ADOPTED THIS DIRECTIVE:	
<b>CONVENTIONAL SIGNS:</b>	
<b>C – full conformity</b>	
<b>NC – not in conformity</b>	
<b>PC – partial conformity</b>	
<b>NA – not applicable</b>	
<b>TBC – to be clarified</b>	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<b>CHAPTER I. SUBJECT MATTER AND DEFINITIONS</b>			
<i>Article 1. Subject matter</i>			
<p>This Directive establishes rules concerning the statutory audit of annual and consolidated accounts.</p> <p><a href="#">Article 29</a> of this Directive shall not apply to the statutory audit of annual and consolidated financial statements of <b>public-interest entities</b> unless specified in <a href="#">Regulation (EU) No 537/2014 of the European Parliament and the Council</a>.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 1. Scope of the Law</b></p> <p><b>1.</b> The present Law sets legal framework in Georgia for accounting, preparing and filing financial and management reports (as well as report on payments made to the state according to this Law), professional certification, auditing (service) and quality assurance, public oversight and imposing responsibility in these areas.</p>	C	<p>The term “statutory” is not used as all types of financial audit both statutory and voluntary are covered under the Law. The Regulation (EU) No 537/2014 of the European Parliament and the Council is only partially integrated into the Law.</p>
<i>Article 2. Definitions</i>			
<p>For the purpose of this Directive, the following definitions shall apply:</p> <p>1. ‘<b>statutory audit</b>’ means an audit of annual financial statements or consolidated financial statements in so far as:</p> <p>(a) required by Union law;</p> <p>(b) required by national law as regards small undertakings;</p> <p>(c) voluntarily carried out at the request of small undertakings which meets national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as statutory audits;</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 2. Definitions of Terms</b></p> <p><b>f) Auditing (Service)</b> - work carried out by an auditor / audit firm in accordance with the International Standards on Auditing aimed at:</p> <p><b>f.a)</b> expressing auditor’s /audit firm’s opinion in all material respects on authenticity and completeness of financial statements (including special purpose statements) prepared in accordance with the respective reporting requirements;</p> <p><b>f.b)</b> expressing opinion of auditor / audit firm by review of financial statements;</p> <p><b>f.c)</b> expressing or making the respective opinion on the other substantiated or/and limited assurance engagement;</p> <p><b>f.d)</b> achieving other objectives provided for in Article 14 (2) of this Law;</p>	C	<p>Even though, the definition of audit under the Law is broader and includes all kinds of financial audits and not just statutory ones, the definition cannot be considered incompatible with the Directive.</p>

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
2. <b>'statutory auditor'</b> means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits;	<b>Law on accounting and auditing:</b>  <b>Article 2. Definitions of Terms</b> <b>g) Auditor</b> –a certified accountant, who is a member of a Professional Organization of Accountants or/ and Auditors and is registered in the State Registry of Auditors /Audit Firms (hereinafter the Registry) and is authorized to perform audit (service), inter alia, on an individual basis;	C	The definition of auditor in Art 2.g of the Law conforms to the Directive; the requirements for auditors are listed in Chapter V of the Law and conform in general to the Directive requirements.
3. <b>'audit firm'</b> means a legal person or any other entity, regardless of its legal form, that is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits;	<b>Law on accounting and auditing:</b>  <b>Article 2. Definitions of Terms</b> <b>h) Audit Firm</b> 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);	C	
4. <b>'third-country audit entity'</b> means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3;		NC	N/A
5. <b>'third-country auditor'</b> means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Articles 3 and 44;		NC	N/A
6. <b>'group auditor'</b> means the statutory auditor(s) or audit firm(s) carrying out the statutory audit of consolidated accounts;	<b>ISA 600 Special considerations—audits of group financial statements (including the work of component auditors)</b>  <b>9. For purposes of the ISAs, the following terms have the meanings attributed below:</b>	C	Covered by ISA only

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>(e) <b>Group</b> – All the components whose financial information is included in the group financial statements. A group always has more than one component.</p> <p>(f) <b>Group audit</b> – The audit of group financial statements.</p> <p>(h) <b>Group engagement partner</b> – The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor’s report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.</p>		
<p>7. <b>‘network’</b> means the larger structure:</p> <p>— which is aimed at cooperation and to which a statutory auditor or an audit firm belongs, and</p> <p>— which is clearly aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources;</p>	<p><b>ISQC 1 Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</b></p> <p>12. In this ISQC, the following terms have the meanings attributed below:</p> <p>(l) <b>Network</b> – A larger structure:</p> <p>(i) That is aimed at cooperation, and</p> <p>(ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.</p>	C	Covered by ISQC only

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p><b>ISA 220 Quality control for an audit of financial statements</b></p> <p>7. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>(j) <b>Network</b> – A larger structure:</p> <p>(i) That is aimed at cooperation, and</p> <p>(ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.</p>		
<p>8. ‘<b>affiliate of an audit firm</b>’ means any undertaking, regardless of its legal form, which is connected to an audit firm by means of common ownership, control or management;</p>	<p><b>Article 19. Audit Quality Assurance</b></p> <p><b>12.</b> A person shall be prohibited to perform quality control system monitoring if such person has been a partner/ shareholder, engagement partner, employee or the other affiliate of that Auditor/ Audit Firm the quality control monitoring of which is being conducted. This requirement shall be effective for three years following the end of such relations.</p>	PC	<p>Only in the context of the Audit Quality Assurance</p>
<p>9. ‘<b>audit report</b>’ means the report referred to in Article 51a of Directive 78/660/EEC and Article 37 of Directive 83/349/EEC issued by the statutory auditor or audit firm;</p>	<p>ISA 700</p> <p><b>Auditor’s Report</b></p> <p>The auditor’s report shall be in writing.</p> <p>Auditor’s Report for Audits Conducted in Accordance with International Standards on Auditing</p> <p>Title</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>The auditor’s report shall have a title that clearly indicates that it is the report of an independent auditor.</p> <p>Addressee</p> <p>The auditor’s report shall be addressed as required by the circumstances of the engagement.</p> <p>Introductory Paragraph</p> <p>The introductory paragraph in the auditor’s report shall: (a) Identify the entity whose financial statements have been audited; (b) State that the financial statements have been audited; (c) Identify the title of each statement that comprises the financial statements; (d) Refer to the summary of significant accounting policies and other explanatory information; and (e) Specify the date or period covered by each financial statement comprising the financial statements.</p> <p>Auditor’s Responsibility</p> <p>The auditor’s report shall include a section with the heading “Auditor’s Responsibility.”</p> <p>The auditor’s report shall state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit. The auditor’s report shall state that the audit was conducted in accordance with International Standards on Auditing. The auditor’s report shall also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</p>		
<p>10. ‘competent authorities’ means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to ‘competent authority’ in a specific Article</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p>	<p>C</p>	<p>There is no definition of the competent authority in the Law, however chapter VI is devoted to the organization of the public</p>

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<p>means a reference to the authority responsible for the functions referred to in that Article;</p>	<p>i) <b>Accounting, Reporting and Auditing Oversight Service (hereinafter the Service)</b> – a public subordinated agency of the Ministry of Finance of Georgia (hereinafter the Ministry);</p>		<p>oversight system and its relevant bodies. The ‘Accounting, Reporting and Auditing Service’ conforms to the Directive’s definition of Competent Authority.</p>
<p>11. <b>‘international accounting standards’</b> means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 3. Legal Framework for Accounting and Reporting</b></p> <p>2. Accounting and financial reporting standards consist of:</p> <p>a) International Financial Reporting Standards (IFRS);</p> <p>b) International Financial Reporting Standards for Small and Medium-sized Businesses (IFRS for SMEs);</p> <p>...</p> <p>3. International Financial Reporting Standards (IFRS) represent full set of standards adopted and published by the International Accounting Standards Board (IASB) or its successor body and include:</p> <p>a) International Financial Reporting Standards (IFRS);</p> <p>b) International Accounting Standards (IAS);</p> <p>c) Interpretations adopted by International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC).</p> <p>4. International Financial Reporting Standards for Small and Medium-sized Businesses (IFRS for SMEs) represent international financial reporting standards for enterprises of the</p>	<p>C</p>	

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	second and third categories approved by the International Accounting Standards Board (IASB) or its successor body.		
<p>12. ‘<b>public-interest entities</b>’ means:</p> <p>(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;</p> <p>(b) credit institutions as defined in point 1 of Article 3(1)<sup>1</sup> of <a href="#">Directive 2013/36/EU of the European Parliament and of the Council</a>, other than those referred to in Article 2 of that Directive;</p> <p>(c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC; or</p> <p>(d) entities <b>designated</b> by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>x) <b>Public Interest Entity</b> (hereinafter PIE) – a legal entity, which represents:</p> <p>x.a) reporting enterprise the securities of which are traded at the stock exchange in accordance with the Law of Georgia on Securities Market;</p> <p>x.b) a commercial bank and a qualified credit institution - in accordance with the Organic Law of Georgia on the National Bank of Georgia;</p> <p>x.c) microfinance organization – in accordance with the Law of Georgia on Microfinance Organizations;</p> <p>x.d) an insurer- in accordance with the Law of Georgia on Insurance;</p> <p>x.e) a founder of non-state pension scheme – in accordance with the Law of Georgia on Non-State Pension Insurance and Welfare;</p> <p>x.f) an investment fund - in accordance with the Law of Georgia on Investment Funds;</p> <p>x.g) Non-bank deposit institution – credit union – in accordance with the Law of Georgia on Non-Bank Deposit Institutions – Credit Union;</p> <p>x.h) Entities defined as PIEs by the Government of Georgia;</p>	C	
<p>13. ‘<b>cooperative</b>’ means a European Cooperative Society as defined in Article 1<sup>2</sup> of <a href="#">Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a</a></p>	<b>Entrepreneurs Law of Georgia:</b>	C	

<sup>1</sup> „credit institution” means an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

<sup>2</sup> 1. A cooperative society may be set up within the territory of the Community in the form of a European Cooperative Society (SCE) on the conditions and in the manner laid down in this Regulation. 2. The subscribed capital of an SCE shall be divided into shares. 2. The number of members and the capital of an SCE shall be variable. Unless otherwise provided by the statutes of the SCE when that SCE is formed, no member shall be liable for more than the amount he/she has subscribed. Where the members of the SCE have limited liability, the name of the SCE shall end in "limited". 3. An SCE shall have as its principal object the satisfaction of its

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<p><a href="#">European Cooperative Society (SCE)</a>, or any other cooperative for which a statutory audit is required under Community law, such as credit institutions as defined in point 1 of Article 1 of Directive 2000/12/EC and insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC;</p>	<p><b>Article 60 – Concept</b></p> <p>60.1. A Cooperative shall be a company based on the labour activity of its members or established for developing the business and increasing the income of the members. The objective of a cooperative shall be the satisfaction of interests of the members. A cooperative shall not aim primarily at gaining profit.</p> <p>Cooperatives shall include:</p> <ul style="list-style-type: none"> <li>a) cooperatives obtaining raw materials for members by way of extracting raw materials;</li> <li>b) cooperatives jointly selling agricultural products or hunting and fishery produce;</li> <li>c) cooperatives producing agricultural products and manufacturing different articles, and selling them at joint expenses (agricultural and production cooperatives);</li> <li>d) cooperatives buying consumer goods by wholesale and selling them by retail;</li> <li>e) cooperatives buying and producing, as well as jointly using material and technical resources necessary for agricultural production or for hunting and fishing;</li> <li>f) agricultural-credit cooperatives;</li> <li>g) consumer (diversified) cooperatives whose legal, economic and social bases shall be governed by the Law of Georgia on Consumer Cooperatives;</li> <li>h) non-bank deposit institutes – credit unions;</li> <li>i) agricultural cooperatives whose legal, economic and social bases shall be governed by this Law if the Law of Georgia on Agricultural Cooperatives does not regulate them.</li> </ul>		
<p>14. ‘<b>non-practitioner</b>’ means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three years immediately preceding that involvement, has not carried out statutory audits, has not</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p>	C	

members' needs and/or the development of their economic and social activities, in particular through the conclusion of agreements with them to supply goods or services or to execute work of the kind that the SCE carries out or commissions. An SCE may also have as its object the satisfaction of its members' needs by promoting, in the manner set forth above, their participation in economic activities, in one or more SCEs and/or national cooperatives. An SCE may conduct its activities through a subsidiary. 4. An SCE may not extend the benefits of its activities to non-members or allow them to participate in its business, except where its statutes provide otherwise. 5. An SCE shall have legal personality. 6. Employee involvement in an SCE shall be governed by the provisions of Directive 2003/72/EC

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<p>held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm;</p>	<p>y) <b>non-practitioner</b>' - 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 has not been a member of the management or oversight body of an audit firm, or otherwise associated with it.</p>		
<p>15. <b>'key audit partner(s)'</b> mean(s):</p> <p>(a) the statutory auditor(s) designated by an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the audit firm; or</p> <p>(b) in the case of a group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or</p> <p>(c) the statutory auditor(s) who sign(s) the audit report;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>1) Engagement partner - an auditor, appointed by an audit firm as a main person in charge of specific audit assignment or the other audit service and who acts on behalf of an audit firm or an auditor who signs an audit opinion or the other document prepared as a result of the other auditing activity (service);</p> <p><b>ISA 220 Quality control for an audit of financial statements</b></p> <p>7. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>(a) <b>Engagement partner</b> – The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor’s report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p> <p><b>CODE OF ETHICS. Definitions:</b></p> <p><b>Key audit partner</b> - The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” may include, for example, audit partners responsible for significant subsidiaries or divisions.</p>	<p>C</p>	<p>Even though the definition does not specifically cover group audit, it cannot be considered incompatible with the Directive.</p>

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17. 'medium-sized undertakings' means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU of the European Parliament and of the Council;	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>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:</p> <p>u.a) The value of total assets does not exceed GEL 50 million;</p> <p>u.b) The revenues do not exceed GEL 100 million;</p> <p>u.c) The average number of employees during the reporting period does not exceed 250 (two hundred fifty) people.;</p>	C	
18. 'small undertakings' means the undertakings referred to in Article 1(1) and Article 3(2) of Directive 2013/34/EU;	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>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 :</p> <p>t.a) The value of total assets does not exceed GEL 10 million;</p> <p>t.b) The revenues do not exceed GEL 20 million;</p> <p>t.c) The average number of employees during the reporting period does not exceed 50 (fifty) people.</p>	C	
19. 'home Member State' means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1);		N/A	
20. 'host Member State' means a Member State in which a statutory auditor approved by his or her home Member State seeks to be also approved in accordance with Article 14, or a Member State in which an audit firm approved by its home Member State seeks to be registered or is registered in accordance with Article 3a.		N/A	

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<b>CHAPTER II. APPROVAL, CONTINUING EDUCATION AND MUTUAL RECOGNITION</b>			
<i>Article 3. Approval of statutory auditors and audit firms</i>			
<p>1. A statutory audit shall be carried out only by statutory auditors or audit firms which are approved by the Member State requiring the statutory audit.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 11– Professional Certification and Continuous Education</b></p> <p>1. The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p> <p style="text-align: center;">...</p> <p>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.</p> <p>8. The status of certified accountant does not grant the person the right to perform audit unless it is registered in the Auditors' Registry.</p> <p style="text-align: center;"><b>Article 13. Registration Proceedings</b></p> <p>1. A legal entity registered in Georgia, branch of foreign enterprise and a natural person shall acquire the authority to perform auditing in Georgia after registration in the Auditors' Registry. ..</p>	C	<p>All auditors/audit firms have to be approved/registered with the competent authority.</p>

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<p>2. Each Member State shall designate the <b>competent authority</b> to be responsible for approving statutory auditors and audit firms</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter III</b></p> <p><b>Professional Organizations, Professional Certification and Continuous Education</b></p> <p><b>Article 11– Professional Certification and Continuous Education</b></p> <p>1. The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p> <p>2. 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 are recognized in accordance with the certification program and examination process recognition procedure. The procedure for recognition of certification programs and examination procedures shall be set by the Service.</p> <p>3. The Service is entitled to recognize the specialized examination bodies only for the purpose of ensuring the examination process. The professional organization whose certification programs are recognized only is entitled to conduct</p>	<p>C</p>	

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	<p>certification on the basis of exams held with the specialized examination body. Professional Organization may be recognized as a specialized examination body in accordance with the certification program and examination process recognition procedure defined under Paragraph 2 of this Article.</p> <p style="text-align: center;"><b>Chapter VI</b> <b>Organization and Management of the Service.</b></p> <p><b>Authority of the Board</b></p> <p style="text-align: center;"><b>Article 20. Organization and Management of the Service</b></p> <p>1. The Service is a subordinated agency within the system of the Ministry of Finance. It shall be reporting to the Government of Georgia and the Ministry of Finance.</p> <p>3. The Service shall ensure:</p> <p style="padding-left: 20px;">g) defining requirements for professional certification, examination procedures and continuous education in accordance with International Education Standards set by the IFAC and EU Directives and approving respective standards;</p> <p style="padding-left: 20px;">h) Review and approval of standards, rules and methodology set under this Law;</p> <p style="padding-left: 20px;">i) setting rules for recognition of certification programs, examination procedures and continuous education programs;</p> <p style="padding-left: 20px;">j) recognition of certification programs, examination procedures and continuous education programs implemented in accordance with the set standards;</p> <p style="padding-left: 20px;">...</p> <p style="padding-left: 20px;">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 webpage of financial statements in accordance with its rules and requirements of EU Directive;</p>		

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<p>3. Without prejudice to Article 11, the competent authorities of the Member States <b>may approve</b> as statutory auditors only natural persons who satisfy at least the conditions laid down in Articles 4 and 6 to 10.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p><b>4.</b> A natural person seeking registration in the Registry, shall meet the following requirements:</p> <ul style="list-style-type: none"> <li>a) Be a certified accountant;</li> <li>b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;</li> <li>c) Not to be convicted for terrorism financing or/ and illicit income legalization or the other economic crimes as well as of the other heavy or aggravated crimes;</li> <li>d) Be a member of professional organization;</li> <li>e) Comply with code of ethics of professional accountants (IESBA Code), as evidenced by professional organization or an auditor specified in Subparagraph (b) of this paragraph..</li> </ul>	<p>C</p>	<p>Although Law on accounting and auditing does not include any explicit provisions in respect of good repute of audit firms or natural persons, it cannot be assessed as incompatible with Directive based on conditions imposed by Articles 13 of the Law on accounting and auditing.</p>
<p>4. The competent authorities of the Member States may approve as audit firms only those entities which satisfy the following conditions:</p> <p>(a) the natural persons who carry out statutory audits on behalf of an audit firm must satisfy at least the conditions imposed by Articles 4 and 6 to 12 and must be approved as statutory auditors in the Member State concerned;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p><b>1.</b> A legal entity registered in Georgia, branch of foreign enterprise and a natural person shall acquire the authority to perform auditing in Georgia after registration in the Auditors' Registry.</p> <p>...</p> <p><b>3.</b> Only those Auditors/ Audit Firms shall be included in the Auditors' Registry who meet requirements set under the Law. The Registry of auditors is public.</p> <p>...</p> <p><b>5.</b> An Audit Firm registered in Georgia and seeking registration in the Auditors' Registry shall meet the following requirements:</p> <ul style="list-style-type: none"> <li>a) Perform auditing at least through one engagement partner;</li> <li>b) More than 50% of voting rights in the firm is held by an auditor (s), Audit Firm (s) listed in the Registry or/</li> </ul>	<p>C</p>	<p>See above.</p>

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	<p>and an Audit Firm registered in the Auditors' Registry of EU or/ and OECD member state or/and individual member of IFAC member organization in of EU or/ and OECD member state;</p> <p>c) Majority of management body members is represented by auditors. If management body comprises of two members, one of them shall by an auditor.</p> <p>d) Professional liability is ensured.</p> <p>8. The Service shall be entitled to enter into the Registry an individual, full member of International Federation of Accountants (IFAC) from the OECD and EU member states, that intends to perform auditing in Georgia based on passed qualification test in Georgian Law and a respective request. Pursuant to this paragraph, requirements and restrictions defined under this law and normative acts adopted on its basis shall apply to the persons entered in the Registry.</p>		
<p>(b) a majority of the voting rights in an entity must be held by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions imposed by Articles 4 and 6 to 12. Member States <b>may provide</b> that such natural persons must also have been approved in another Member State.</p> <p>For the purpose of the statutory audit of cooperatives, savings banks and similar entities as referred to in Article 45 of Directive 86/635/EEC, a subsidiary or legal successor of a cooperative, savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC, Member States <b>may lay down</b> other specific provisions in relation to voting rights;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p>5. An Audit Firm registered in Georgia and seeking registration in the Auditors' Registry shall meet the following requirements:</p> <p>...</p> <p>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 EU or/ and OECD member state or/and individual member of IFAC member organization in of EU or/ and OECD member state;</p>	C	See above.
<p>(c) a majority — up to a maximum of 75 % — of the members of the administrative or management body of the entity must be audit firms which are approved in any Member State or natural persons who satisfy at least the conditions imposed by Articles 4 and 6 to 12.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p>5. An Audit Firm registered in Georgia and seeking registration in the Auditors' Registry shall meet the following requirements:</p> <p>...</p>	C	See above.

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Member States <b>may provide</b> that such natural persons must also have been approved in another Member State. Where such a body has no more than two members, one of those members must satisfy at least the conditions in this point;	c) Majority of management body members is represented by auditors. If management body comprises of two members, one of them shall be an auditor.		
(d) the firm must satisfy the condition imposed by Article 4.	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p><b>4.</b> A natural person seeking registration in the Registry, shall meet the following requirements:</p> <ul style="list-style-type: none"> <li>a) Be a certified accountant;</li> <li>b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;</li> <li>c) Not to be convicted for terrorism financing or/ and illicit income legalization or the other economic crimes as well as of the other heavy or aggravated crimes;</li> <li>d) Be a member of professional organization;</li> <li>e) Comply with code of ethics of professional accountants (IESBA Code), as evidenced by professional organization or an auditor specified in Subparagraph (b) of this paragraph..</li> </ul>	C	See above.
Member States <b>may set</b> additional conditions only in relation to point (c). Such conditions shall be proportionate to the objectives pursued and shall not go beyond what is strictly necessary.		NA	
<i>Article 3a. Recognition of audit firms</i>			
1. By way of derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with point (a) of Article 3(4) in the host Member State.	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter IV. Registry</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p><b>1.</b> A legal entity registered in Georgia, branch of foreign enterprise and a natural person shall acquire the</p>	C	

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	authority to perform auditing in Georgia after registration in the Auditors' Registry. ...		
2. An audit firm that wishes to carry out statutory audits in a Member State other than its home Member State shall register with the competent authority in the host Member State in accordance with Articles 15 and 17.	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter IV.</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p>1. A legal entity registered in Georgia, branch of foreign enterprise and a natural person shall acquire the authority to perform auditing in Georgia after registration in the Auditors' Registry...</p>	C	
3. The competent authority in the host Member State shall register the audit firm if it is satisfied that the audit firm is registered with the competent authority in the home Member State. Where the host Member State intends to rely on a certificate attesting to the registration of the audit firm in the home Member State, the competent authority in the host Member State <b>may require</b> that the certificate issued by the competent authority in the home Member State be not more than three months old. The competent authority in the host Member State shall inform the competent authority in the home Member State of the registration of the audit firm.		NA	
<i>Article 4. Good repute</i>			
The competent authorities of a Member State <b>may grant</b> approval only to natural persons or firms of good repute.	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p>4. A natural person seeking registration in the Registry, shall meet the following requirements:</p> <p>a) Be a certified accountant;</p> <p>b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;</p>	C	Although Law on accounting and auditing does not include any explicit provisions in respect of good repute of audit firms or natural persons, it cannot be assessed as incompatible with Directive based on conditions imposed by Articles 13 of the Law on accounting and auditing.

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	c) Not to be convicted for terrorism financing or/ and illicit income legalization or the other economic crimes as well as of the other heavy or aggravated crimes; d) Be a member of professional organization; e) Comply with code of ethics of professional accountants (IESBA Code), as evidenced by professional organization or an auditor specified in Subparagraph (b) of this paragraph..		
<i>Article 5. Withdrawal of approval</i>			
1. Approval of a statutory auditor or an audit firm shall be withdrawn if the good repute of that person or firm has been seriously compromised. Member States <b>may</b> , however, <b>provide</b> for a reasonable period of time for the purpose of meeting the requirements of good repute.	<b>Law on accounting and auditing:</b>  <b>Chapter IV.</b>  <b>Article 13. Registration Proceedings</b> 6. Any Auditor/ Audit Firm listed in the Registry shall notify the Service and the Professional Organization about any change in information recorded in the Registry, within 5 working days following effective date of such change.  7. 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 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.	C	Although Law on accounting and auditing does not include any explicit provisions in respect of withdrawal of approval if good repute of audit firms or natural persons is compromised, it cannot be assessed as incompatible with Directive based on conditions imposed by Articles 13 of the Law on accounting and auditing.
2. Approval of an audit firm shall be withdrawn if any of the conditions imposed in Article 3(4), points (b) and (c) is no longer fulfilled. Member States <b>may</b> , however, <b>provide</b> for a reasonable period of time for the purpose of fulfilling those conditions.	<b>Law on accounting and auditing:</b>  <b>Chapter IV.</b>  <b>Article 13. Registration Proceedings</b>	C	

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	<p><b>6.</b> Any Auditor/ Audit Firm listed in the Registry shall notify the Service and the Professional Organization about any change in information recorded in the Registry, within 5 working days following effective date of such change.</p> <p><b>7.</b> 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 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.</p>		
<p>3. Where the approval of a statutory auditor or of an audit firm is withdrawn for any reason, the competent authority of the home Member State where the approval is withdrawn shall communicate that fact and the reasons for the withdrawal to the relevant competent authorities of host Member States where the statutory auditor or the audit firm is also registered in accordance with Article 3a, point (c) of Article 16(1) and point (i) of Article 17(1).</p>		NA	
<p><i>Article 6. Educational qualifications</i></p>			
<p>Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit only after having attained university entrance or equivalent level, then completed a course of theoretical instruction, undergone practical training and passed an examination of professional competence of university final or equivalent examination level, organised or recognised by the Member State concerned.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>g) Auditor – a certified accountant, who is a member of a Professional Organization of Accountants or/ and Auditors and is registered in the State Registry of Auditors /Audit Firms (hereinafter the Registry) and is authorized to perform audit (service), inter alia, on an individual basis;</p> <p>k) Certified accountant – a natural person who is certified by the Professional Organization of Accountants or/</p>	C	

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	<p>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;</p> <p><b>Chapter III.</b></p> <p><b>Article 11– Professional Certification and Continuous Education</b></p> <p><b>1.</b> The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p> <p><b>2.</b> 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 are recognized in accordance with the certification program and examination process recognition procedure. The procedure for recognition of certification programs and examination procedures shall be set by the Service..</p> <p><b>Article 13. Registration Proceedings</b></p>		

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	<p>4. A natural person seeking registration in the Registry, shall meet the following requirements:</p> <p>a) Be a certified accountant;</p> <p>b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;</p> <p>c) Not to be convicted for terrorism financing or/ and illicit income legalization or the other economic crimes as well as of the other heavy or aggravated crimes;</p> <p>d) Be a member of professional organization;</p> <p>e) Comply with code of ethics of professional accountants (IESBA Code), as evidenced by professional organization or an auditor specified in Subparagraph (b) of this paragraph..</p>		
<p>The competent authorities referred to in Article 32 shall cooperate with each other with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, those competent authorities shall take into account developments in auditing and in the audit profession and, in particular, convergence that has already been achieved by the profession. They shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB) and the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to the statutory audit of public-interest entities.</p>		N/A	
<p><i>Article 7. Examination of professional competence</i></p>			
<p>The examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to statutory audit and the ability to apply such knowledge in practice. Part at least of that examination shall be written.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter III. Professional Organizations, Professional Certification and Continuous Education</b></p>	C	<p>It is implied that the examination will be at least partially written.</p>

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	<p style="text-align: center;"><b>Article 11– Professional Certification and Continuous Education</b></p> <p><b>1.</b> The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p> <p><b>2.</b> 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 are recognized in accordance with the certification program and examination process recognition procedure. The procedure for recognition of certification programs and examination procedures shall be set by the Service..</p> <p><b>3.</b> The Service is entitled to recognize the specialized examination bodies only for the purpose of ensuring the examination process. The professional organization whose certification programs are recognized only is entitled to conduct certification on the basis of exams held with the specialized examination body. Professional Organization may be recognized as a specialized examination body in accordance with the certification program and examination process recognition procedure defined under Paragraph 2 of this Article.</p>		

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	<p>4. The Service shall ensure maintaining the registry of recognized certification and continuous education programs and examination processes, provided for in Paragraphs 2 and 3 of this Article.</p> <p>5. Preparation of tests for professional certification represents an integral part of the examination process, which is ensured by specialized examination bodies.</p> <p>6. For the purpose of exempting person from passing qualification disciplines defined under the standard or allowing to sit qualification exams, the Service recognizes curriculums or separate discipline (subject) of professional organizations or/and educational institution.</p> <p>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.</p>		
<i>Article 8. Test of theoretical knowledge</i>			
<p>1. The test of theoretical knowledge included in the examination shall cover the following subjects in particular:</p> <p>(a) general accounting theory and principles;</p> <p>(b) legal requirements and standards relating to the preparation of annual and consolidated accounts;</p> <p>(c) international accounting standards;</p> <p>(d) financial analysis;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter III. Professional Organizations, Professional Certification and Continuous Education</b></p> <p><b>Article 11– Professional Certification and Continuous Education</b></p> <p>1. The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification</p>	C	

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<p>(e) cost and management accounting;</p> <p>(f) risk management and internal control;</p> <p>(g) auditing and professional skills;</p> <p>(h) legal requirements and professional standards relating to statutory audit and statutory auditors;</p> <p>(i) international auditing standards as referred to in Article 26;</p> <p>(j) professional ethics and independence.</p> <p>2. It shall also cover at least the following subjects insofar as they are relevant to auditing:</p> <p>(a) company law and corporate governance;</p> <p>(b) the law of insolvency and similar procedures;</p> <p>(c) tax law;</p> <p>(d) civil and commercial law;</p> <p>(e) social security law and employment law;</p> <p>(f) information technology and computer systems;</p> <p>(g) business, general and financial economics;</p> <p>(h) mathematics and statistics;</p> <p>(i) basic principles of the financial management of undertakings.</p>	<p>by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p>		
<p><i>Article 9. Exemptions</i></p>			
<p>1. By way of derogation from Articles 7 and 8, a Member State <b>may provide</b> that a person who has passed a university or equivalent examination or holds a university</p>		<p>NA</p>	

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degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of theoretical knowledge in the subjects covered by that examination or degree.			
2. By way of derogation from Article 7, a Member State <b>may provide</b> that a holder of a university degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of the ability to apply in practice his or her theoretical knowledge of such subjects if he or she has received practical training in those subjects attested by an examination or diploma recognised by the State.		NA	
<i>Article 10. Practical training</i>			
1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a <b>minimum of three years'</b> practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements. At least <b>two thirds</b> of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.	<b>Law on accounting and auditing:</b>  <b>Chapter IV. Registry</b>  <b>Article 13. Registration Proceedings</b> 4. A natural person seeking registration in the Registry, shall meet the following requirements: a) Be a certified accountant; b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;	C	
2. Member States shall ensure <b>that all training</b> is carried out with persons providing adequate guarantees regarding their ability to provide practical training.	<b>Law on accounting and auditing:</b>  <b>Chapter IV. Registry</b>  <b>Article 13. Registration Proceedings</b> 4. A natural person seeking registration in the Registry, shall meet the following requirements: a) Be a certified accountant; b) Have at least 3-year practical experience in auditing financial statements under the supervision of an auditor, which is certified in writing by supervisor auditor;	C	

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<i>Article 11. Qualification through long-term practical experience</i>			
<p>A Member State <b>may approve</b> a person who does not satisfy the conditions laid down in Article 6 as a statutory auditor, if he or she can show either:</p> <p>(a) that he or she has, for 15 years, engaged in professional activities which have enabled him or her to acquire sufficient experience in the fields of finance, law and accountancy, and has passed the examination of professional competence referred to in Article 7, or</p> <p>(b) that he or she has, for seven years, engaged in professional activities in those fields and has, in addition, undergone the practical training referred to in Article 10 and passed the examination of professional competence referred to in Article 7.</p>	<p><b>Chapter VIII Transitional and Final Provisions</b></p> <p><b>Article 28. Transitional Provisions</b></p> <p>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 simplified procedure of professional certification within six months following effective date of this Law . Persons provided for in this paragraph shall pass tests under the simplified procedure within one year following entry into force of this procedure. For persons envisaged under this paragraph, requirement provided for in Paragraph 4 (b), Article 13 of this Law shall be deemed met if such person passes the quality control system monitoring.</p>	C	
<i>Article 12. Combination of practical training and theoretical instruction</i>			
<p>1. Member States <b>may provide</b> that periods of theoretical instruction in the fields referred to in Article 8 shall count towards the periods of professional activity referred to in Article 11, provided that such instruction is attested by an examination recognised by the State. Such instruction shall not last less than one year, nor may it reduce the period of professional activity by more than four years.</p> <p>2. The period of professional activity and practical training shall not be shorter than the course of theoretical instruction together with the practical training required in Article 10.</p>		NA	
<i>Article 13. Continuing education</i>			

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<p>Member States shall ensure that statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level, and that failure to respect the continuing education requirements is subject to appropriate sanctions as referred to in Article 30.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 11 – Professional Certification and Continuous Education</b></p> <p>1. The Service shall introduce professional certification and continuous education standards for recognition of persons as certified accountants and maintaining qualification by them, which correspond to requirements of EU Directive and International Education Standards set by the International Federation of Accountants (IFAC). Professional Certification Standard defines subjects, exam process, rule for exemption from exams and tests, documents to be submitted for professional certification and certificate issuance procedure. Continuous education standard defines continuous education program and the continuous education procedure.</p> <p>....</p> <p>9. Continuous education process is ensured by Professional Organizations according to the procedure set by the Service. Professional Organizations shall monitor continuous education of certified accountants and keep respective records. In the event a person no longer meets requirements of continuous education under decision of the Professional Organization, the latter shall notify the Service about this fact within 5 working days following decision date.</p> <p>10. Liability for violation by professional organization of certification rules in the field of professional certification and continuous education shall be defined under present Law and by-laws adopted on its basis.</p>	C	The sanctions will be determined when the Service is established.
<p><i>Article 14. Approval of statutory auditors from another Member State</i></p>			
<p>1. The competent authorities shall establish procedures for the approval of statutory auditors who have been approved in other Member States. Those procedures shall</p>	<p><b>Law on accounting and auditing:</b></p>	C	

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<p>not go beyond the requirement to complete <b>an adaptation period</b> as defined in point (g) of Article 3(1) of <a href="#">Directive 2005/36/EC of the European Parliament and of the Council</a> or to pass <b>an aptitude test</b> as defined in point (h) of that provision.</p> <p>2. The host Member State <b>shall decide whether</b> the applicant seeking approval is to be subject to an adaptation period as defined in point (g)<sup>3</sup> of Article 3(1) of Directive 2005/36/EC or an aptitude test as defined in point (h)<sup>4</sup> of that provision.</p> <p>The adaptation period shall not exceed three years and the applicant shall be subject to an assessment.</p> <p>The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned. It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits.</p>	<p><b>Chapter IV. Registry</b></p> <p><b>Article 13. Registration Proceedings</b></p> <p><b>8.</b> The Service shall be entitled to enter into the Registry an individual, full member of International Federation of Accountants (IFAC) from the OECD and EU member states, that intends to perform auditing in Georgia based on passed qualification test in Georgian Law and a respective request. Pursuant to this paragraph, requirements and restrictions defined under this law and normative acts adopted on its basis shall apply to the persons entered in the Registry.</p>		
<p>3. The competent authorities shall cooperate within the framework of the CEAOB with a view to achieving a convergence of the requirements of the adaptation period and the aptitude test. They shall enhance the transparency and predictability of the requirements. They shall cooperate with the CEAOB and with the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to statutory audits of public-interest entities.</p>		N/A	

<sup>3</sup> **point (g) of Article 3(1) of Directive 2005/36/EC** - adaptation period: the pursuit of a regulated profession in the host Member State under the responsibility of a qualified member of that profession, such period of supervised practice possibly being accompanied by further training. This period of supervised practice shall be the subject of an assessment. The detailed rules governing the adaptation period and its assessment as well as the status of a migrant under supervision shall be laid down by the competent authority in the host Member State. The status enjoyed in the host Member State by the person undergoing the period of supervised practice, in particular in the matter of right of residence as well as obligations, social rights and benefits, allowances and remuneration, shall be established by the competent authorities in that Member State in accordance with applicable Community law;

<sup>4</sup> **point (h) of Article 3(1) of Directive 2005/36/EC** - aptitude test: a test of the professional knowledge, skills and competences of the applicant, carried out or recognised by the competent authorities of the host Member State with the aim of assessing the ability of the applicant to pursue a regulated profession in that Member State. In order to permit this test to be carried out, the competent authorities shall draw up a list of subjects which, on the basis of a comparison of the education and training required in the host Member State and that received by the applicant, are not covered by the diploma or other evidence of formal qualifications possessed by the applicant. The aptitude test must take account of the fact that the applicant is a qualified professional in the home Member State or the Member State from which the applicant comes. It shall cover subjects to be selected from those on the list, knowledge of which is essential in order to be able to pursue the profession in question in the host Member State. The test may also cover knowledge of the professional rules applicable to the activities in question in the host Member State. The detailed application of the aptitude test and the status, in the host Member State, of the applicant who wishes to prepare himself for the aptitude test in that Member State shall be determined by the competent authorities in that Member State

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<b>CHAPTER III. REGISTRATION</b>			
<i>Article 15. Public register</i>			
<p>1. Each Member State shall ensure that statutory auditors and audit firms are entered in a public register in accordance with Articles 16 and 17. In exceptional circumstances, Member States <b>may derogate</b> from the requirements laid down in this Article and Article 16 regarding disclosure only to the extent necessary to mitigate an imminent and significant threat to the personal security of any person.</p> <p>2. Member States shall ensure that each statutory auditor and audit firm is identified in the public register by an individual number. Registration information shall be stored in the register in electronic form and shall be electronically accessible to the public.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter IV Registry</b></p> <p style="text-align: center;"><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>1. The Service shall ensure keeping the registry, as well as publicity and availability of its information.</p> <p>2. For the purpose of maintaining the Registry, the Service shall use the software and automated means of management. The Registry of auditors shall be public.</p>	C	
<p>3. The public register shall also contain the name and address of the competent authorities responsible for approval as referred to in Article 3, for quality assurance as referred to in Article 29, for investigations and penalties on statutory auditors and audit firms as referred to in Article 30, and for public oversight as referred to in Article 32.</p>		NA	
<p>4. Member States shall ensure that the public register is fully operational by 29 June 2009.</p>		N/A	
<i>Article 16. Registration of statutory auditors</i>			
<p>1. As regards statutory auditors, the public register shall contain at least the following information:</p> <p>(a) name, address and registration number;</p> <p>(b) if applicable, the name, address, website address and registration number of the audit firm(s) by which the statutory auditor is employed, or with whom he or she is associated as a partner or otherwise;</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter IV Registry</b></p> <p style="text-align: center;"><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>7. The Registry shall reflect at least the following information about the Auditor:</p>	C	

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(c) all other registration(s) as statutory auditor with the competent authorities of other Member States and as auditor with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s).	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 auditor is employed, represents a partner / shareholder or is otherwise related to it; c) Information on being registered as an auditor in the other country, with indication of the registering authority and registration number (if any); ...		
2. Third-country auditors registered in accordance with Article 45 shall be clearly indicated in the register as such and not as statutory auditors.		N/A	
<i>Article 17. Registration of audit firms</i>			
1. As regards audit firms, the public register shall contain at least the following information:  (a) name, address and registration number;  (b) legal form;  (c) contact information, the primary contact person and, where applicable, the website address;  (d) address of each office in the Member State;  (e) name and registration number of all statutory auditors employed by or associated as partners or otherwise with the audit firm;  (f) names and business addresses of all owners and shareholders;  (g) names and business addresses of all members of the administrative or management body;	<b>Law on accounting and auditing:</b>  <b>Chapter IV Registry</b> <b>Article 12. Keeping the Registry and Access to Information</b> <b>8.</b> The Registry shall at least reflect the following information on the audit firm: a) Legal form, name, address, webpage, contact information and registration number; b) Name, surname and registration number of an 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;  ...	PC	Only sub points (d), (h) and (i) not transposed.

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<p>(h) if applicable, the membership of a network and a list of the names and addresses of member firms and affiliates or an indication of the place where such information is publicly available;</p> <p>(i) all other registration(s) as audit firm with the competent authorities of other Member States and as audit entity with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s);</p> <p>(j) where applicable, whether the audit firm is registered pursuant to Article 3a(3).</p>			
<p>2. Third-country audit entities registered in accordance with Article 45 shall be clearly indicated in the register as such and not as audit firms.</p>		NA	
<p><i>Article 18. Updating of registration information</i></p>			
<p>Member States shall ensure that statutory auditors and audit firms notify the competent authorities in charge of the public register without undue delay of any change of information contained in the public register. The register shall be updated without undue delay after notification.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter IV Registry</b></p> <p style="text-align: center;"><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>6. Any Auditor/ Audit Firm listed in the Registry shall notify the Service and the Professional Organization about any change in information recorded in the Registry, within 5 working days following effective date of such change.</p>	C	<p>There no obligation of prompt update by the Agency, however registry update within 5 working days cannot be considered incompatible with the Directive.</p>
<p><i>Article 19. Responsibility for registration information</i></p>			

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<p>The information provided to the relevant competent authorities in accordance with Articles 16, 17 and 18 shall be signed by the statutory auditor or audit firm. Where the competent authority provides for the information to be made available electronically, that can, for example, be done by means of an electronic signature as defined in point 1 of Article 2 of Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures</p>	<p><b>SARAS Regulation on Maintenance of the Website and Registry in the Electronic Form, its Structure, Form, the List of Information Provided therein and Identification of Users:</b></p> <p><b>Article 7. Start of registration process</b></p> <p>8. Within 10 business days from the submission of the registration application in the material form (with a signature and stamp (if any)) the Service verifies correspondence of the registration application with requirements of the regulation and the law.</p>	PC	<p>Electronic signature is not envisaged. Papers need to be presented in material form.</p>
<i>Article 20. Language</i>			
<p>1. The information entered in the public register shall be drawn up in one of the languages permitted by the language rules applicable in the Member State concerned.</p>		C	<p>Implied. The state language is Georgian.</p>
<p>2. Member States <b>may additionally allow</b> the information to be entered in the public register in any other official language(s) of the Community. Member States may require the translation of the information to be certified.</p> <p>In all cases, the Member State concerned shall ensure that the register indicates whether or not the translation is certified.</p>		N/A	N/A
<b>CHAPTER IV. PROFESSIONAL ETHICS, INDEPENDENCE, OBJECTIVITY, CONFIDENTIALITY AND PROFESSIONAL SECRECY</b>			
<i>Article 21. Professional ethics and scepticism</i>			
<p>1. Member States shall ensure that all statutory auditors and audit firms are subject to principles of professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p><b>1.</b> Certified Accountant/ Auditor/ Audit Firm, in the course of rendering professional services, shall comply with the</p>	C	

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	<p>Code of Ethics for Professional Accountants (hereinafter the Professional Code of Ethics) set by the International Federation of Accountants (IFAC).</p> <p>2. The Service shall ensure availability of Code of Ethics for Professional Accountants (IESBA Code) in the official language of Georgia within six months following its update. Certified Accountant/ Auditor/ Audit Firm shall be entitled to use the effective (English) version of the code..</p>		
<p>2. Member States shall ensure that, when the statutory auditor or the audit firm carries out the statutory audit, he, she or it maintains professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the statutory auditor's or the audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.</p> <p>The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern.</p> <p>For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 15. Auditing Procedure</b></p> <p>6. Auditor /Audit Firm shall show professional skepticism. Based on suggestive facts and actions it shall identify the possibility of committing material offence by an entity including a fraud or error. In such case, 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 value, asset impairment, provisions and forecasted cash flow assessed by management, which is related with the entity's capacity to continue operations.</p> <p><b>ISA 200 Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing</b></p> <p>Professional Skepticism</p> <p>15. The auditor shall plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. (Ref: Para. A18–A22)</p>	C	

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	<p>Professional Skepticism (Ref: Para. 15)</p> <p>A18. Professional skepticism includes being alert to, for example: • Audit evidence that contradicts other audit evidence obtained. • Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence. • Conditions that may indicate possible fraud. • Circumstances that suggest the need for audit procedures in addition to those required by the ISAs.</p> <p>A19. Maintaining professional skepticism throughout the audit is necessary if the auditor is, for example, to reduce the risks of: • Overlooking unusual circumstances. • Over generalizing when drawing conclusions from audit observations. • Using inappropriate assumptions in determining the nature, timing and extent of the audit procedures and evaluating the results thereof.</p> <p>A20. Professional skepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of audit evidence obtained in the light of the circumstances, for example, in the case where fraud risk factors exist and a single document, of a nature that is susceptible to fraud, is the sole supporting evidence for a material financial statement amount. A21. The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required to consider the reliability of information to be used as audit evidence.<sup>13</sup> In cases of doubt about the reliability of information or indications of possible fraud (for example, if conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document may have been falsified), the ISAs require that the auditor</p>		

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	<p>investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.</p> <p>A22. The auditor cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism or allow the auditor to be satisfied with less than persuasive audit evidence when obtaining reasonable assurance.</p>		
<i>Article 22. Independence and objectivity</i>			
<p>1. Member States shall ensure that, when carrying out a statutory audit, a statutory auditor or an audit firm, and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, is independent of the audited entity and is not involved in the decision-taking of the audited entity.</p> <p>Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.</p> <p>Member States shall ensure that a statutory auditor or an audit firm takes all reasonable steps to ensure that, when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or the audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or the audit firm, or any person directly or indirectly linked to the statutory auditor or the audit firm by control.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 16. Ethical Rules and Independence</b></p> <p>3. An Auditor/ Audit Firm and any individual that may have direct or indirect influence on audit outcome shall be independent from the entity being audited. In addition, it shall not be involved in decision making process of such entity. This requirement shall apply during financial reporting period and auditing period.</p> <p>4. Partners/ shareholders of Audit Firm, as well as members of the governance and supervisory bodies of the Audit Firm and its affiliate, shall not interfere in auditing in any such form, which would prejudice independence and impartiality of an auditor acting on behalf of the Audit Firm.</p> <p>5. In the course of audit, an Auditor/ Audit Firm shall take all 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 methods applied for their mitigation.</p> <p style="text-align: center;">...</p> <p>8. An Auditor/ Audit Firm shall not be entitled to render audit service to an entity if there is a risk of conflict of</p>	C	

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<p>The statutory auditor or the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:</p> <ul style="list-style-type: none"> <li>— the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and</li> <li>— the audited entity,</li> </ul> <p>as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or the audit firm's independence is compromised.</p>	<p>interest or threatening due to financial, personal, business, labor or/ and the other 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 under risk;</p> <p>9. For purposes of this Article, financial relations shall be ownership of shares/stock and the other securities 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 investment fund. Financial relations shall also be ownership of the share /stock, the other securities and financial instruments of the other enterprise affiliated with the entity, if such ownership can cause conflict of interest.</p> <p>CODE OF ETHICS, Section 290 Independence—audit and review engagements contents</p> <p>In particular,</p> <p>290.4 In the case of audit engagements, it is in the public interest and, therefore, required by this Code, that members of audit teams, firms and network firms shall be independent of audit clients.</p> <p>290.8 Many different circumstances, or combinations of circumstances, may be relevant in assessing threats to independence. It is impossible to define every situation that creates threats to independence and to specify the appropriate action. Therefore, this Code establishes a conceptual framework that requires firms and members of audit teams to identify, evaluate, and address threats to independence. The conceptual framework approach assists professional accountants in practice in complying with the ethical requirements in this Code. It accommodates many variations in circumstances that create threats to independence and can deter a professional accountant</p>		

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	<p>from concluding that a situation is permitted if it is not specifically prohibited.</p> <p>290.12 This section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, International Standards on Auditing (ISAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.</p> <p>290.30 Independence from the audit client is required both during the engagement period and the period covered by the financial statements. The engagement period starts when the audit team begins to perform audit services. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.</p>		
<p>2. Member States shall ensure that a statutory auditor, an audit firm, their key audit partners, their employees, and any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC, do not hold or have a material and direct beneficial interest in, or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by, any audited entity within their area of statutory audit activities, other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>8. An Auditor/ Audit Firm shall not be entitled to render audit service to an entity if there is a risk of conflict of interest or threatening due to financial, personal, business, labor or/ and the other 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 under risk;</p>	<p>C</p>	

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	<p>9. For purposes of this Article, financial relations shall be ownership of shares/stock and the other securities 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 investment fund. Financial relations shall also be ownership of the share /stock, the other securities and financial instruments of the other enterprise affiliated with the entity, if such ownership can cause conflict of interest.</p> <p><b>CODE OF ETHICS, Section 290 Independence—audit and review engagements contents</b></p> <p><b>ISQC1 Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</b></p> <p>Independence</p> <p>21. The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethical requirements. Such policies and procedures shall enable the firm to: (Ref: Para. A10) (a) Communicate its independence requirements to its personnel and, where applicable, others subject to them; and (b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.</p> <p>22. Such policies and procedures shall require: (Ref: Para. A10) (a) Engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements; (b) Personnel to promptly notify</p>		

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	<p>the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and (c) The accumulation and communication of relevant information to appropriate personnel so that: (i) The firm and its personnel can readily determine whether they satisfy independence requirements; (ii) The firm can maintain and update its records relating to independence; and</p> <p>(iii) The firm can take appropriate action regarding identified threats to independence that are not at an acceptable level.</p> <p>23. The firm shall establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures shall include requirements for: (Ref: Para. A10) (a) Personnel to promptly notify the firm of independence breaches of which they become aware; (b) The firm to promptly communicate identified breaches of these policies and procedures to: (i) The engagement partner who, with the firm, needs to address the breach; and (ii) Other relevant personnel in the firm and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action; and (c) Prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph 23(b)(ii) of the actions taken to resolve the matter, so that the firm can determine whether it should take further action.</p> <p>24. At least annually, the firm shall obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by relevant ethical requirements. (Ref: Para. A10–A11)</p> <p>25. The firm shall establish policies and procedures: (Ref: Para. A10) (a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and (b) Requiring, for</p>		

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	audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12–A17)		
<p>3. Member States shall ensure that a statutory auditor or audit firm documents in the audit working papers all significant threats to his, her or its independence as well as the safeguards applied to mitigate those threats.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 16. Ethical Rules and Independence</b></p> <p>5. In the course of audit, an Auditor/ Audit Firm shall take all 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 methods applied for their mitigation.</p> <p><b>CODE OF ETHICS.</b></p> <p><b>290.29</b> Documentation provides evidence of the professional accountant’s judgments in forming conclusions regarding compliance with independence requirements. The absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent. The professional accountant shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly: (a) When safeguards are required to reduce a threat to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and (b) When a threat required significant analysis to determine whether safeguards were necessary and the professional accountant concluded that they were not because the threat was already at an acceptable level, the professional accountant shall document the nature of the threat and the rationale for the conclusion.</p>	C	

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<p>4. Member States shall ensure that persons or firms referred to in paragraph 2 do not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:</p> <p>(a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes;</p> <p>(b) own financial instruments of any entity related to an audited entity, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;</p> <p>(c) have had an employment, or a business or other relationship with that audited entity within the period referred in paragraph 1 that may cause, or may be generally perceived as causing, a conflict of interest.</p> <p>5. Persons or firms referred to in paragraph 2 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>7. An Auditor/ Audit Firm shall not be entitled to accept tangible or/and intangible gift or/ and benefit from an entity or its employee the value of which can be perceived as exceeding the limit allowed for the auditing practice and specific transaction. The Auditor/ Audit Firm shall have the approved policy on gifts, corresponding to the professional code of ethics, in relations with their clients .</p> <p>8. An Auditor/ Audit Firm shall not be entitled to render audit service to an entity if there is a risk of conflict of interest or threatening due to financial, personal, business, labor or/ and the other 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 under risk;</p> <p>9. For purposes of this Article, financial relations shall be ownership of shares/stock and the other securities 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 investment fund. Financial relations shall also be ownership of the share /stock, the other securities and financial instruments of the other enterprise affiliated with the entity, if such ownership can cause conflict of interest.</p>	<p>C</p>	
<p>6. If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires another entity, the statutory auditor or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise the auditor's independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>13. In the event of merger (take-over) 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, take-over), which may endanger independence of the Auditor/ Audit Firm. An Auditor/ Audit Firm shall take all</p>	<p>C</p>	

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<p>As soon as possible, and in any event within three months, the statutory auditor or the audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.</p>	<p>required measures immediately, though not later than within 3 months, for elimination of conflict of interest and termination of those relations that threaten its independence.</p>		
<p><i>Article 22a. Employment by audited entities of former statutory auditors or of employees of statutory auditors or audit firms</i></p>			
<p>1. Member States shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm does not, before a period of at least one year, or in the case of statutory audit of public-interest entities a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:</p> <p>(a) take up a key management position in the audited entity;</p> <p>(b) where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;</p> <p>(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>11. Auditor/ Engagement Partner shall be prohibited within one year following completion of audit and in case of PIE's within 2 years:</p> <p>a) to become a significant member of management body of the entity it audited;</p> <p>b) to become a member of audit committee or the other body with the similar functions of the entity that was audited;</p> <p>c) to become a member of the supervisory body of the entity which was audited.</p> <p>12. Provisions of Paragraph 11 of this Article shall apply to employees of auditor/ audit firm, partners/ shareholders of audit firm and that individual, whose services are subject to management/ control by Auditor/ Audit Firm during one year following implementation of auditor's functions by them.</p>	C	
<p>2. Member States shall ensure that employees and partners other than key audit partners of a statutory auditor or of an audit firm carrying out a statutory audit, as well as any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm, do not, when such employees, partners or other natural persons are personally approved as statutory auditors, take up any of the duties referred to in points (a), (b) and (c) of paragraph 1 before a</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>12. Provisions of Paragraph 11 of this Article shall apply to employees of auditor/ audit firm, partners/ shareholders of audit firm and that individual, whose services are subject to</p>	C	

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<p>period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement.</p>	<p>management/ control by Auditor/ Audit Firm during one year following implementation of auditor’s functions by them.</p>		
<p><i>Article 22b. Preparation for the statutory audit and assessment of threats to independence</i></p>		C	
<p>Member States shall ensure that, before accepting or continuing an engagement for a statutory audit, a statutory auditor or an audit firm assesses and documents the following:</p> <p>— whether he, she or it complies with the requirements of Article 22 of this Directive;</p> <p>— whether there are threats to his, her or its independence and the safeguards applied to mitigate those threats;</p> <p>— whether he, she or it has the competent employees, time and resources needed in order to carry out the statutory audit in an appropriate manner;</p> <p>— whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Member State requiring the statutory audit;</p> <p>Member States may provide simplified requirements for the audits referred in points (b) and (c) of point 1 of Article 2.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p><b>14.</b> Prior to commencement or continuation of auditing services an Auditor/ Audit Firm shall check and reflect the following information in writing on:</p> <ul style="list-style-type: none"> <li>a) its compliance with the independence requirements;</li> <li>b) those risks, which threaten its independence and measures taken for their mitigation;</li> <li>c) qualified employees, required time and resources needed for conducting auditing with adequate quality;</li> <li>d) registration of engagement partner in Auditors’ Registry in case of auditing firm.</li> </ul> <p><b>ISA 220 Quality control for an audit of financial statements</b></p> <p>System of Quality Control and Role of Engagement Teams (Ref: Para. 2)</p> <p>A1. ISQC 1, or national requirements that are at least as demanding, deals with the firm’s responsibilities to establish and maintain its system of quality control for audit engagements. The system of quality control includes policies and procedures that address each of the following elements: <input type="checkbox"/> Leadership responsibilities for quality within the firm; <input type="checkbox"/> Relevant ethical requirements; <input type="checkbox"/> Acceptance and continuance of client relationships and specific engagements; <input type="checkbox"/> Human resources; <input type="checkbox"/> Engagement performance; and <input type="checkbox"/> Monitoring. National requirements that deal with the firm’s responsibilities to establish and maintain a system of quality control are at least as demanding as ISQC 1 when they address all the elements</p>	C	

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	<p>referred to in this paragraph and impose obligations on the firm that achieve the aims of the requirements set out in ISQC 1.</p> <p style="text-align: center;"><b>ISQC1 Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</b></p> <p style="text-align: center;">Elements of a System of Quality Control</p> <p>16. The firm shall establish and maintain a system of quality control that includes policies and procedures that address each of the following elements: (a) Leadership responsibilities for quality within the firm. (b) Relevant ethical requirements. (c) Acceptance and continuance of client relationships and specific engagements. (d) Human resources. (e) Engagement performance. (f) Monitoring.</p> <p style="text-align: center;">Independence</p> <p>21. The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethical requirements. Such policies and procedures shall enable the firm to: (Ref: Para. A10) (a) Communicate its independence requirements to its personnel and, where applicable, others subject to them; and (b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.</p> <p>24. At least annually, the firm shall obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by relevant ethical requirements. (Ref: Para. A10–A11)</p>		

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	<p>29. The firm shall establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to: (a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and (b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances. (Ref: Para. A24–A29)</p>		
<p><i>Article 23. Confidentiality and professional secrecy</i></p>			
<p>1. Member States shall ensure that all information and documents to which a statutory auditor or audit firm has access when carrying out a statutory audit are protected by adequate rules on confidentiality and professional secrecy.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 18. Confidentiality of Information</b></p> <p><b>1.</b> The information received by an Auditor/ Audit Firm in the course of fulfilment of its duties shall represent a confidential information.</p> <p><b>2.</b> An Auditor/ Audit Firm shall:</p> <p>a) protect confidential information during the period of rendering professional services as well as thereafter, regardless time expiry and changing the type of activities;</p> <p>b) not disclose confidential information without consent of respective entity, except for cases provided for in Georgian legislation;</p> <p><b>CODE OF ETHICS</b></p> <p><b>SECTION 140 Confidentiality</b></p> <p>140.1 The principle of confidentiality imposes an obligation on all professional accountants to refrain from: (a) Disclosing outside the firm or employing organization confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and (b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.</p>	<p>C</p>	

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	<p>140.2 A professional accountant shall maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.</p> <p>140.3 A professional accountant shall maintain confidentiality of information disclosed by a prospective client or employer.</p> <p>140.4 A professional accountant shall maintain confidentiality of information within the firm or employing organization.</p> <p>140.5 A professional accountant shall take reasonable steps to ensure that staff under the professional accountant's control and persons from whom advice and assistance is obtained respect the professional accountant's duty of confidentiality.</p>		
<p>2. Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive or of Regulation (EU) No 537/2014.</p>		NC	
<p>3. Where a statutory auditor or an audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of that entity.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 18. Confidentiality of Information</b></p> <p>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.</p>	C	
<p>4. A statutory auditor or audit firm who has ceased to be engaged in a particular audit assignment and a former statutory auditor or audit firm shall remain subject to the provisions of paragraphs 1 and 2 with respect to that audit assignment.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 15. Confidentiality of Information</b></p> <p><b>1.</b> The information received by an Auditor/ Audit Firm in the course of fulfilment of its duties shall represent a confidential information.</p> <p><b>2.</b> An Auditor/ Audit Firm shall:</p> <p>a) protect confidential information during the period of rendering professional services as well as thereafter, regardless time expiry and changing the type of activities;</p> <p><b>CODE OF ETHICS</b> <b>SECTION 140 Confidentiality</b></p>	C	

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	140.6 The need to comply with the principle of confidentiality continues even after the end of relationships between a professional accountant and a client or employer. When a professional accountant changes employment or acquires a new client, the professional accountant is entitled to use prior experience. The professional accountant shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship		
<p>5. Where a statutory auditor or an audit firm carries out a statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph 1 of this Article shall not impede the transfer by the statutory auditor or the audit firm of relevant documentation concerning the audit work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking.</p> <p>A statutory auditor or an audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country, or which forms part of a group issuing statutory consolidated financial statements in a third country, may only transfer the audit working papers or other documents relating to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 47.</p> <p>The transfer of information to the group auditor situated in a third country shall comply with Chapter IV of Directive 95/46/EC and the applicable national rules on personal data protection.</p>		NC	
<p><i>Article 24. Independence and objectivity of the statutory auditors carrying out the statutory audit on behalf of audit firms</i></p>			
<p>Member States shall ensure that the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a</p>	<p><b>Law on accounting and auditing:</b></p>	C	

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<p>firm, or of an affiliated firm, do not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm.</p>	<p><b>Article 16. Ethical Rules and Independence</b>  4. Partners/ shareholders of Audit Firm, as well as members of the governance and supervisory bodies of the Audit Firm and its affiliate, shall not interfere in auditing in any such form, which would prejudice independence and impartiality of an auditor acting on behalf of the Audit Firm.</p> <p><b>Entrepreneurs Law of Georgia:</b></p> <p><b>Article 13. Accounting, Reporting and Auditing</b>  3. Interference of shareholders/ partners, members of the management body and supervisory board in auditing shall not endanger independence and impartiality of an auditor.</p>		
<p><i>Article 24a. Internal organisation of statutory auditors and audit firms</i></p>			
<p>1. Member States shall ensure that a statutory auditor or an audit firm complies with the following organisational requirements:</p> <p>(a) an audit firm shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;</p>	<p><b>ISQC 1 Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</b>  11. The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that: (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and (b) Reports issued by the firm or engagement partners are appropriate in the circumstances.</p>	C	Covered by ISQC1
<p>(b) a statutory auditor or an audit firm shall have sound administrative and accounting procedures, internal quality control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 19. Audit Quality Assurance</b>  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</p>	PC	Not all requirements of 24a 1(b) seem to be transposed.

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<p>Those internal quality control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor;</p>	<p>system of those entities that render auditing and financial statements review services, as well as the other assurance and the related services, adopted by the International Auditing and Assurance Standards Board (IAASB), or its successor.</p>		
<p>(c) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at his, her or its disposal or under his, her or its control, and who are directly involved in the statutory audit activities, have appropriate knowledge and experience for the duties assigned;</p>	<p><b>ISQC 1 Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</b></p> <p><b>Human Resources</b></p> <p>29. The firm shall establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to: (a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and (b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances. (Ref: Para. A24–A29)</p> <p>30. The firm shall assign responsibility for each engagement to an engagement partner and shall establish policies and procedures requiring that: (a) The identity and role of the engagement partner are communicated to key members of client management and those charged with governance; (b) The engagement partner has the appropriate competence, capabilities, and authority to perform the role; and (c) The responsibilities of the engagement partner are clearly defined and communicated to that partner. (Ref: Para. A30)</p> <p>31. The firm shall also establish policies and procedures to assign appropriate personnel with the necessary competence, and capabilities to: (a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and (b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances. (Ref: Para. A31)</p>	<p>C</p>	<p>Covered by ISQC1</p>

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
(d) a statutory auditor or an audit firm shall establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or the audit firm's internal quality control and the ability of the competent authorities to supervise the statutory auditor's or the audit firm's compliance with the obligations laid down in this Directive and, where applicable, in Regulation (EU) No 537/2014;		NC	No regulations on outsourcing in the national legislation.
(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence as referred to in 22, 22a and 22b;	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>5. In the course of audit, an Auditor/ Audit Firm shall take all 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 methods applied for their mitigation.</p>	C	Although Law on accounting and auditing does not include any explicit provisions in respect of organizational and administrative arrangements, it cannot be assessed as incompatible with Directive based on conditions imposed by Articles 16 of the Law on accounting and auditing.
(f) a statutory auditor or an audit firm shall establish appropriate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file as referred to in Article 24b(5);	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>4. An Auditor/ Audit Firm shall develop Manual on Auditing and the 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.</p> <p>5. An Auditor/ Audit Firm shall use adequate systems and procedures to ensure its business continuity and uninterrupted operation.</p>	C	
<p>(g) a statutory auditor or an audit firm shall establish an internal quality control system to ensure the quality of the statutory audit.</p> <p>The quality control system shall at least cover the policies and procedures described in point (f). In the case of an audit firm, responsibility for the internal quality control system shall lie with a person who is qualified as a statutory auditor;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>1. An Auditor/ Audit Firm shall have its own quality control policy and procedures in accordance with the International Standards on Quality Control (ISQC).</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>2. International Standards on Quality Control (ISQC) represent standards and guidelines on the quality control system of those entities that render auditing and financial statements review services, as well as the other assurance and the related services, adopted by the International Auditing and Assurance Standards Board (IAASB), or its successor.</p>		
<p>(h) a statutory auditor or an audit firm shall use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying out of his, her or its statutory audit activities;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>5. An Auditor/ Audit Firm shall use adequate systems and procedures to ensure its business continuity and uninterrupted operation.</p>	C	
<p>(i) a statutory auditor or an audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities;</p>		NC	
<p>(j) a statutory auditor or an audit firm shall have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the audit;</p>		NC	
<p>(k) a statutory auditor or an audit firm shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal quality control mechanisms and arrangements established in accordance with this Directive and, where applicable, Regulation (EU) No 537/2014 and take appropriate measures to address any deficiencies.</p> <p>A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system, referred to in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>1. An Auditor/ Audit Firm shall have its own quality control policy and procedures in accordance with the International Standards on Quality Control (ISQC).</p> <p>2. International Standards on Quality Control (ISQC) represent standards and guidelines on the quality control system of those entities that render auditing and financial statements review services, as well as the other assurance and</p>	C	Covered by ISQC1

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>the related services, adopted by the International Auditing and Assurance Standards Board (IAASB), or its successor.</p> <p><b>ISQC 1</b> Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements</p> <p>Monitoring</p> <p>Monitoring the firm’s quality control policies and procedures</p> <p>48. The firm shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process shall:</p> <p>(a) Include an ongoing consideration and evaluation of the firm’s system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner;</p> <p>(b) Require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and</p> <p>(c) Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagement. (Ref: Para. A64–A68)</p> <p>Documentation of the System of Quality Control</p> <p>57. The firm shall establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control. (Ref: Para. A73–A75)</p> <p>58. The firm shall establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing monitoring procedures to evaluate the firm’s compliance with its system of quality control, or for a longer period if required by law or regulation.</p>		

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	59. The firm shall establish policies and procedures requiring documentation of complaints and allegations and the responses to them.		
<p>The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the statutory auditor or the audit firm.</p> <p>Member States <b>may provide simplified requirements</b> for the audits referred in points (b) and (c) of point 1 of Article 2.</p> <p>Any outsourcing of audit functions as referred to in point (d) of this paragraph shall not affect the responsibility of the statutory auditor or the audit firm towards the audited entity.</p>		NC	
<p>2. The statutory auditor or the audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with the requirements set out in paragraph 1 of this Article.</p> <p>The statutory auditor or the audit firm shall be able to demonstrate to the competent authority that the policies and procedures designed to achieve such compliance are appropriate given the scale and complexity of activities of the statutory auditor or the audit firm.</p>		NC	
<i>Article 24b. Organisation of the work</i>			
<p>1. Member States shall ensure that, when the statutory audit is carried out by an audit firm, that audit firm designates at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 15. Auditing Procedure</b></p> <p>2. Audit opinion is validated by a signature of an engagement partner auditor or/and person authorized by an</p>	PC	Not all aspects of the Article 24b1 are covered in the law.

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<p>Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) to be designated.</p> <p>The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit.</p>	<p>audit firm. Internal procedure of an audit firm shall make it possible to identify engagement partner</p>		
<p>2. When carrying out the statutory audit, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to enable him or her to carry out his or her duties appropriately.</p>		NC	
<p>3. Member States shall ensure that the statutory auditor or the audit firm keeps records of any breaches of the provisions of this Directive and, where applicable, of Regulation (EU) No 537/2014. Member States <b>may exempt</b> statutory auditors and audit firms from this obligation with regard to minor breaches. Statutory auditors and audit firms shall also keep records of any consequence of any breach, including the measures taken to address such breach and to modify their internal quality control system. They shall prepare an annual report containing an overview of any such measures taken and shall communicate that report internally.</p> <p>When a statutory auditor or an audit firm asks external experts for advice, he, she or it shall document the request made and the advice received.</p>		NC	
<p>4. A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:</p> <p>(a) the name, the address and the place of business;</p> <p>(b) in the case of an audit firm, the name(s) of the key audit partner(s);</p> <p>(c) the fees charged for the statutory audit and the fees charged for other services in any financial year.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 15. Auditing Procedure</b></p> <p>4. Auditor/ Audit Firm shall keep documents prepared and used in the course of audit (in an electronic form as well as hard copies) for 6 years following the end of the respective reporting period.</p>	PC	
<p>5. A statutory auditor or an audit firm shall create an audit file for each statutory audit.</p>	<p><b>See above</b></p> <p><b>ISA 230 Audit documentation</b></p> <p>6. For purposes of the ISAs, the following terms have the meanings attributed below:</p>	C	<p>Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with</p>

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>(b) Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.</p> <p>Assembly of the Final Audit File 14. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor’s report. (Ref: Para. A21–A22)</p>		Directive based on the fact that ISAs shall be applied in conducting audits.
<p>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b(1) of this Directive, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 16. Ethical Rules and Independence</b></p> <p>14. Prior to commencement or continuation of auditing services an Auditor/ Audit Firm shall check and reflect the following information in writing on:</p> <p>a) its compliance with the independence requirements;</p> <p>b) those risks, which threaten its independence and measures taken for their mitigation;</p> <p>c) qualified employees, required time and resources needed for conducting auditing with adequate quality;</p> <p>d) registration of engagement partner in Auditors’ Registry in case of auditing firm.</p>	C	22b transposed.
<p>The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this Directive and other applicable legal requirements.</p>		NC	
<p>The audit file shall be closed no later than 60 days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014.</p>	<p><b>ISA 230 Audit documentation</b></p> <p>Assembly of the Final Audit File (Ref: Para. 14–16)</p>	C	Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	A21. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.		Directive based on the fact that ISAs shall be applied in conducting audits.
6. The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits carried out.		NC	
7. Member States <b>may lay down</b> simplified requirements with regard to paragraphs 3 and 6 for the audits referred to in points (b) and (c) of point 1 of Article 2.		NA	
<i>Article 25. Audit fees</i>			
Member States shall ensure that adequate rules are in place which provide that fees for statutory audits:  (a) are not influenced or determined by the provision of additional services to the audited entity;  (b) cannot be based on any form of contingency.	<b>Law on accounting and auditing:</b>  <b>Article 16. Ethical Rules and Independence</b> 6. It shall not be permitted that additional services, other than auditing, impact or define the audit fee. Audit fee shall not be determined by any unexpected circumstance.	C	
<i>Article 25a. Scope of the statutory audit</i>			
Without prejudice to the reporting requirements referred to in Article 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014, the scope of the statutory audit shall not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.	<b>Law on accounting and auditing:</b>  <b>Article 15. Auditing Procedure</b> 5. According to International Auditing Standards audit opinion shall not include assurance on the entity's future viability or/ and efficiency or effectiveness of the entity's management body.	C	

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	<p>ISA 200 Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing</p> <p>Scope of the Audit (Ref: Para. 3)</p> <p>A1. The auditor's opinion on the financial statements deals with whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. Such an opinion is common to all audits of financial statements. The auditor's opinion therefore does not assure, for example, the future viability of the entity nor the efficiency or effectiveness with which management has conducted the affairs of the entity. In some jurisdictions, however, applicable law or regulation may require auditors to provide opinions on other specific matters, such as the effectiveness of internal control, or the consistency of a separate management report with the financial statements. While the ISAs include requirements and guidance in relation to such matters to the extent that they are relevant to forming an opinion on the financial statements, the auditor would be required to undertake further work if the auditor had additional responsibilities to provide such opinions.</p>		
<b>CHAPTER V. AUDITING STANDARDS AND AUDIT REPORTING</b>			
<i>Article 26. Auditing standards</i>			
<p>1. Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission in accordance with paragraph 3.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter V Audit and Quality Assurance</b></p> <p style="text-align: center;"><b>Article 14. Legal Framework for Auditing</b></p> <p style="text-align: center;"><b>1.</b> Auditing 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</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<p>Member States <b>may apply</b> national auditing standards, procedures or requirements as long as the Commission has not adopted an international auditing standard covering the same subject-matter.</p> <p>2. For the purposes of paragraph 1, ‘international auditing standards’ means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the statutory audit.</p>	<p>engagements, approved by International Auditing and Assurance Standards Board (IAASB) or its successor body;</p>		
<p>3. The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 48a, the international auditing standards referred to in paragraph 1 in the area of audit practice, independence and internal quality controls of statutory auditors and audit firms for the purposes of the application of those standards within the Union.</p> <p>The Commission may adopt the international auditing standards only if they:</p> <p>(a) have been developed with proper due process, public oversight and transparency, and are generally accepted internationally;</p> <p>(b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive 2013/34/EC;</p> <p>(c) are conducive to the Union public good; and</p> <p>(d) do not amend any of the requirements of this Directive or supplement any of its requirements apart from those set out in Chapter IV and Articles 27 and 28.</p>			<p>N/A</p>
<p>4. Notwithstanding the second subparagraph of paragraph 1, Member States <b>may impose</b> audit procedures or requirements in addition to the international auditing standards adopted by the Commission, only</p>			<p>Not envisaged</p>

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<p>(a) if those audit procedures or requirements are necessary in order to give effect to national legal requirements relating to the scope of statutory audits; or</p> <p>(b) to the extent necessary to add to the credibility and quality of financial statements.</p> <p>Member States shall communicate the audit procedures or requirements to the Commission at least three months before their entry into force or, in the case of requirements already existing at the time of adoption of an international auditing standard, at the latest within three months of the adoption of the relevant international auditing standard.</p>			
<p>5. Where a Member State requires the statutory audit of small undertakings, <b>it may provide</b> that application of the auditing standards referred to in paragraph 1 is to be proportionate to the scale and complexity of the activities of such undertakings. Member States may take measures in order to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings.</p>			N/A – option not taken.
<p><i>Article 27. Statutory audits of consolidated financial statements</i></p>			
<p>1. Member States shall ensure that in the case of a statutory audit of the consolidated financial statements of a group of undertakings:</p> <p>(a) in relation to the consolidated financial statements, the group auditor bears the full responsibility for the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014 and for, where applicable, the additional report to the audit committee as referred to in Article 11 of that Regulation;</p> <p>(b) the group auditor evaluates the audit work performed by any third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies), or audit firm(s) for the purpose of the group audit, and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' audit documentation;</p>		NC	

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<p>(c) the group auditor reviews the audit work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group audit and documents it.</p> <p>The documentation retained by the group auditor shall be such as to enable the relevant competent authority to review the work of the group auditor.</p> <p>For the purposes of point (c) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) concerned to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of those third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).</p>			
<p>2. Where the group auditor is unable to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.</p> <p>Such measures shall, as appropriate, include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary.</p>		NC	
<p>3. Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the audit work performed by the respective third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including any working papers relevant to the group audit.</p> <p>The competent authority <b>may request</b> additional documentation on the audit work performed by any statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 36.</p>		NC	

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<p>Where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditor(s) or an audit entity(ies) from a third country, the competent authority may request additional documentation on the audit work performed by any third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.</p> <p>By way of derogation from the third subparagraph, where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditors or an audit entity or entities from a third country that has no working arrangements as referred to in Article 47, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by such third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where audit working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.</p>			
<i>Article 28. Audit reporting</i>			
<p>1. The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union or Member State concerned, as referred to in Article 26.</p>	<p>ISA 700</p> <p><b>Auditor's Report</b></p> <p>The auditor's report shall be in writing.</p>	C	<p>Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with Directive based on the fact that ISAs shall be applied in conducting audits.</p>

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	Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing		
<p>2. The audit report shall be in writing and shall:</p> <p>(a) identify the entity whose annual or consolidated financial statements are the subject of the statutory audit; specify the annual or consolidated financial statements and the date and period they cover; and identify the financial reporting framework that has been applied in their preparation;</p>	<p>ISA 700</p> <p><b>Auditor's Report</b></p> <p>The auditor's report shall be in writing.</p> <p>Introductory Paragraph</p> <p>The introductory paragraph in the auditor's report shall: (a) Identify the entity whose financial statements have been audited; (b) State that the financial statements have been audited; (c) Identify the title of each statement that comprises the financial statements; (d) Refer to the summary of significant accounting policies and other explanatory information; and (e) Specify the date or period covered by each financial statement comprising the financial statements.</p> <p><b>ISA 700 Forming an opinion and reporting on financial statements</b></p> <p>Introductory Paragraph</p> <p>23. The introductory paragraph in the auditor's report shall: (Ref: Para. A17–A19) (a) Identify the entity whose financial statements have been audited; (b) State that the financial statements have been audited; (c) Identify the title of each statement that comprises the financial statements; (d) Refer to the summary of significant accounting policies and other explanatory information; and (e) Specify the date or period covered by each financial statement comprising the financial statements.</p>	C	<p>Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with Directive based on the fact that ISAs shall be applied in conducting audits.</p>

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(b) include a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;		NC	
<p>(c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to:</p> <p>(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework; and,</p> <p>(ii) where appropriate, whether the annual financial statements comply with statutory requirements.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>m) Audit opinion - a document issued by an auditor / audit firm, in which auditor / audit firm expresses opinion whether financial statements of an entity in all material respects are prepared in accordance with the respective reporting requirements, or issues disclaimer of opinion;</p> <p><b>ISA 700 Forming an opinion and reporting on financial statements</b></p> <p>16. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.</p> <p>17. If the auditor: (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.</p> <p>Management's Responsibility for the Financial Statements</p> <p>27. Where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial statements in the</p>	C	

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	<p>auditor’s report shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.</p> <p>Auditor’s Responsibility</p> <p><b>32.</b> Where the financial statements are prepared in accordance with a fair presentation framework, the description of the audit in the auditor’s report shall refer to “the entity’s preparation and fair presentation of the financial statements” or “the entity’s preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.</p> <p>Auditor’s Opinion</p> <p><b>35.</b> When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor’s opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent: (a) The financial statements present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or (b) The financial statements give a true and fair view of ... in accordance with [the applicable financial reporting framework]. (Ref: Para. A27A33)</p> <p><b>ISA 705 Modifications to the opinion in the independent auditor’s report</b></p> <p>Types of Modified Opinions</p> <p>2. This ISA establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon: (a) The nature</p>		

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	<p>of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and (b) The auditor’s judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements. (Ref: Para. A1)</p>		
<p>If the statutory auditor(s) or the audit firm(s) are unable to express an audit opinion, the report shall contain a disclaimer of opinion;</p>	<p><b>ISA 700</b></p>	<p>C</p>	<p>Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with Directive based on the fact that ISAs shall be applied in conducting audits.</p>
<p>(d) refer to any other matters to which the statutory auditor(s) or the audit firm(s) draw(s) attention by way of emphasis without qualifying the audit opinion;</p>	<p><b>ISA 706 Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report</b></p> <p>Emphasis of Matter Paragraphs in the Auditor’s Report</p> <p>6. If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements. (Ref: Para. A1–A2)</p>	<p>C</p>	<p>Although this provision is not transposed into the Law on accounting and auditing it cannot be assessed as incompatible with Directive based on the fact that ISAs shall be applied in conducting audits.</p>

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(e) include an opinion and statement, both of which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of <a href="#">Article 34(1) of Directive 2013/34/EU</a> <sup>5</sup> ;	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 7 – Management Report</b></p> <p>10. PIE and enterprises of the first and second categories shall provide the management report to an Auditor/ Audit Firm. Auditor/ Audit Firm according to Paragraph 6 and Paragraph 7 ((c) and (g)) of this Article will express its opinion on management report, its compliance with regulatory normative acts and correspondence with the financial statements of the same reporting period, as well as about material inaccuracies and their substance. 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.</p>	C	
(f) provide a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;		NC	
(g) identify the place of establishment of the statutory auditor(s) or the audit firm(s).		NC	
Member States <b>may lay down</b> additional requirements in relation to the content of the audit report.		NA	
3. Where the statutory audit was carried out by more than one statutory auditor or audit firm, the statutory auditor(s) or the audit firm(s) shall agree on the results of the statutory audit and submit a joint report and opinion. In the case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the audit report and shall state the reason for the disagreement.		NC	
4. The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 12. Auditing Procedure</b></p>	C	Although, dating the audit report is not explicitly required by the Law on accounting and auditing, Article 12 cannot

<sup>5</sup> **Article 34(1) of Directive 2013/34/EU** - Member States shall ensure that the financial statements of public-interest entities, medium-sized and large undertakings are audited by one or more statutory auditors or audit firms approved by Member States to carry out statutory audits on the basis of Directive 2006/43/EC. The statutory auditor(s) or audit firm(s) shall also: (i) express an opinion on: (i) whether the management report is consistent with the financial statements for the same financial year, and (ii) whether the management report has been prepared in accordance with the applicable legal requirements;

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<p>engaged, the audit report shall be signed by all statutory auditors or at least by the statutory auditors carrying out the statutory audit on behalf of every audit firm. In exceptional circumstances Member States <b>may provide</b> that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person.</p> <p>In any event, the name(s) of the person(s) involved shall be known to the relevant competent authorities.</p>	<p>1. Audit may be conducted based on the law requirements or on the entity’s initiative.</p> <p>2. Audit opinion is validated by a signature of an engagement partner auditor. Internal procedure of an audit firm shall make it possible to identify engagement partner.</p>		<p>be assessed as incompatible with the Directive.</p>
<p>5. The report of the statutory auditor or the audit firm on the consolidated financial statements shall comply with the requirements set out in paragraphs 1 to 4. In reporting on the consistency of the management report and the financial statements as required by point (e) of paragraph 2, the statutory auditor or the audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or the audit firms required by this Article may be combined.</p>		<p>PC</p>	<p>See above. Not all of the paragraphs 1 to 4 are transposed.</p>
<p><b>CHAPTER VI. QUALITY ASSURANCE</b></p>			
<p><i>Article 29. Quality assurance systems</i></p>			
<p>1. Each Member State shall ensure that all statutory auditors and audit firms are subject to a system of quality assurance which meets at least the following criteria:</p> <p>(a) the quality assurance system shall be organised in such a manner that it is independent of the reviewed statutory auditors and audit firms and is subject to public oversight;</p> <p style="text-align: right;"><a href="#">back to article 1</a></p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V</b></p> <p><b>Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>7. Monitoring of Quality Control System of an Auditor/ Audit Firm shall be performed by the Service. It is entitled to exercise quality control according to risk-based approach. In addition, the Service shall conduct quality control based on received request. Quality control system monitoring</p>	<p>C</p>	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>shall be adequate to the scope and complexity of the auditor/ audit firm's activities.</p> <p>...</p> <p>11. The Service shall perform monitoring of Auditor/ Audit Firm quality control system through such persons who have not conducted auditing activities during at least recent year, have not held voting right in an audit firm, have not been a member of governance or supervision body of audit firm or related in any other form with it, have not had interest in quality control system monitoring results and meet qualification requirements set by the Service</p>		
<p>(b) the funding for the quality assurance system shall be secure and free from any possible undue influence by statutory auditors or audit firms;</p> <p>(c) the quality assurance system shall have adequate resources;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter VI Organization and Management of the Service. Authority of the Board</b></p> <p><b>Article 20. Organization and Management of the Service</b></p> <p>1. The Service is a subordinated agency within the system of the Ministry of Finance. It shall be reporting to the Government of Georgia and the Ministry of Finance.</p>	C	<p>It is envisaged that the service will have adequate recourses. It is funded by the state budget.</p>
<p>(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>11. The Service shall perform monitoring of Auditor/ Audit Firm quality control system through such persons who have not conducted auditing activities during at least recent</p>	PC	<p>The qualification requirements of the persons who carry out quality assurance reviews shall be set out at a later stage.</p>

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>year, have not held voting right in an audit firm, have not been a member of governance or supervision body of audit firm or related in any other form with it, have not had interest in quality control system monitoring results and meet qualification requirements set by the Service.</p>		
<p>(e) the selection of reviewers for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under review;</p>	<p><b>See above</b></p>	<p>C</p>	
<p>(f) the scope of the quality assurance review, supported by adequate testing of selected audit files, shall include an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>7. Monitoring of Quality Control System of an Auditor/ Audit Firm shall be performed by the Service. It is entitled to exercise quality control according to risk-based approach. In addition, the Service shall conduct quality control based on received request. Quality control system monitoring shall be adequate to the scope and complexity of the auditor/ audit firm’s activities.</p>	<p>PC</p>	<p>The scope of the review is not detailed in the law.</p>
<p>(g) the quality assurance review shall be the subject of a report which shall contain the main conclusions of the quality assurance review;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V</b></p> <p><b>Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>14. Within one month following full submission of information requested by the Service on monitoring the</p>	<p>C</p>	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>quality control system, the Service shall present preliminary results. Final results of the quality control system monitoring shall be reflected in the quality control monitoring report prepared in the form set by the Service. The Service shall review the final monitoring report and make decision on setting respective requirements for Auditor/ Audit Firm or/and imposing responsibility. Decision of the Service on results of the quality control system monitoring can be challenged in the Board and in court.</p>		
<p>(h) quality assurance reviews shall take place on the basis of an analysis of the risk and, in the case of statutory auditors and audit firms carrying out statutory audits as defined in point (a) of point 1 of Article 2, <b>at least every six years;</b></p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>9. Monitoring of quality control system, except for the case referred to in Paragraph 7 of this Article, shall be performed once in maximum 6 years for Auditors/ Audit Firms and once in maximum 3 years for those Auditors/ Audit Firms that perform audit of PIEs and first category enterprises.</p>	C	
<p>(i) the overall results of the quality assurance system shall be published annually;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>21. The service shall annually publish general report on audit quality.</p>	C	
<p>(j) recommendations of quality reviews shall be followed up by the statutory auditor or audit firm within a reasonable period;</p>	<p><b>Law on accounting and auditing:</b></p>	C	Implied.

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p><b>Chapter V Audit and Quality Assurance</b>  <b>Article 19. Audit Quality Assurance</b>                      16. If results of quality control monitoring are not satisfactory and Audit Firm/ Auditor fails to fulfill recommendations provided by the Service within the term set by the Service, then the latter shall apply measures against such Auditor/ Audit Firm or respective engagement partner (for specific audit opinion) in accordance with the legislation.</p>		
<p>(k) quality assurance reviews shall be appropriate and proportionate in view of the scale and complexity of the activity of the reviewed statutory auditor or audit firm.</p>	<p><b>Law on accounting and auditing:</b>  <b>Chapter V Audit and Quality Assurance</b>  <b>Article 19. Audit Quality Assurance</b>                      7. Monitoring of Quality Control System of an Auditor/ Audit Firm shall be performed by the Service. It is entitled to exercise quality control according to risk-based approach. In addition, the Service shall conduct quality control based on received request. Quality control system monitoring shall be adequate to the scope and complexity of the auditor/ audit firm's activities.</p>	C	
<p>(1) If the recommendations referred to in point (j) are not followed up, the statutory auditor or audit firm shall, if applicable, be subject to the system of disciplinary actions or penalties referred to in Article 30.</p>	<p><b>Law on accounting and auditing:</b>  <b>Chapter V Audit and Quality Assurance</b>  <b>Article 19. Audit Quality Assurance</b>                      16. If results of quality control monitoring are not satisfactory and Audit Firm/ Auditor fails to fulfill recommendations provided by the Service within the term set by the Service, then the latter shall apply measures against such</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	Auditor/ Audit Firm or respective engagement partner (for specific audit opinion) in accordance with the legislation.		
<p>2. For the purpose of point (e) of paragraph 1, at least the following criteria shall apply to the selection of reviewers:</p> <p>(a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;</p> <p>(b) a person shall not be allowed to act as a reviewer in a quality assurance review of a statutory auditor or an audit firm until at least three years have elapsed since that person ceased to be a partner or an employee of, or otherwise associated with, that statutory auditor or audit firm;</p> <p>(c) reviewers shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be reviewed.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>11. The Service shall perform monitoring of Auditor/ Audit Firm quality control system through such persons who have not conducted auditing activities during at least recent year, have not held voting right in an audit firm, have not been a member of governance or supervision body of audit firm or related in any other form with it, have not had interest in quality control system monitoring results and meet qualification requirements set by the Service.</p> <p>12. A person shall be prohibited to perform quality control system monitoring if such person has been a partner/ shareholder, engagement partner, employee or the other affiliate of that Auditor/ Audit Firm the quality control monitoring of which is being conducted. This requirement shall be effective for three years following the end of such relations.</p>	PC	29.2.(a) and (c) are not fully stransposed.
<p>3. For the purpose of point (k) of paragraph 1, Member States shall require competent authorities, when undertaking quality assurance reviews of the statutory audits of annual or consolidated financial statements of medium-sized and small undertakings, to take account of the fact that the auditing standards adopted in accordance with Article 26 are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited entity.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter V Audit and Quality Assurance</b></p> <p><b>Article 19. Audit Quality Assurance</b></p> <p>7. Monitoring of Quality Control System of an Auditor/ Audit Firm shall be performed by the Service. It is entitled to exercise quality control according to risk-based</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>approach. In addition, the Service shall conduct quality control based on received request. Quality control system monitoring shall be adequate to the scope and complexity of the auditor/ audit firm's activities.</p>		
<b>CHAPTER VII. INVESTIGATIONS AND SANCTIONS</b>			
<i>Article 30. Systems of investigations and sanctions</i>			
<p>1. Member States shall ensure that there are effective systems of investigations and sanctions to detect, correct and prevent inadequate execution of the statutory audit.</p> <p>2. Without prejudice to Member States' civil liability regimes, Member States shall provide for effective, proportionate and dissuasive sanctions in respect of statutory auditors and audit firms, where statutory audits are not carried out in conformity with the provisions adopted in the implementation of this Directive, and, where applicable, Regulation (EU) No 537/2014.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter VI Organization and Management of the Service. Authority of the Board</b></p> <p style="text-align: center;"><b>Article 20. Organization and Management of the Service</b></p> <p style="padding-left: 40px;">n) development of investigation system, rules and methodology for it and commencement of investigation with respect to Auditor/ Audit Firm for the purpose of detecting offence based on its own initiative or/and submitted application or/ and claim;</p> <p style="text-align: center;"><b>Chapter VII Liability and Dispute Resolution</b></p> <p style="text-align: center;"><b>Article 23. Liability for Violation of this Law</b></p> <p style="padding-left: 40px;">1. The Service shall apply simultaneously or/and separately in sequence, for violation of this Law and normative acts issued on its basis, and inconsequently given significance of a violation and potential risks:</p> <p style="padding-left: 80px;">a) The following sanctions against an Auditor/ Audit Firm under this Law:</p> <p style="padding-left: 120px;">a.a) Written warning;</p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>a.b) Public warning (reflection in Auditors' Registry);                      a.c) Pecuniary penalty;                      a.d) Delisting Auditor/ Audit Firm from the Registry;                      a.e) Temporary, maximum 3-year prohibition for auditor/ audit firm or engagement partner to perform auditing or/and sign audit opinion and for partners/ shareholders of audit firm to fulfill auditing functions.</p> <p><b>Article 24. Responsibility of Auditor/ Audit Firm /Engagement Partner</b></p> <p>1. The Service shall be entitled to prohibit Auditor/ Audit Firm or Engagement Partner to perform auditing or/and sign audit opinion, and partners/shareholders of an audit firm to fulfill auditing functions, temporarily, though for no longer than three years.</p> <p>2. Failure to comply with the international standards, auditing and quality system monitoring requirements provided for in Chapter V of this Law (including respective 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;</p> <p>3. Failure to meet 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 auditing or/ and penalizing in the amount up to GEL 1,000.</p>		

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	<p>4. Failure to meet the professional liability insurance requirement envisaged under Article 17 of this Law shall entail warning of an Auditor/ Audit Firm in writing. In case of non-fulfillment of the Service's written warning, the latter shall be entitled to make decision on delisting an Auditor/ Audit Firm from the Registry.</p>		
<p>Member States <b>may decide</b> not to lay down rules for administrative sanctions for infringements which are already subject to national criminal law. In that event, they shall communicate to the Commission the relevant criminal law provisions.</p>			
<p>3. Member States shall provide that measures taken and sanctions imposed on statutory auditors and audit firms are to be appropriately disclosed to the public. Sanctions shall include the possibility of withdrawal of approval.</p> <p>Member States <b>may decide</b> that such disclosure shall not contain personal data within the meaning of point (a) of Article 2 of Directive 95/46/EC.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter IV Registry</b></p> <p><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>10. The Administrative Act that imposes sanctions over an Auditor/ Audit Firm shall be published (with reference to information on appeal, if any) at the Service's webpage at least for the term of 5 years, immediately after its entry into force and sending notice to such Auditor/Audit Firm .</p>	C	
<p>4. By 17 June 2016 the Member States shall notify the rules referred to in paragraph 2 to the Commission. They shall notify the Commission without delay of any subsequent amendment thereto.</p>	n/a	N/A	
<p><i>Article 30a. Sanctioning powers</i></p>			
<p>1. Member States shall provide for competent authorities to have the power to take and/or impose at least the following administrative measures and sanctions for</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter VII Liability and Dispute Resolution</b></p>	PC	30a 1.(d) is not transposed.

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<p>breaches of the provisions of this Directive and, where applicable, of Regulation (EU) No 537/2014:</p> <p>(a) a notice requiring the natural or legal person responsible for the breach to cease the conduct and to abstain from any repetition of that conduct;</p> <p>(b) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;</p> <p>(c) a temporary prohibition, of up to three years' duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or signing audit reports;</p> <p>(d) a declaration that the audit report does not meet the requirements of Article 28 of this Directive or, where applicable, Article 10 of Regulation (EU) No 537/2014;</p> <p>(e) a temporary prohibition, of up to three years' duration, banning a member of an audit firm or a member of an administrative or management body of a public-interest entity from exercising functions in audit firms or public-interest entities;</p> <p>(f) the imposition of administrative pecuniary sanctions on natural and legal persons.</p>	<p><b>Article 23. Liability for Violation of this Law</b></p> <p>1. The Service shall apply simultaneously or/and separately in sequence, for violation of this Law and normative acts issued on its basis, and inconsequently given significance of a violation and potential risks:</p> <p>a) The following sanctions against an Auditor/ Audit Firm under this Law:</p> <p>a.a) Written warning;</p> <p>a.b) Public warning (reflection in Auditors' Registry);</p> <p>a.c) Pecuniary penalty;</p> <p>a.d) Delisting Auditor/ Audit Firm from the Registry;</p> <p>a.e) Temporary, maximum 3-year prohibition for auditor/ audit firm or engagement partner to perform auditing or/and sign audit opinion and for partners/ shareholders of audit firm to fulfill auditing functions.</p>		
<p>2. Member States shall ensure that the competent authorities are able to exercise their sanctioning powers in accordance with this Directive and national law and in any of the following ways:</p> <p>(a) directly;</p>	<p><b>See above</b></p>	<p>C</p>	<p>Powers are exercised directly by the Competent Authority</p>
<p>(b) in collaboration with other authorities;</p>		<p>N/A</p>	
<p>(c) by application to the competent judicial authorities.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 23. Liability for Violation of this Law 4.</b> Dispute related with an individual administrative-legal act of the Service may be reviewed in the Board and the court.</p>	<p>C</p>	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
	Claimant shall be entitled to apply to the court at any stage of the dispute review process.		
3. Member States <b>may confer</b> on competent authorities other sanctioning powers in addition to those referred to in paragraph 1.	N/A		
4. By way of derogation from paragraph 1, Member States <b>may confer</b> on authorities supervising public-interest entities, when they are not designated as the competent authority pursuant to Article 20(2) of Regulation (EU) No 537/2014, powers to impose sanctions for breaches of reporting duties provided for by that Regulation.	N/A		
<i>Article 30b. Effective application of sanctions</i>			
<p>When laying down rules pursuant to Article 30, Member States shall require that, when determining the type and level of administrative sanctions and measures, competent authorities are to take into account all relevant circumstances, including where appropriate:</p> <ul style="list-style-type: none"> <li>(a) the gravity and the duration of the breach;</li> <li>(b) the degree of responsibility of the responsible person;</li> <li>(c) the financial strength of the responsible person, for example as indicated by the total turnover of the responsible undertaking or the annual income of the responsible person, if that person is a natural person;</li> <li>(d) the amounts of the profits gained or losses avoided by the responsible person, in so far as they can be determined;</li> <li>(e) the level of cooperation of the responsible person with the competent authority;</li> <li>(f) previous breaches by the responsible legal or natural person.</li> </ul> <p>Additional factors may be taken into account by competent authorities, where such factors are specified in national law.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Chapter VII Liability and Dispute Resolution</b></p> <p style="text-align: center;"><b>Article 23. Liability for Violation of this Law</b></p> <p style="text-align: center;">4. Sanction applied in accordance with this Article shall be adequate to the offence and potential risk.</p>	PC	Not all sub point of 30b are transposed.

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<i>Article 30c. Publication of sanctions and measures</i>			
<p>1. Competent authorities shall publish on their official website at least any administrative sanction imposed for breach of the provisions of this Directive or of Regulation (EU) No 537/2014 in respect of which all rights of appeal have been exhausted or have expired, as soon as reasonably practicable immediately after the person sanctioned has been informed of that decision, including information concerning the type and nature of the breach and the identity of the natural or legal person on whom the sanction has been imposed.</p> <p>Where Member States permit publication of sanctions which are subject to appeal, competent authorities shall, as soon as reasonably practicable, also publish on their official website information concerning the status and outcome of any appeal.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter IV Registry</b></p> <p><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>10. The Administrative Act that imposes sanctions over an Auditor/ Audit Firm shall be published (with reference to information on appeal, if any) at the Service's webpage at least for the term of 5 years, immediately after its entry into force and sending notice to such Auditor/Audit Firm .</p>	C	
<p>2. Competent authorities shall publish the sanctions imposed on an anonymous basis, and in a manner which is in conformity with national law, in any of the following circumstances:</p> <p>(a) where, in the event that the sanction is imposed on a natural person, publication of personal data is shown to be disproportionate by an obligatory prior assessment of the proportionality of such publication;</p> <p>(b) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;</p> <p>(c) where publication would cause disproportionate damage to the institutions or individuals involved.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>10. The Administrative Act that imposes sanctions over an Auditor/ Audit Firm shall be published (with reference to information on appeal, if any) at the Service's webpage at least for the term of 5 years, immediately after its entry into force and sending notice to such Auditor/Audit Firm .</p> <p>11. In the event provided for in Paragraph 10 of this Article, the Service shall be entitled not to publicize the information if such action endangers interests of the country or/and the third parties. Decision on expediency of information assessment, analysis and its publishing shall be made by the Service.</p>	PC	
<p>3. Competent authorities shall ensure that any publication in accordance with paragraph 1 is of proportionate duration and that it remains on their official website</p>	<p><b>Law on accounting and auditing:</b></p>	C	

DIRECTIVE 2006/43/UE	National legislation	Conformity	Comments
<p>for a minimum period of five years after all rights of appeal have been exhausted or have expired.</p> <p>The publication of sanctions and measures and of any public statement shall respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life and the right to the protection of personal data.</p> <p>Member States may decide that such publication or any public statement is not to contain personal data within the meaning of point (a) of Article 2 of Directive 95/46/EC.</p>	<p><b>Chapter IV Registry</b></p> <p><b>Article 12. Keeping the Registry and Access to Information</b></p> <p>10. The Administrative Act that imposes sanctions over an Auditor/ Audit Firm shall be published (with reference to information on appeal, if any) at the Service’s webpage at least for the term of 5 years, immediately after its entry into force and sending notice to such Auditor/Audit Firm .</p>		
<i>Article 30d. Appeal</i>			
<p>Member States shall ensure that decisions taken by the competent authority in accordance with this Directive and Regulation (EU) No 537/2014 are subject to a right of appeal.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 23. Liability for Violation of this Law</b></p> <p>4. Dispute related with an individual administrative-legal act of the Service may be reviewed in the Board and the court. Claimant shall be entitled to apply to the court at any stage of the dispute review process.</p>	C	
<i>Article 30e. Reporting of breaches</i>			
<p>1. Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation (EU) No 537/2014 to the competent authorities.</p> <p>2. The mechanisms referred to in paragraph 1 shall include at least:</p> <p>(a) specific procedures for the receipt of reports of breaches and their follow-up;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 20. Organization and Management of the Service</b></p> <p>3. The Service shall ensure:</p> <p>n) development of investigation system, rules and methodology for it and commencement of investigation with respect to Auditor/ Audit Firm for the purpose of detecting</p>	PC	<p>The detailed mechanism not transposed and shall be developed after establishment of the Service.</p>

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<p>(b) protection of personal data concerning both the person who reports the suspected or actual breach and the person who is suspected of committing, or who has allegedly committed that breach, in compliance with the principles laid down in Directive 95/46/EC;</p> <p>(c) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him or her, and the right to seek an effective remedy before a tribunal against any decision or measure concerning him or her.</p>	<p>offence based on its own initiative or/and submitted application or/ and claim;</p>		
<p>3. Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation (EU) No 537/2014 internally through a specific channel.</p>		<p>NC</p>	
<i>Article 30f. Exchange of information</i>			
<p>1. Competent authorities shall provide the CEAOB annually with aggregated information regarding all administrative measures and all sanctions imposed in accordance with this chapter. The CEAOB shall publish that information in an annual report.</p>	<p>n/a</p>		
<p>2. Competent authorities shall immediately communicate to the CEAOB all temporary prohibitions referred to in points c) and e) of Article 30a(1).</p>	<p>n/a</p>		
<b>CHAPTER VIII. PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES</b>			
<i>Article 32. Principles of public oversight</i>			
<p>1. Member States shall organise an effective system of public oversight for statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7, and shall designate a competent authority responsible for such oversight.</p>	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 2. Definitions of Terms</b></p> <p>i) Accounting, Reporting and Auditing Oversight Service (hereinafter the Service) – a public</p>	<p>C</p>	

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	subordinated agency of the Ministry of Finance of Georgia (hereinafter the Ministry);		
2. All statutory auditors and audit firms shall be subject to public oversight.	<p><b>Law on accounting and auditing:</b></p> <p><b>Article 2. Definitions of Terms</b></p> <p>g) Auditor – a certified accountant, who is a member of a Professional Organization of Accountants or/ and Auditors and is registered in the State Registry of Auditors /Audit Firms (hereinafter the Registry) and is authorized to perform audit (service), inter alia, on an individual basis;</p> <p>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);</p> <p><b>Chapter VI Organization and Management of the Service. Authority of the Board</b></p> <p><b>Article 20. Organization and Management of the Service</b></p> <p>3. The Service shall ensure:</p> <p>c) defining respective rules and requirements for auditing;</p> <p>d) defining rules for quality control system and its monitoring, reviewing preliminary results, eliminating identified deficiencies and challenging quality control system monitoring report;</p>	C	

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	<p>e) monitoring quality control system of Auditors/ Audit Firms registered in the auditors' registry;</p> <p>f) imposing responsibility for offences defined under this Law;</p> <p>g) defining requirements for professional certification, examination procedures and continuous education in accordance with International Education Standards set by the IFAC and EU Directives and approving respective standards;</p> <p>...</p> <p>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 webpage of financial statements in accordance with its rules and requirements of EU Directive;</p> <p>...</p> <p>n) development of investigation system, rules and methodology for it and commencement of investigation with respect to Auditor/ Audit Firm for the purpose of detecting offence based on its own initiative or/and submitted application or/ and claim;</p> <p>o) prevention and detection of offences;</p> <p>p) development and approval of methodology guidelines on accounting and reporting matters;</p> <p>q) exercising the other powers in auditing field, as provided for in the Georgian legislation.</p>		

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<p>3. The competent authority shall be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit. They shall be selected in accordance with an independent and transparent nomination procedure.</p> <p>The competent authority may engage practitioners to carry out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of its tasks. In such instances, both the practitioners and the experts shall not be involved in any decision-making of the competent authority.</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter VI Organization and Management of the Service.</b></p> <p><b>Authority of the Board</b></p> <p><b>Article 20. Organization and Management of the Service</b></p> <p>4. The Service, for the purpose of developing standards and rules set under this Law, shall be entitled to establish working groups with participation of professional organizations, practitioners and the other stakeholders. The activities of such working groups shall be regulated under the individual administrative - legal act of the Head of the Service.</p> <p>5. The Service is governed by the Head who shall be appointed for the period of 5 years and dismissed, if respective 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.</p> <p>8. The Head shall be non-practitioner and meet the following criteria:</p> <p>a) he/she shall have higher education with specialization in one of such fields as law, economics, finance, banking;</p> <p>b) he/she shall possess at least 5-year experience of working at managerial position in the audit field;</p> <p>c) he/she shall not be convicted of terrorism financing or/ and illicit income legalization or the other economic, heavy or aggravated crimes;</p>	<p>C</p>	

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	<p>d) Head and members of his/ her family shall not be entitled to hold stock or capital share, voting right in the audit firm that is subject to supervision by the Service .</p> <p style="text-align: center;"><b>Article 21. The Board and its Authority</b></p> <p>3. The Board shall consist of 7 members. A Board member shall be non-practitioner, who is a qualified professional, experienced and competent in the areas of financial accounting and reporting, auditing, economics, finance, business administration or Law, with at least 7-year experience in the field.</p> <p>4. The Board members represent: the Ministry of Finance (1 member), the 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).</p> <p>5. Nominations for the Board membership provided for in Paragraph 4 of this Article shall be submitted to the Minister of Finance.</p>		
<p>4. The competent authority shall have the ultimate responsibility for the oversight of:</p> <p>(a) the approval and registration of statutory auditors and audit firms;</p> <p>(b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, except where those standards are adopted or approved by other Member State authorities;</p> <p>(c) continuing education;</p> <p>(d) quality assurance systems;</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter VI Organization and Management of the Service. Authority of the Board</b></p> <p style="text-align: center;"><b>Article 20. Organization and Management of the Service</b></p> <p>3. The Service shall ensure:</p> <p style="padding-left: 20px;">a) introduction of international standards and the other norms provided for in this Law in Georgian language, and</p>	C	

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(e) investigative and administrative disciplinary systems.	<p>setting financial reporting standards for the fourth category enterprises and non-entrepreneurial (non-profit) legal entities;</p> <p>b) defining the rules for preparation and filing financial statements, development of common policy, rules and the other normative acts in the area of financial accounting and reporting and auditing, as well as to develop such rules/acts for PIEs in cooperation with the respective supervisory / regulatory body.</p> <p>c) defining respective rules and requirements for auditing;</p> <p>d) defining rules for quality control system and its monitoring, reviewing preliminary results, eliminating identified deficiencies and challenging quality control system monitoring report;</p> <p>e) monitoring quality control system of Auditors/ Audit Firms registered in the auditors' registry;</p> <p>f) imposing responsibility for offences defined under this Law;</p> <p>g) defining requirements for professional certification, examination procedures and continuous education in accordance with International Education Standards set by the IFAC and EU Directives and approving respective standards;</p> <p>h) Review and approval of standards, rules and methodology set under this Law;</p> <p>i) setting rules for recognition of certification programs, examination procedures and continuous education programs;</p>		

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	<p>j) recognition of certification programs, examination procedures and continuous education programs implemented in accordance with the set standards;</p> <p>k) exercising compliance monitoring of professional organizations, examination bodies and other persons engaged in professional educational activities with this Law and regulations and standards established by the Service;</p> <p>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 webpage of financial statements in accordance with its rules and requirements of EU Directive;</p> <p>m) compliance of submitted financial statements with requirements if this Law and their publicity;</p> <p>n) development of investigation system, rules and methodology for it and commencement of investigation with respect to Auditor/ Audit Firm for the purpose of detecting offence based on its own initiative or/and submitted application or/ and claim;</p> <p>o) prevention and detection of offences;</p> <p>p) development and approval of methodology guidelines on accounting and reporting matters;</p> <p>q) exercising the other powers in auditing field, as provided for in the Georgian legislation.</p>		
<p>4a. Member States shall designate one or more competent authorities to carry out the tasks provided for in this Directive. Member States shall designate only one competent authority bearing the ultimate responsibility for the tasks referred in this Article except for the purpose of the statutory audit of cooperatives, savings banks</p>	<p>See above.</p>	<p>C</p>	<p>Only one competent authority in the Law</p>

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<p>or similar entities as referred to in Article 45 of Directive 86/635/EEC, or a subsidiary or legal successor of a cooperative, savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC.</p> <p>Member States shall inform the Commission of their designation.</p> <p>The competent authorities shall be organised in such a manner that conflicts of interests are avoided.</p>			
<p>4b. Member States <b>may delegate</b> or allow the competent authority to delegate any of its tasks to other authorities or bodies designated or otherwise authorised by law to carry out such tasks.</p> <p>The delegation shall specify the delegated tasks and the conditions under which they are to be carried out. The authorities or bodies shall be organised in such a manner that conflicts of interest are avoided.</p> <p>Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim the delegated competences on a case-by-case basis.</p>		NA	Option not taken.
<p>5. The competent authority shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.</p> <p>Where a competent authority engages experts to carry out specific assignments, it shall ensure that there are no conflicts of interest between those experts and the statutory auditor or the audit firm in question. Such experts shall comply with the same requirements as those provided for in point (a) of Article 29(2).</p>	<p><b>Law on accounting and auditing:</b></p> <p><b>Chapter VI Organization and Management of the Service.</b></p> <p><b>Authority of the Board</b></p> <p><b>Article 20. Organization and Management of the Service</b></p> <p>3. The Service shall ensure:</p> <p>n) development of investigation system, rules and methodology for it and commencement of investigation with respect to Auditor/ Audit Firm for the purpose of detecting</p>	C	

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The competent authority shall be given the powers necessary to enable it to carry out its tasks and responsibilities under this Directive.	offence based on its own initiative or/and submitted application or/ and claim;		
6. The competent authority shall be transparent. This shall include the publication of annual work programmes and activity reports.	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 19. Audit Quality Assurance</b></p> <p>21. The service shall annually publish general report on audit quality.</p> <p><b>Chapter VI Organization and Management of the Service. Authority of the Board</b></p> <p style="text-align: center;"><b>Article 20. Organization and Management of the Service</b></p> <p>9. The Head shall:</p> <p>f) submit the report on activities of the Service to the Minister of Finance, publish the report on Service activities and information on its plans at the Service webpage;</p>	C	
7. The system of public oversight shall be adequately funded and shall have adequate resources to initiate and conduct investigations, as referred to in paragraph 5. The funding of the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms.	<p><b>Law on accounting and auditing:</b></p> <p style="text-align: center;"><b>Article 28. Transitional Provisions</b></p> <p>1. Within 4 months following entry into force of this Law, the Minister of Finance of Georgia shall ensure:</p> <p>d) Implementation of activities required for funding the Service.</p>	C	The funding of the service will derive entirely from the state budget, hence independent from the profession.
<i>Article 33. Cooperation between public oversight systems at Community level</i>			
Member States shall ensure that regulatory arrangements for public oversight systems permit effective cooperation at Community level in respect of Member	N/A		

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States' oversight activities. To that end, each Member State shall make one entity specifically responsible for ensuring that cooperation.			
<i>Article 34. Mutual recognition of regulatory arrangements between Member States</i>			
<p>1. Regulatory arrangements of Member States shall respect the principle of home-country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office.</p> <p>Without prejudice to the first subparagraph, audit firms approved in one Member State that perform audit services in another Member State pursuant to Article 3a shall be subject to quality assurance review in the home Member State and oversight in the host Member State of any audit carried out there.</p> <p>2. In the case of a statutory audit of consolidated financial statements, the Member State requiring that statutory audit may not impose additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or an audit firm carrying out a statutory audit of a subsidiary established in another Member State.</p> <p>3. In the case of a company whose securities are traded on a regulated market in a Member State other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or an audit firm carrying out the statutory audit of the annual or consolidated financial statements of that company.</p> <p>4. Where a statutory auditor or an audit firm is registered in any Member State as a consequence of approval in accordance with Article 3 or Article 44 and that statutory</p>	N/A		

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<p>auditor or audit firm provides audit reports concerning annual financial statements or consolidated financial statements as referred to in Article 45(1), the Member State in which the statutory auditor or the audit firm is registered shall subject that statutory auditor or audit firm to its systems of oversight, its quality assurance systems and its systems of investigation and sanctions.</p>			
<p><i>Article 36. Professional secrecy and regulatory cooperation between Member States</i></p>			
<p>1. The competent authorities of Member States responsible for approval, registration, quality assurance, inspection and discipline, the competent authorities designated in accordance with Article 20 of Regulation (EU) No 537/2014 and the relevant European Supervisory Authorities shall cooperate with each other whenever necessary for the purpose of carrying out their respective responsibilities and tasks under this Directive and Regulation (EU) No 537/2014. The competent authorities in a Member State shall render assistance to competent authorities in other Member States and to the relevant European Supervisory Authorities. In particular, competent authorities shall exchange information and cooperate in investigations relating to the carrying-out of statutory audits.</p> <p>2. The obligation of professional secrecy shall apply to all persons who are employed or who have been employed by competent authorities. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the laws, regulations or administrative procedures of a Member State.</p> <p>3. Paragraph 2 shall not prevent competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject. The obligation of professional secrecy shall also</p>	<p>N/A</p>		

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<p>apply to any other person to whom the competent authorities have delegated tasks in relation to the purposes set out in this Directive.</p> <p>4. Competent authorities shall, on request, and without undue delay, supply any information required for the purpose referred to in paragraph 1. Where necessary, the competent authorities receiving any such request shall, without undue delay, take the necessary measures to gather the required information. Information thus supplied shall be covered by the obligation of professional secrecy to which the persons employed or formerly employed by the competent authorities that received the information are subject.</p> <p>If the requested competent authority is not able to supply the required information without undue delay, it shall notify the requesting competent authority of the reasons therefor.</p> <p>The competent authorities may refuse to act on a request for information where:</p> <p>(a) supplying information might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or</p> <p>(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or</p> <p>(c) final judgment has already been passed in respect of the same actions and on the same persons by the competent authorities of the requested Member State.</p> <p>Without prejudice to the obligations to which they are subject in judicial proceedings, competent authorities or European Supervisory Authorities which receive information pursuant to paragraph 1 may use it only for the exercise of their functions within the scope of this Directive or Regulation (EU) No 537/2014 and in</p>			

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the context of administrative or judicial proceedings specifically related to the exercise of those functions.			
4a. Member States <b>may allow</b> competent authorities to transmit to the competent authorities responsible for supervising public-interest entities, to central banks, to the European System of Central Banks and to the European Central Bank, in their capacity as monetary authorities, and to the European Systemic Risk Board, confidential information intended for the performance of their tasks. Such authorities or bodies shall not be prevented from communicating to the competent authorities information that the competent authorities may need in order to carry out their duties under Regulation (EU) No 537/2014.		NA	
5. Where a competent authority concludes that activities contrary to the provisions of this Directive are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.		NA	
<p>6. A competent authority of one Member State <b>may also request</b> that an investigation be carried out by the competent authority of another Member State on the latter's territory.</p> <p><b>It may further request</b> that some of its own personnel be allowed to accompany the personnel of the competent authority of that other Member State in the course of the investigation.</p> <p>The investigation shall be subject throughout to the overall control of the Member State on whose territory it is conducted.</p>		NA	

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<p>The competent authorities may refuse to act on a request for an investigation to be carried out as provided for in the first subparagraph, or on a request for its personnel to be accompanied by personnel of a competent authority of another Member State as provided for in the second subparagraph, where:</p> <p>(a) such an investigation might adversely affect the sovereignty, security or public order of the requested Member State or breach national security rules; or</p> <p>(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State; or</p> <p>(c) final judgment has already been passed in respect of the same actions on such persons by the competent authorities of the requested Member State.</p>			
<b>CHAPTER IX. APPOINTMENT AND DISMISSAL</b>			
<i>Article 37. Appointment of statutory auditors or audit firms</i>			
<p>1. The statutory auditor or audit firm shall be appointed by the general meeting of shareholders or members of the audited entity.</p>	<p><b>Entrepreneurs Law of Georgia:</b></p> <p><b>Article 9<sup>1</sup> - General Meeting of Partners</b>                      5. The Meeting of Partners shall make the following decisions:                      i) elect an auditor;</p> <p><b>Article 13<sup>1</sup>. Audit Committee</b>                      8. Audit Committee shall issue recommendations on ensuring authenticity of financial information and auditor/ audit firm to be elected by a general meeting.</p> <p><b>Article 54 – General Meeting</b>                      6. The General Meeting shall have the right to:                      i) elect an auditor;</p>	C	

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2. Member States <b>may allow</b> alternative systems or modalities for the appointment of the statutory auditor or audit firm, provided that those systems or modalities are designed to ensure the independence of the statutory auditor or audit firm from the executive members of the administrative body or from the managerial body of the audited entity.		NA	
3. Any contractual clause restricting the choice by the general meeting of shareholders or members of the audited entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms as regards the appointment of a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be prohibited. Any such existing clauses shall be null and void.		NC	
<i>Article 38. Dismissal and resignation of statutory auditors or audit firms</i>			
1. Member States shall ensure that statutory auditors or audit firms may be dismissed only where there are proper grounds. Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for dismissal.	<p style="text-align: center;"><b>Entrepreneurs Law of Georgia:</b></p> <p style="text-align: center;"><b>Article 13<sup>2</sup>. Withdrawal from the Agreement with Auditor/ Audit Firm</b></p> <p style="text-align: center;">1. An enterprise shall withdraw from the agreement signed with an auditor/ audit firm only if respective grounds exist. Difference of opinion regarding accounting and auditing procedure shall not become the basis for such withdrawal.</p>	C	
2. Member States shall ensure that the audited entity and the statutory auditor or audit firm inform the authority or authorities responsible for public oversight concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and give an adequate explanation of the reasons therefor.	<p style="text-align: center;"><b>Entrepreneurs Law of Georgia:</b></p> <p style="text-align: center;"><b>Article 13<sup>2</sup>. Withdrawal from the Agreement with Auditor/ Audit Firm</b></p> <p style="text-align: center;">2. An enterprise and Auditor/Audit Firm shall inform the Accounting, Reporting and Auditing Oversight Service, a subordinated agency of the Ministry of Finance of Georgia on withdrawal from the Agreement and provide respective justification.</p>	C	
3. In the case of a statutory audit of a public-interest entity, Member States shall ensure that it is permissible for  (a) shareholders representing 5 % or more of the voting rights or of the share capital;	<p style="text-align: center;"><b>Entrepreneurs Law of Georgia:</b></p> <p style="text-align: center;"><b>Article 13<sup>2</sup>. Withdrawal from the Agreement with Auditor/ Audit Firm</b></p>	C	

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<p>(b) the other bodies of the audited entities when defined by national legislation; or</p> <p>(c) the competent authorities referred to in Article 32 of this Directive or designated in accordance with Article 20(1) of Regulation (EU) No 537/2014 or, when provided for by national law, with Article 20(2) of that Regulation,</p> <p>to bring a claim before a national court for the dismissal of the statutory auditor(s) or the audit firm(s) where there are proper grounds for so doing.</p>	<p>3. Partner/ shareholder with 5% of PIE votes or stock/ share or their group, or management body shall be entitled to apply to the court, if respective grounds exist, with the request to withdraw from the Agreement signed with an auditor/ audit firm.</p>		
<b>CHAPTER X. AUDIT COMMITTEE</b>			
<i>Article 39. Audit committee</i>			
<p>1. Member States shall ensure that each public-interest entity has an audit committee. The audit committee shall be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity. It shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body.</p> <p>At least one member of the audit committee shall have competence in accounting and/or auditing.</p> <p>The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.</p> <p>A majority of the members of the audit committee shall be independent of the audited entity. The chairman of the audit committee shall be appointed by its members or by</p>	<p style="text-align: center;"><b>Entrepreneurs Law of Georgia:</b></p> <p><b>Article 13<sup>1</sup>. Audit Committee</b></p> <p>1. Audit Committee shall be established within the PIE Supervisory Board and comprise of the members elected from the Board. Audit Committee may also include one or more independent members elected by a general meeting for a certain term. In a PIE, which does not have a Supervisory Board, independent Audit Committee is established, composed of independent members elected by a general meeting for the set term.</p> <p>2. For purposes of the Paragraph 1 of this Article, a person is independent if he/ she is not legally or/ and economically related to an enterprise, inter alia, does not hold shares/ stock of the company and does not receive a remuneration or any other economic interest from such entity.</p> <p>3. Audit Committee member shall not be that member of the Supervisory Board who exercises Director’s authority.</p>	C	

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<p>the supervisory body of the audited entity, and shall be independent of the audited entity.</p> <p>Member States may require the chairman of the audit committee to be elected annually by the general meeting of shareholders of the audited entity.</p>	<p>4. Audit Committee members shall be persons with respective competence in enterprise operations. At least one member of the Audit Committee shall be a person competent in accounting or/ and auditing.</p> <p>5. Supervisory Board elects Audit Committee Chairman from the Committee members, while in PIEs with no Supervisory Board , the general meeting performs this function.</p>		
<p>2. By way of derogation from paragraph 1, Member States <b>may decide that</b> in the case of public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC of the European Parliament and of the Council, the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided that where the chairman of such a body is an executive member, he or she shall not act as chairman whilst such body is performing the functions of the audit committee.</p> <p>Where an audit committee forms part of the administrative body or of the supervisory body of the audited entity in accordance with paragraph 1, Member States may permit or require the administrative body or the supervisory body, as appropriate, to perform the functions of the audit committee for the purpose of the obligations set out in this Directive and in Regulation (EU) No 537/2014.</p>		NA	
<p>3. By way of derogation from paragraph 1, Member States <b>may decide</b> that the following public-interest entities are not required to have an audit committee:</p> <p>(a) any public-interest entity which is a subsidiary undertaking within the meaning of point 10 of Article 2 of Directive 2013/34/EU if that entity fulfils the requirements set out in paragraphs 1, 2 and 5 of this Article, Article 11(1), Article 11(2) and Article 16(5) of Regulation (EU) No 537/2014 at group level;</p> <p>(b) any public-interest entity which is an UCITS as defined in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council or an</p>		NA	<b>Options not taken</b>

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<p>alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU of the European Parliament and of the Council;</p> <p>(c) any public-interest entity the sole business of which is to act as an issuer of asset backed securities as defined in point 5 of Article 2 of Commission Regulation (EC) No 809/2004;</p> <p>(d) any credit institution within the meaning of point 1 of Article 3(1) of Directive 2013/36/EU whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC and which has, in a continuous or repeated manner, issued only debt securities admitted to trading in a regulated market, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that it has not published a prospectus under Directive 2003/71/EC.</p> <p>The public-interest entities referred to in point (c) shall explain to the public the reasons why they consider that it is not appropriate for them to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.</p>			
<p>4. By way of derogation from paragraph 1, Member States <b>may require or allow</b> a public-interest entity not to have an audit committee provided that it has a body or bodies performing equivalent functions to an audit committee, established and functioning in accordance with provisions in place in the Member State in which the entity to be audited is registered. In such a case the entity shall disclose which body carries out those functions and how that body is composed.</p>		NA	
<p>5. Where all members of the audit committee are members of the administrative or supervisory body of the audited entity, the Member State <b>may provide that</b> the audit committee is to be exempt from the independence requirements laid down in the fourth subparagraph of paragraph 1.</p>			
<p>6. Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the</p>	See above	NC	

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<p>general meeting of shareholders of the audited entity, the audit committee shall, inter alia:</p> <p>(a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;</p> <p>(b) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;</p> <p>(c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited entity, without breaching its independence;</p> <p>(d) monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;</p> <p>(e) review and monitor the independence of the statutory auditors or the audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of this Directive and Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;</p> <p>(f) be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or the audit firm(s) to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of Regulation (EU) No 537/2014 is applied.</p>			
<b>CHAPTER XI. INTERNATIONAL ASPECTS</b>			
<i>Article 44. Approval of auditors from third countries</i>			
<p>1. Subject to reciprocity, the competent authorities of a Member State <b>may approve</b> a third-country auditor as statutory auditor if that person has furnished proof that he</p>	<b>Law on accounting and auditing:</b>	C	

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<p>or she complies with requirements equivalent to those laid down in Articles 4 and 6 to 13.</p> <p>2. The competent authorities of a Member State shall, before granting approval to a third-country auditor who meets the requirements of paragraph 1, apply the requirements laid down in Article 14.</p>	<p><b>Article 13. Registration Proceedings</b></p> <p>8. The Service shall be entitled to enter into the Registry an individual, full member of International Federation of Accountants (IFAC) from the OECD and EU member states, that intends to perform auditing in Georgia based on passed qualification test in Georgian Law and a respective request. Pursuant to this paragraph, requirements and restrictions defined under this law and normative acts adopted on its basis shall apply to the persons entered in the Registry.</p>		
<i>Article 45. Registration and oversight of third-country auditors and audit entities</i>			
<p>1. The competent authorities of a Member State shall, in accordance with Articles 15, 16 and 17, register every third-country auditor and audit entity, where that third-country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements of an undertaking incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, except when the undertaking in question is an issuer exclusively of outstanding debt securities for which one of the following applies:</p> <p>(a) they have been admitted to trading on a regulated market in a Member State within the meaning of point (c) of Article 2(1) of Directive 2004/109/EC of the European Parliament and of the Council prior to 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 50 000 or, in the case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50 000;</p> <p>(b) they are admitted to trading on a regulated market in a Member State within the meaning of point (c) of Article 2(1) of Directive 2004/109/EC from 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.</p>	N/A		

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<p>2. Articles 18 and 19 shall apply.</p> <p>3. Member States shall subject registered third-country auditors and audit entities to their systems of oversight, their quality assurance systems and their systems of investigation and penalties. A Member State may exempt a registered third-country auditor or audit entity from being subject to its quality assurance system if another Member State's or third country's system of quality assurance that has been assessed as equivalent in accordance with Article 46 has carried out a quality review of the third-country auditor or audit entity concerned during the previous three years.</p> <p>4. Without prejudice to Article 46, audit reports concerning annual accounts or consolidated accounts referred to in paragraph 1 of this Article issued by third-country auditors or audit entities that are not registered in the Member State shall have no legal effect in that Member State.</p>			
<p>5. A Member State <b>may register</b> a third-country audit entity only if:</p> <p>(b) the majority of the members of the administrative or management body of the third-country audit entity meet requirements which are equivalent to those laid down in Articles 4 to 10;</p> <p>(c) the third-country auditor carrying out the audit on behalf of the third-country audit entity meets requirements which are equivalent to those laid down in Articles 4 to 10;</p> <p>(d) the audits of the annual or consolidated financial statements referred to in paragraph 1 are carried out in accordance with international auditing standards as</p>	N/A		

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<p>referred to in Article 26, as well as the requirements laid down in Articles 22, 22b and 25, or with equivalent standards and requirements;</p> <p>(e) it publishes on its website an annual transparency report which includes the information referred to in Article 13 of Regulation (EU) No 537/2014 or it complies with equivalent disclosure requirements.</p>			
<p>5a. A Member State <b>may register</b> a third-country auditor only if he or she meets the requirements set out in points (c), (d) and (e) of paragraph 5 of this Article.</p>	N/A		
<p>6. In order to ensure uniform conditions of application of point (d) of paragraph 5 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).</p> <p>Member States <b>may assess</b> the equivalence referred to in point (d) of paragraph 5 of this Article as long as the Commission has not taken any such decision.</p> <p>The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria to be used in assessing whether the audits of the financial statements referred to in paragraph 1 of this Article are carried out in accordance with international auditing standards as referred to in Article 26 and the requirements laid down in Articles 22, 24 and 25. Such criteria, which are applicable to all third countries, shall be used by Member States when assessing equivalence at national level.</p>	N/A		
<p><i>Article 46. Derogation in the case of equivalence</i></p>			
<p>1. Member States <b>may disapply</b> or modify the requirements in Article 45(1) and (3) on the basis of reciprocity only if the third-country auditors or audit entities are subject to systems of public oversight, quality assurance and investigations and</p>	N/A		

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<p>penalties in the third country that meet requirements equivalent to those of Articles 29, 30 and 32.</p> <p>2. In order to ensure uniform conditions for the application of paragraph 1 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Once the Commission has recognised the equivalence referred to in paragraph 1 of this Article, Member States may decide to rely on such equivalence partially or entirely and thus to disapply or modify the requirements in Article 45(1) and (3) partially or entirely.</p> <p>Member States may assess the equivalence referred to in paragraph 1 of this Article or rely on the assessments carried out by other Member States as long as the Commission has not taken any such decision. If the Commission decides that the requirement of equivalence referred to in paragraph 1 of this Article is not complied with, it may allow the third-country auditors and third-country audit entities concerned to continue their audit activities in accordance with the requirements of the relevant Member State during an appropriate transitional period.</p> <p>The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria, based on the requirements laid down in Articles 29, 30 and 32, which are to be used in assessing whether the public oversight, quality assurance, investigation and sanctions systems of a third country are equivalent to those of the Union. Such general criteria shall be used by Member States when assessing equivalence at national level in the absence of a Commission decision in respect of the third country concerned.</p> <p>3. Member States shall communicate to the Commission:</p> <p>(a) their assessments of the equivalence referred to in paragraph 2; and</p>			

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(b) the main elements of their cooperative arrangements with third-country systems of public oversight, quality assurance and investigations and penalties, on the basis of paragraph 1.			
<i>Article 47. Cooperation with competent authorities from third countries</i>			
<p>1. Member States <b>may allow</b> the transfer to the competent authorities of a third country of audit working papers or other documents held by statutory auditors or audit firms approved by them, and of inspection or investigation reports relating to the audits in question, provided that:</p> <p>(a) those audit working papers or other documents relate to audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;</p> <p>(b) the transfer takes place via the home competent authorities to the competent authorities of that third country and at their request;</p> <p>(c) the competent authorities of the third country concerned meet requirements which have been declared adequate in accordance with paragraph 3;</p> <p>(d) there are working arrangements on the basis of reciprocity agreed between the competent authorities concerned;</p> <p>(e) the transfer of personal data to the third country is in accordance with Chapter IV of Directive 95/46/EC.</p> <p>2. The working arrangements referred to in paragraph 1(d) shall ensure that:</p> <p>(a) justification as to the purpose of the request for audit working papers and other documents is provided by the competent authorities;</p> <p>(b) the persons employed or formerly employed by the competent authorities of the third country that receive the information are subject to obligations of professional secrecy;</p>	N/A		

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<p>(ba) the protection of the commercial interests of the audited entity, including its industrial and intellectual property, is not undermined;</p> <p>(c) the competent authorities of the third country may use audit working papers and other documents only for the exercise of their functions of public oversight, quality assurance and investigations that meet requirements equivalent to those of Articles 29, 30 and 32;</p> <p>(d) the request from a competent authority of a third country for audit working papers or other documents held by a statutory auditor or audit firm can be refused:</p> <p>— where the provision of those working papers or documents would adversely affect the sovereignty, security or public order of the Community or of the requested Member State, or</p> <p>— where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested Member State, or</p> <p>— where final judgment has already been passed in respect of the same actions and on the same statutory auditors or audit firms by the competent authorities of the requested Member State.</p> <p>3. In order to facilitate cooperation, the Commission shall be empowered to decide upon the adequacy referred to in point (c) of paragraph 1 of this Article by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States shall take the measures necessary to comply with the Commission's decision.</p> <p>The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general adequacy criteria in accordance with which the Commission is to assess whether the competent authorities of third countries may be recognised as adequate to cooperate with the competent authorities of Member States on the exchange of audit working papers or other documents held by statutory auditors and audit firms. The general adequacy criteria shall be based on the requirements of Article 36 or essentially equivalent</p>			

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<p>functional results relating to a direct exchange of audit working papers or other documents held by statutory auditors or audit firms.</p> <p>4. In exceptional cases and by way of derogation from paragraph 1, Member States may allow statutory auditors and audit firms approved by them to transfer audit working papers and other documents directly to the competent authorities of a third country, provided that:</p> <p>(a) investigations have been initiated by the competent authorities in that third country;</p> <p>(b) the transfer does not conflict with the obligations with which statutory auditors and audit firms are required to comply in relation to the transfer of audit working papers and other documents to their home competent authority;</p> <p>(c) there are working arrangements with the competent authorities of that third country that allow the competent authorities in the Member State reciprocal direct access to audit working papers and other documents of that third-country's audit entities;</p> <p>(d) the requesting competent authority of the third country informs in advance the home competent authority of the statutory auditor or audit firm of each direct request for information, indicating the reasons therefor;</p> <p>(e) the conditions referred to in paragraph 2 are respected.</p> <p>6. Member States shall communicate to the Commission the working arrangements referred to in paragraphs 1 and 4.</p>			
<b>CHAPTER XII. TRANSITIONAL AND FINAL PROVISIONS</b>			
<i>Article 48. Committee procedure</i>			
<p>1. The Commission shall be assisted by a committee (hereinafter referred to as 'the Committee'). That committee shall be a committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council.</p>	<p>N/A</p>		

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<p>2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.</p> <p>2a. Where reference is made to this paragraph, Article 5a(1) to (4) and Article 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.</p> <p>3. By 31 December 2010 and, thereafter, at least every three years, the Commission shall review the provisions concerning its implementing powers and present a report to the European Parliament and to the Council on the functioning of those powers. The report shall examine, in particular, the need for the Commission to propose amendments to this Directive in order to ensure the appropriate scope of the implementing powers conferred on the Commission. The conclusion as to whether or not an amendment is necessary shall be accompanied by a detailed statement of reasons. If necessary, the report shall be accompanied by a legislative proposal to amend the provisions conferring implementing powers on the Commission.</p>			
<p><i>Article 48a. Exercise of the delegation</i></p>			
<p>1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.</p> <p>2. The power to adopt delegated acts referred to in Articles 26(3), 45(6), 46(2) and 47(3) shall be conferred on the Commission for a period of five years from 16 June 2014. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.</p>	<p><b>N/A</b></p>		

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<p>3. The delegation of power referred to in Articles 26(3), 45(6), 46(2) and 47(3) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the <i>Official Journal of the European Union</i> or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.</p> <p>4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.</p> <p>5. A delegated act adopted pursuant to Articles 26(3), 45(6), 46(2) and 47(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of four months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.</p>			
<i>Article 50. Repeal of Directive 84/253/EEC</i>			
Directive 84/253/EEC shall be repealed with effect from 29 June 2006. References to the repealed Directive shall be construed as references to this Directive.	N/A		
<i>Article 51. Transitional provision</i>			
Statutory auditors or audit firms that are approved by the competent authorities of the Member States in accordance with Directive 84/253/EEC before the entry into force of the provisions referred to in Article 53(1) shall be considered as having been approved in accordance with this Directive.	N/A		
<i>Article 52. Minimum harmonisation</i>			
Member States requiring statutory audit <b>may impose</b> more stringent requirements, unless otherwise provided for by this Directive.	N/A		
<i>Article 53. Transposition</i>			

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<p>1. Before 29 June 2008 Member States shall adopt and publish the provisions necessary to comply with this Directive. They shall forthwith inform the Commission thereof.</p> <p>2. When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.</p> <p>3. Member States shall communicate to the Commission the texts of the main provisions of national law which they adopt in the field covered by this Directive.</p>	N/A		
<i>Article 54. Entry into force</i>			
<p>This Directive shall enter into force on the 20th day following its publication in the <i>Official Journal of the European Union</i>.</p>	N/A		
<i>Article 55. Addressees</i>			
<p>This Directive is addressed to the Member States.</p>		NA	