



# N(N)LE National Reforms Support Foundation for Accounting, Reporting and Auditing

## **Short Term Action Plan Oriented on Quick Wins**

First results to be achieved from 3 to max 6 months period

The main purpose - establishment of the foundation in society

## **1 pillar**

### **Support of SMEs**

**a1. Increase of the reporting level at SMEs by different activities (Note 1.1)**

**a2. Round tables for businesses (round tables will highlight the necessities and the needs of the businesses including on the issues of the corporate governance, business ethics, anti-fraud policies, transparency and the financial reporting )**

**a3. Trainings (the Businesses will receive the target trainings in different IFRS areas (IFRS 9, IFRS 17 etc)**

**a4. Awards for non-PIE entities for best publication of the financial statements on reportal.ge**

**a5. Awards for businesses for best CSR policy in terms of the support of the Foundation**

**a6. Training of entrepreneurs at Universities**

**Feedback: Reduced money lending transaction costs for the banks in terms of the credit officers' job by higher level of financial reporting transparency and prudence**

**b. Support of the raising compliance by SMEs with the international standards for auditing and accounting by sharing best practices (Note 1.2)**

**Feedback: Developing the capital market and attracting new foreign and local investors**

**c. Development of analytical economical journalism via different contests**

**Feedback: Interpretation of data published at reportal.ge for usage by SMEs**

**d1. Social ads on accounting, reporting and auditing**

**d2. PR and technical administration:** It's necessary to prepare Promo Video on the Foundation (3-5 minutes). Activity in Social Networks by Posts, Publications, Reports (Facebook, LinkedIn, Youtube, Twitter accounts to be created urgently). Involvement of students from different Universities in social networks activity.

**Feedback: Raising Awareness in SMEs and society**

**Note 1.1: Events**

- Round tables with different target audience:
- Lack of Communication between Auditing committees / founders and external auditors

*External support in conducting events is needed: bringing experts, spaces, translators and food*

Note 1.2: Events

- Transparency Effect on Investment Environment in M&A (Economists, Financial analytics, Appraisers – Business representatives)

*External support in conducting events is needed: bringing experts, spaces, translators and food*

## **2 pillar**

### **Support of Teaching Universities**

**a. Support of the Research at Universities especially in the development of the Interpretation of financial data published on reportal.ge**

**Feedback:** there is definite feedback for the SMEs as SME will receive the information on market situation and the sector analysis, average and median figures of the relevant sectors for comparison purposes. It's noteworthy to mention that in many countries there are special for pay platforms which generate such information for the companies.

**b. Ranking of Financial Reporting, Accounting and Audit Departments at Georgian Universities (elaboration of rating methodology and publishing of the results)**

**Feedback:** there is definite feedback to both government of Georgia and the businesses in terms of better supply of the labor by providing to the state info on funding necessities in education and in terms of the supply of the sufficient labour force for the business demand;

**c1. Translations of the books and students engagement in the process (link between the accounting and foreign languages departments) (Note 2.1)**

**c2. Awards for students for translation, research etc**

**Feedback:** there is definite feedback to SMEs by Publishing of the books and the researches

**d. Development of the programs on the bases of the Georgian Technical University**

**Feedback:** Supply of Actuaries for specially the Insurance companies as it's required by the new Law regulations

**e1. Exchange & dual programs with foreign Universities (internships, studies abroad, dual and two diplomas etc)**

**e2. Bringing international expertise (software, textbooks, foreign teachers etc)**

**Feedback:** there is definite feedback for the SMEs in terms of better supply of the labor to the market by increasing its preparation level for the real life scenario and increasing ability to work in the real business atmosphere

**f1. Different Seminars & workshops at Universities (Note 2.2)**

**f2. Developing of the Curriculum by creating Curriculum Resource Centre, the aim is that the curriculum in the profession to be compatible with IES 1-8 standards (Note 2.3).**

**Also the continuous education of the lecturers will be the challenging issue in this case.**

**Feedback:** Accreditation of the accounting programs at SARAS

## Note 2.1: Publications

It is believed that the importance of speeding up the process is very high. The small is publication, but at the same time its importance is high, the more it will justify the efforts. Better the books to be less than 100 pages, it will be soon translated and less cost will be spent.

Alongside with this it's believed that the books shall be oriented to the general public, be easy readable and related to prominent business tycoons histories.

Based on this few books were selected for which although the copyrights are to be obtained:

- Financial Statement for Owners and Top Management (See, for example, the books found on Amazon for translation, although it may be found other books much better and shorter).

**International Financial Statement Analysis Workbook (CFA Institute Investment Series) 3rd Edition, Kindle Edition by Thomas R. Robinson (Author), Elaine Henry (Author), Wendy L. Pirie (Author), Michael A. Broihahn (Author)**

[https://www.amazon.com/International-Financial-Statement-Institute-Investment-ebook-dp-B00T1JV6JU/dp/B00T1JV6JU/ref=mt\\_kindle?encoding=UTF8&me=&qid=1548576564](https://www.amazon.com/International-Financial-Statement-Institute-Investment-ebook-dp-B00T1JV6JU/dp/B00T1JV6JU/ref=mt_kindle?encoding=UTF8&me=&qid=1548576564)

**Warren Buffett and the Interpretation of Financial Statements: The Search for the Company with a Durable Competitive Advantage Hardcover – Deckle Edge, October 14, 2008 by Mary Buffett (Author), David Clark (Author)**

[https://www.amazon.com/Warren-Buffett-Interpretation-Financial-Statements/dp/1416573186/ref=sr\\_1\\_20?ie=UTF8&qid=1548576564&sr=8-20&keywords=how+to+read+financial+statement](https://www.amazon.com/Warren-Buffett-Interpretation-Financial-Statements/dp/1416573186/ref=sr_1_20?ie=UTF8&qid=1548576564&sr=8-20&keywords=how+to+read+financial+statement)

**Warren Buffett Accounting Book: Reading Financial Statements for Value Investing (Warren Buffett's 3 Favorite Books Book 2) Kindle Edition by Stig Brodersen (Author), Preston Pysh (Author)**

[https://www.amazon.com/Warren-Buffett-Accounting-Book-Statements-ebook/dp/B00K2IN8IG/ref=sr\\_1\\_21?ie=UTF8&qid=1548576564&sr=8-21&keywords=how+to+read+financial+statement](https://www.amazon.com/Warren-Buffett-Accounting-Book-Statements-ebook/dp/B00K2IN8IG/ref=sr_1_21?ie=UTF8&qid=1548576564&sr=8-21&keywords=how+to+read+financial+statement)

**Warren Buffett's 3 Favorite Books: A guide to The Intelligent Investor, Security Analysis, and The Wealth of Nations (Warren Buffett's 3 Favorite Books Book 1) Kindle Edition by Preston George Pysh (Author)**

[https://www.amazon.com/Warren-Buffetts-Favorite-Books-Intelligent-ebook/dp/B0085W03FM/ref=pd\\_sim\\_351\\_1/133-4089589-8551755?encoding=UTF8&pd\\_rd\\_i=B0085W03FM&pd\\_rd\\_r=ff6fadfa-23e6-11e9-b04a-3f2a1e218ea4&pd\\_rd\\_w=XKH3u&pd\\_rd\\_wg=un4dq&pf\\_rd\\_p=90485860-83e9-4fd9-b838-b28a9b7fda30&pf\\_rd\\_r=J5R4NA7PFXS42X8N9T2F&pvc=1&refRID=J5R4NA7PFXS42X8N9T2F](https://www.amazon.com/Warren-Buffetts-Favorite-Books-Intelligent-ebook/dp/B0085W03FM/ref=pd_sim_351_1/133-4089589-8551755?encoding=UTF8&pd_rd_i=B0085W03FM&pd_rd_r=ff6fadfa-23e6-11e9-b04a-3f2a1e218ea4&pd_rd_w=XKH3u&pd_rd_wg=un4dq&pf_rd_p=90485860-83e9-4fd9-b838-b28a9b7fda30&pf_rd_r=J5R4NA7PFXS42X8N9T2F&pvc=1&refRID=J5R4NA7PFXS42X8N9T2F)

**The Interpretation of Financial Statements Hardcover – May 6, 1998 by Benjamin Graham (Author), Spencer B. Meredith (Author)**

<https://www.amazon.com/Interpretation-Financial-Statements-Benjamin-Graham/dp/0887309135>

Although it will be supported of course the professional needs and for this purpose the New Zealand book - How to select an Auditor is selected (as per enclosed New Zealand book on which the copyright is already received; the Georgian unedited translation version already is there, but it needs to be adapted to Georgian reality, to be designed and well organized). It should be noted that the publication was facilitated by the SARAS and CFRR.



Note 2.2:

“Main Challenges for Academic and Professional Education in Georgia:

The ways for promotion specialization and auditors professional development in response to the new challenges and the needs existing on the market”

(Connections between different professions – link between CPA (Rankings) - CIA - Evaluator - CFA - CIMA), Employer Needs (Business and Audit firms HR departments - Universities, Vocational trainings).

See the research [https://www.saras.gov.ge/Content/files/SARAS\\_accountants\\_survey\\_2018.pdf](https://www.saras.gov.ge/Content/files/SARAS_accountants_survey_2018.pdf)

Presentations:

- The vision and mission by SARAS as regulator of the field: Certification of the audit profession and continuous professional development programs; It will be demonstrated that Georgia is dedicated to the reforms, hence they still are directed towards the audit field regulation only at the present stage of the reforms, but the country has the strategy and vision and particular mechanisms and results achieved.

– Speeches by Panelists: Enterprises, Banks, Investment companies discussing how the profession supports development of the businesses and capital market entry and the importance of the profession for internal growth of the enterprise and communication with the financial institutions

Note 2.3.

The Curriculum Resource Center (CRC) of the Foundation will be additional resource, consultancy and training unit in curriculum development and related issues with a special emphasis on accounting, reporting and auditing.

CRC's main goals shall be capacity building, providing targeted resources to selected academics, consultancy, as well as professional development in higher education.

Activities will include trainings in course design; supporting and developing selected faculty through course development competitions; organizing workshops, events and conferences that explore innovative trends within the curriculum development context; as well as preparing graduate students in the profession for successful teaching career at universities in Georgia.

The program will be open only for those who currently are teaching in an institution of higher education in Georgia. The Universities with whom Foundation envisages to cooperate by signed memoranda are:

Tbilisi State University	European University
Caucasus University	Georgian Technical University
University of Georgia	Sokhumi University
International Black Sea University	Caucasus International University
S.Andrew the First Called Georgian University	Saint Diego State University
National University of Georgia	Business & Technology University

As the aim of the program is to allow university teachers, practitioners and scholars to develop their own interests, expertise and knowledge in order to update, deepen or transform the teaching and learning paradigms and practices in their own universities, CRC will also invite applications from scholars (higher education researchers and teaching faculty) from the Universities to investigate specific questions related to accounting profession curricula and curriculum design practices in developed countries.

Calls for applications to the program will be announced every semester.



### **3 pillar: Support of the Profession**

**a. Development of Horizontal Monitoring methodology for Revenue Service using Dutch experience**

**Feedback: Increased reliance on audit work and increased level of audit segment**

**b. Grading of certification programs of PAOs**

**Feedback: Providing transparent information to the society and stakeholders**

**c. Translation of standards**

**Feedback: Publishing of the standards when the resources of SARAS are limited; also Georgia is #1 country in the world in translation of the standards**

**d. Quality Control Diagnosis**

**Feedback: Easiness of quality control passing at SARAS by the SMPs (Note 3.1)**

**e. Internal audit concept development**

**Feedback: More reliance on internal audit job by external auditors**

**f. Input in Qualification development support**

**Feedback: Regulation of the accounting profession at large by grading the profession (I, II, III levels)**

Note 3.1.

As the implementation of the IFAC Standards might be a massive improvement program for the SMP clients, these Standards will initiate changes and improvements in all areas of a company. Therefore we have two levels.

1. The level of our organization
2. The level of our clients, where the Standards should be implemented in future (step by step).

Looking at the content of the Standards it will be a massive change for many of our clients. Therefore a proper project management and careful implementation program is required on both levels.

The best would be to work together with SMPs on a concept and have a suitable implementation plan in sound before seminars and diagnostics audits are arranged. But this needs to take min. 4-5 days before the assignments should start.

This proposal is based on our consultant's business experience with implementation of similar projects in smaller companies.

**Step 1. A Project Plan** should be setup with a **brief project name** and a **detailed project description**. Further, a **project manager with clear responsibilities**, a project **timeframe**, a project **budget**, selection of **project control tools** et cetera...

It should also be decided, which project management software should be used (e.g. MS-project) or if documentation and control should be managed on Excel basis. It is recommended to use common tools because probably not all of our clients use project management software. It should also be decided which language should be used for documentation, control and reporting (or what should be bi-lingual) - think about the numerous checklists within the Standards.

**Step 2.** Drawing up a project steplist for addressing, monitoring and routines of control.

We will need some (local) experts for a **Steering group**.

This experts must be familiar with the local business practices of our clients and legal, tax, customs et cetera in Georgia. Also, they should have knowledge about the efforts of the Standards (or partly). We have to pick up these experts from our clients because they know the local companies and business environment where the Standards should be implemented.

It's recommended a Steering Group with 5 - 6 experts from the areas which are addressed by the Standards.

For example: Production / Quality, Logistics, Accounting / Reporting, Sales / Marketing, HR / Employees Management, Purchasing, EDP, et cetera.

These experts should work out a **Project Implementation Control List**.

This listing is necessary to clarify the implementation steps, the time frame and the responsibilities et cetera.

For example: Create of every Standard module 15 - 20 sub steps. 8 Modules will sum up with around 160 steps on the list. Then the experts should decide, which of them are not applicable (N/A) in Georgia (e.g. legal, tax, accounting, common business practice reasons). Next N/A decision should be made on our client segments (what may fit to a production company, may not

fit to a service unit). Third, it must be decided, what should be implemented at first and what later (time-frame).

Finally we will have the **Project Implementation Control List** (e.g. 120 steps for a production company; thereof 80 to be implemented at the first course) with detailed description, clear responsibility and time frame / target dates.

This listing is necessary for a monitoring and control over the whole implementation period, to have an overview of the status of implementation (for every client and summarized for the whole project e.g. quarterly). It is also basically for the Reporting of the clients and the diagnostics Audits at the clients later on.

**Step 3. Kick - off Meeting** with Managers and Experts from the clients.

Presentation of the project-plan, explaining the project targets, time-frames, budget, reporting requirements of the project.

Handover of the Standards. The client members should agree on (in writing).

Presentation of the Project Control List by the Experts.

Setup up the final implementation plan first course.

Explaining of the Reporting routines from the clients and to the clients.

(e.g. Quarterly Status Reports based on the **Project Implementation Control List**).

Presentation of selected items of the Standards.

**Step 4. Implementation of Standards at the clients' level** based on the Project Control List.

Assignment of a client project manager to ensure clear responsibilities, targets, time -frames and reporting at the clients level.

Official project implementation start at clients' level (may be different depending because of the level of organization and resources of each client).

Afterwards quarterly Implementation Status Reports based on the **Project Implementation Control List** (Status of completion in % of completion).

**Step 5. Auditing/Diagnostics**

Diagnostics Auditing can be started after full or partly implementation of the steps lined out on the **Project Implementation Control List**.

All diagnostics auditors should be familiar with the requirements of IFAC Standards. Diagnostics Auditors should also have practice with the International Standards of Auditing (IAS) for Planning, Diagnostics Audit Program, Performing of Fieldwork, Presentation of Diagnostics Audit Results, Reporting and Follow-up routines.

The diagnostics auditing process and the recommendations should be performed in view of „Continuous Improvement“.

Major part of each diagnostics Audit should be the status of implementation based on the **Project Implementation Control List** as well as other selected areas (related to business and size of the company).

Overall, these diagnostics audits should ensure a correct reporting of implementation, comparison of clients, levels for benchmarking and identifying of weaknesses within the project.

For performing the diagnostics audits within 1 year of around 60 client companies we need 5-6 diagnostics auditors (2-3 diagnostics audit teams).

**Step 6. Overall Status Report** with results of implementation status, benchmarking / ranking / best-practice of clients. Updated targets, timeframes, responsibilities and budget / cost comparison.

Identifying of weaknesses and training requirements et cetera...

**Step 7. Project Review Meeting** with Steering Group, diagnostics Auditors and client Managers / Delegates.

Update of the **Project Implementation Control List**. Identifying / addition of second course implementation steps.

Presentation of selected thematics of the Standards  
et cetera...

**Step 8** or further.... This project will take its time. Finally, a “**Successful Implementation of the Standards**“at **all clients** should be focused on (Report or a Presentation of the Project Manager).

**Foreign Experts role as Senior Experts** within this project can be

- Supporting n a consultancy basis **Setting up a Project Plan** together, its team work (Step 1)
- Review of the **Project Implementation Control List** (part of Step 2)
- **Training of the diagnostics Auditors** in International Auditing Standards -IAS- (e.g. Planning, diagnostics Audit Program, Performing of Fieldwork, Documentation Standards, Presentation of diagnostics Audit Results, Reporting and Follow-up routines (part of Step 5).