




RS Global
Journals

Scholarly Publisher
RS Global Sp. z O.O.
ISNI: 0000 0004 8495 2390

Dolna 17, Warsaw, Poland 00-773
Tel: +48 226 0 227 03
Email: editorial_office@rsglobal.pl

JOURNAL	International Journal of Innovative Technologies in Economy
p-ISSN	2412-8368
e-ISSN	2414-1305
PUBLISHER	RS Global Sp. z O.O., Poland
ARTICLE TITLE	THE IMPORTANCE OF THE PLACE AND ROLE OF PROFESSIONAL ORGANIZATIONS IN THE PROCESS OF AUDITING ACTIVITY REGULATION IN GEORGIA
AUTHOR(S)	Zaza Tripolski.
ARTICLE INFO	Zaza Tripolski. (2022) The Importance of The Place and Role of Professional Organizations in The Process of Auditing Activity Regulation in Georgia. <i>International Journal of Innovative Technologies in Economy</i> . 4(40). doi: 10.31435/rsglobal_ijite/30122022/7928
DOI	https://doi.org/10.31435/rsglobal_ijite/30122022/7928
RECEIVED	16 November 2022
ACCEPTED	23 December 2022
PUBLISHED	30 December 2022
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License .

© The author(s) 2022. This publication is an open access article.

THE IMPORTANCE OF THE PLACE AND ROLE OF PROFESSIONAL ORGANIZATIONS IN THE PROCESS OF AUDITING ACTIVITY REGULATION IN GEORGIA

Zaza Tripolski

Sokhumi State University, Georgia

DOI: https://doi.org/10.31435/rsglobal_ijite/30122022/7928

ARTICLE INFO

Received 16 November 2022

Accepted 23 December 2022

Published 30 December 2022

KEYWORDS

Audit, GFPA, SARAS, Accounting.

ABSTRACT

Regulation of audit activities and quality control of these activities in Georgia gradually developed from the second half of the 90s of the last century and ended with the fact that for this purpose the state created the accounting, reporting and audit supervision service (SARAS) in the Ministry of Finance as a structural unit of the Ministry. Before that, the state could not effectively and strictly control the audit activities and this role was entrusted to the professional organization - the Georgian Federation of Professional Accountants and Auditors (GFPA), and earlier there was the Council of Audit Activities under the Parliament of Georgia. But this positive event also led to negative events, which, in my specific opinion, I can consider: 1. Strong monopolistic role of the state and weakening of the role of professional organizations; 2. Serious threat of liquidation of small and medium audit firms and oligopolization of audit services in the hands of large audit firms; Real prospective threat of unemployment of auditors employed in small and medium audit firms. The subject of the research of this topic is the role of professional organizations in the process of auditing activity regulation.

Citation: Zaza Tripolski. (2022) The Importance of The Place and Role of Professional Organizations in The Process of Auditing Activity Regulation in Georgia. *International Journal of Innovative Technologies in Economy*. 4(40). doi: 10.31435/rsglobal_ijite/30122022/7928

Copyright: © 2022 Zaza Tripolski. This is an open-access article distributed under the terms of the **Creative Commons Attribution License (CC BY)**. The use, distribution or reproduction in other forums is permitted, provided the original author(s) or licensor are credited and that the original publication in this journal is cited, in accordance with accepted academic practice. No use, distribution or reproduction is permitted which does not comply with these terms.

Introduction.

The need for auditory activity arose long before our era. The very word "Audit" comes from the Latin word and means "listening", which means presenting the work carried out by the controller (auditor) to the users of this information, that is, to the relevant audience.

In ancient China, during the Zhou Dynasty (1122-256 BC), the state accounting system included a thoroughly elaborated budget and audit of all state institutions. In ancient Greece, in Athens in the 5th century BC, the People's Assembly controlled the state's income and expenditure, and the country's financial system included government auditors who checked the documents of officials after their authorities was terminated. In the private sector, property owners audited their own statements. In the ancient Roman Empire, state finances were under state control, and the state budget was audited by a state auditor under the supervision of the treasurer.

In English-speaking countries, the record of audit and the oldest surviving accounting document is the "Exchequer Archives" of England and Scotland, dated 1130. In the 13th century, there are references to auditors and audits in both England and Italy.

At the end of the 17th century, the first law was passed in Scotland to prohibit certain officials from working as city auditors. Thus, the modern concept of auditor independence was introduced in the Western world.

Despite this progress of auditing practice, only in the second half of the 19th century did the professional auditor become an organic part of the business world.

The modern era of auditing standardization began in 1939, when the American Institute of Certified Public Accountants established the Committee on Auditing Procedures and this committee issued the first Auditing Procedure Statement (IAP). Until 1973, 54 regulations were issued, and the committee received a new name: The Auditing Standards Executive Committee (later the Auditing Standards Board), which codified all the regulations and consolidated them into a set of procedures that are currently in effect.

In the USA, Great Britain, France, Sweden, Germany, and other countries where market relations are developed, they try to train highly qualified auditors. To get an accounting diploma in the USA, it is necessary to pass an exam twice a year, with a written exam consisting of four parts: audit, accounting practice, accounting theory, and business case, the exam lasts 2.5 days.

During the exam, a person must demonstrate his knowledge of professional ethics, auditor's legal responsibility, state taxes, as well as income and accounting quantitative methods in Europe, a person with higher education has the right to work as an auditor, and he must also have a work experience, 10 years as an accountant or audit assistant (in France-15 years), working as an auditor is prohibited to persons with convictions, mental disorders and persons with problems in the financial sphere.

It is useful for Georgia to share the experience of other countries and improve its auditing activities.

The accompanying process of audit activity is its supervision and regulation.

This issue is solved differently in different countries. But in advanced market economy countries, the place and role of professional organizations are highlighted in the audit regulation process.

The information base of the article is the existing Georgian and English literature related to the topic, international legislative, and normative-legal documents related to the regulation of this field.

Methodology.

The method of comparative analysis is used when working on the mentioned topic. Because the subject does not need to rely on statistical data. Because of this, statistical observation and quantitative methods were not used.

Results.

As a result of the research, a set of proposals and measures is determined, which is necessary to substantiate the importance of the role of professional organizations in the process of regulating audit activities and to balance the conflicting interests between the professional organization and the state control service, taking into account the examples of international practice and sharing the experiences of various advanced countries in the issue of a reasonable understanding of the place and role of professional organizations.

The purpose of this article is to substantiate the essence of the importance of professional organizations, their place and role in the process of regulation of auditing activities in Georgia. The research will reveal the factors that lead to the emergence of the problem in the process of auditing activity regulation.

As a result of the research, those proposals are defined, the combination of which is necessary to ensure the solution of the mentioned problem.

In general, the International Federation of Accountants (IFAC) member bodies, the professional institutes, act under a delegation from their respective governments. The government has given legal recognition to the profession and has given the professional institute a set of roles and responsibilities and some form of reporting requirement. These responsibilities can include admission criteria, continuing education requirements, disciplinary provisions, standard setting and so on. Reporting requirements often take the form of annual reports by the professional body. Under self-regulation then, the government has delegated the responsibility for regulation to the profession and the profession regulates itself within that framework and then reports on its activities. There can be a greater or a lesser degree of government monitoring and oversight. Direct regulation, for example, through the establishment of an audit oversight body, simply means that the government itself has assumed responsibility to regulate part, or, rarely, all of the profession.

However, like self-regulation, this regulation is taking place within a set of roles, responsibilities and reporting arrangements that have been set by government and established in legislation. To be successful, the regulator needs to have an effective working relationship with the profession. In discussing methods of regulation, it is important to remember that accountancy is a

profession. That means that professional accountants have an overriding responsibility to the community in which they live, not just to their current clients or to themselves.

The development of audit activity and its regulation in Georgia has gone through its difficult path. The difficulty lies in the fact that in Georgia, as a state that was part of the former Soviet Union, there was no market economy, and it arose in the early 90s, right after the country gained independence. The origin of the market economy, that is, the conception and development of private entrepreneurship and the introduction of qualitatively new business relations gave rise to the need for audit and, accordingly, its regulation. The corresponding tradition and experience did not exist in the country. This in turn raised the issue of the education system in order to train personnel equipped with appropriate knowledge.

All this quickly put the question of the need for professional organizations on the agenda.

The regulation of auditing activities and the quality control of these activities in Georgia gradually developed from the second half of the 90s of the last century and ended with the fact that for this purpose the state created the Accounting, Reporting and Audit Supervision Service (SARAS) in the Ministry of Finance as a structural unit of the Ministry.

"Accounting, reporting and audit supervision service is a state sub-departmental institution included in the system of the Ministry of Finance of Georgia, which in accordance with the legislation of Georgia provides state supervision in the field of accounting, reporting and auditing" - we read in the regulation of the SARAS. In the same provision, it is stated that "the service acts on behalf of the state while performing its functions".

The SARAS is authorized to monitor the professional organization's compliance with the requirements of this law and the normative acts adopted on its basis. That is, the service is considered the highest controlling person, in fact it appears as a monopolist in the field of auditing activity regulation, professional training and quality control of auditing activity.

In addition, this service is one of the structural subdivisions of the Ministry of Finance and acts on behalf of the state, is accountable to the Minister of Finance, to the Ministry to which the Revenue Service is also subordinate. This is an undesirable issue for commercial firms that want their financial activity data to be confidential.

If we follow the history, the original regulatory body was the Council of Auditory Activities under the Parliament of Georgia, which was established on the basis of the "Law of Georgia on Audit Activities" (Law No. 810 of June 27, 1997) and its activity was terminated by Law No. 6598 of June 29, 2012. It was this body that issued the license for auditing activities.

In addition, the competence of this council included:

a) development of audit standards and methodological recommendations; b) developing and approving the qualification requirements for auditors' attestation, approving the regulations for conducting the attestation; c) development and approval of the provision of licensing of audit activity; d) creation of a system of training and retraining (qualification improvement) of auditors, attestation of auditors, licensing of auditing activities; e) production of the unified state register of auditors and audit firms; f) legalization of documents issued by other states on audit activity in the territory of Georgia and licensing of auditors (audit firms) of foreign states; g) solving other issues related to the state regulation of auditing activities, as well as controlling the quality of auditors' (auditing firm's) work, detecting and appropriately responding to violations of Georgian legislation, auditing standards, the requirements of the auditor's code of ethics, provisions and normative acts; h) receiving the annual report on the activities of individual auditors and audit firms and its further analysis; i) Issuance of normative acts on issues provided for by subsections "a", "b" and "c" of this article for the purpose of legal provision of audit activity. The statutory act of the Auditing Board is the resolution of the board of the Auditing Board.

It was mentioned in the above-mentioned law that it is also "permissible to delegate some issues belonging to the competence of the audit activity council to self-governing public associations of auditors".

This delegation took place with the organization of accountants and auditors created on the basis of public funds - the Georgian Federation of Professional Accountants and Auditors (GFPAA). Accountants trained by this federation in a special program and awarded the status of "professional accountant" were automatically considered certified auditors in the general audit discipline and the Council of Auditing Activities at the Parliament of Georgia was automatically recognized as their auditors.

Since 1999, GFPAA has managed to release several streams of professional accountants and, accordingly, auditors (in general audit) and since 2002, the program has been improved and the textbooks of the British Association of Certified Chartered Accountants (ACCA) training program translated into Georgian with ACCA's official permission appeared.

From 2012, until 2016 - before the creation of the Accounting, Reporting and Audit Supervision Service, the professional organization Buff supervised the regulatory activities after the abolition of the Auditing Activity Council at the Parliament of Georgia.

The only function left to professional organizations in today's Georgia is certification and continuing education. The Professional Certification Standard defines the subjects for professional certification, the rules for carrying out the exam process, the rules for exemption from exams and tests, the documents to be submitted for professional certification and the rule on certificate issuance. Professional certification is conducted by professional organizations whose certification programs or/and examination procedures meet the standards set by SARAS and which are recognized in accordance with the SARAS Order on Approving Procedure for Recognition of Certification Programs and Examination Process.

SARAS recognized certification programs of two professional organizations: The Georgian Federation of Professional Accountants and Auditors (GFPAA), and The Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM).

Only GFPAA is authorized to conduct examinations.

Currently, only these two professional organizations are functioning in Georgia.

The Continuous Education Standard defines continuous education programs and continuous education procedures and authorizes recognized professional organizations to implement and monitor continuous education. GFPAA and GFAAFM are authorized to conduct continuous education.

The Georgian Federation of Professional Accountants and Auditors (GFPAA).

The Georgian Federation of Professional Accountants and Auditors (GFPAA) is a membership-based professional (non-governmental, non-profit) organization. It was created on May 5, 1998, as a result of the merger of the Georgian Accountants' Club and the Association of Accountants. GFPAA is the legal heir of the Georgian Accountants Club (founded in 1996).

The purpose of GFPAA activities is to: achieve and maintain a highly qualified level of members, in order to provide quality professional services to the public; Promoting the improvement of the investment business environment by establishing the best international practices of accounting, financial reporting and auditing; By improving the business environment, promoting the country's economic growth, GFPAA members are individuals and legal entities representing the field of accounting and auditing. As of January 1, 2021, GFPAA members were 7,620 individuals (including 708 certified persons) and 54 audit companies, which hold more than 90 percent of the audit activity market in Georgia. The area of activity and membership includes the regions and districts of Georgia.

Affiliated companies of GFPAA are: Institute of Professional Accountants LLC and "Journal Accounting" LLC.

GFPAA has been a member of the International Federation of Accountants (IFAC) since 2000.

GFPAA main range of its activities are: professional certification and continuing education; promoting and monitoring the improvement of the quality of professional services of the members; member advisory services; translation and preparation of manual literature of international standards and professional certification program; disciplinary investigation and monitoring of members' adherence to professional ethics; Lobbying for the legal framework regulating the profession.

Such was the path taken by the issue of auditing activity regulation in Georgia.

The creation of the SARAS on the one hand improved the accounting and auditing activities at an accelerated pace, tightened the quality control requirements.

But this positive event also led to negative events, which, in my specific opinion, I can consider:

1. Strong monopolistic role of the state and weakening of the role of professional organizations;

2. Serious threat of liquidation of small and medium audit firms and oligopolization of audit services in the hands of large audit firms; There is a real potential danger of the auditors employed in

small and medium-sized audit firms being unemployed because they were unprepared to meet the strict requirements of the SARAS due to reasons independent of them.

In addition, there was a vacuum, mistrust and opposing attitude between the SARAS and small and medium-sized Georgian audit companies. This was caused by the strict requirements of the SARAS for a high level of knowledge of audit methodology and quality control. Large international audit firms and network firms operating in Georgia, which receive education sources, guidance and instructions from foreign headquarters, could provide an adequate response to this challenge for the SARAS. But in conditions of improper education of audit methodology and quality control, due to the lack of sources of such education, medium and small Georgian audit firms found themselves in an unequal position. They could not meet the strict requirements of the SARAS and because of this they were sanctioned by the SARAS, received a lower category of quality control or banned from auditing activities altogether.

Finally, in order not to hide the existing acute problem, two opposing parties to the SARAS have emerged: small audit firms and professional organizations with restricted functions.

In order to correct the situation, at the initiative of the SARAS, on the basis of the agreement signed on August 1, 2018, between the Institute of Chartered Accountants of England and Wales (ICAEW) as the "Licensee" and the GFPAA (the "Licensee"), the audit methodology manual for small and medium-sized audit companies was translated into Georgian (HAT-audit manual: Chapter 1; Chapter 2; Chapter 3 and HAT sample).

The translation of the British audit methodology based on international standards into Georgian was carried out within the framework of the regional technical support program funded by the Asian Development Bank. Also with the support of the Center for Financial Reporting Reform (CFRR) of the World Bank and Georgian auditing companies.

The use of the manual significantly contributed to the improvement of the quality of work of auditors and audit firms registered in Georgia.

Two online training sessions were held in June 2020 on the use of the project template created on the basis of the HAT methodology. Also organized by GFPAA and supported by the World Bank, as of June 9, 2020, the integration of working documents of the HAT methodology into the audit software program E-dok was completed, as a result of which the "Project Template - Financial Statements Audit by HAT Methodology" was created. An auditor (audit firm) who purchased the right to use the E-dok software could copy the created template project from the E-dok link "Shared project templates".

An electronic version of the HAT-Audit Handbook was also posted on the websites of both professional organizations (GFPAA and GFAAFM). (Version: April 2018 (for reporting periods ending on or after December 15, 2016)).

It was a positive precedent between the state (SARAS) and professional organizations, and it was a much-needed support measure for those auditors who had not had the opportunity to receive the relevant education, which was strictly required by the SARAS. But all this happened late, in 2020. Prior to that, the SARAS had inspected the auditors of many small firms and given them a low-quality control category or banned them from auditing altogether.

Let's look at the practices of the world's advanced countries in the field of auditing activity regulation. A good example is the United Kingdom (UK), as it is the most advanced country in Europe in accounting, reporting, and auditing reforms and regulations.

The Auditing Regulations are issued jointly by the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants in Scotland (ICAS), and the Institute of Chartered Accountants in Ireland (ICAI).

In the United Kingdom, the ultimate responsibility for auditing regulation rests with the Financial Reporting Council (FRC) as the "competent authority". This responsibility was originally imposed as a result of the European Union (EU) Audit Regulation, which was introduced into UK law in 2016 by SI 2016/649. Great Britain ceased its membership of the European Union on January 31, 2020. As a result, the EU Audit Regulation is no longer directly applicable in the UK, but much of its content has been transposed into UK law through the Acting Auditors and Third Country Auditors (Amendment after Withdrawal from the EU) Regulations 2019, which came into force on 1 January 2021.

Accordingly, the FRC retains its responsibility for regulating audits in the UK and may delegate this responsibility to bodies it designates as Recognized Supervisory Bodies (RSBs). These bodies are currently the three institutions mentioned above, plus the Association of Chartered Certified

Accountants (ACCA), which issues its own regulations for the audit firms it supervises, as set out in its regulations. The Association of Certified Chartered Accountants (ACCA) is a non-governmental, professional organization that plays a major role in the regulation of auditing activities. ACCA acts as the authorized regulator and supervisor. His rights are not undermined by the state.

Audit regulations were created because recognized supervisory bodies should have a set of regulations that define how auditors are regulated and guidelines for complying with these regulations. The regulations also set out the eligibility criteria for members of these institutions to become „Registered Auditors“. Once a firm registered with one of the institutions becomes a member, the firm must agree to be bound by both the audit regulations and any other rules prescribed by the FRC.

The audit regulation functions that institutions perform are:

- Approval of firms as Registered Auditors;
- Approval of persons as responsible persons;
- establishing procedures for monitoring the competence of responsible persons;
- In relation to audit work other than for public interest entities or work retained by the FRC:
 - monitoring of audit work;
 - investigation of possible violations of audit regulations; and
 - Discipline and sanction for violation of audit rules.

“These regulations apply to firms that wish to register and to firms registered by the Institute that are registered to carry out auditing activities in accordance with the law. The regulations also apply to directors and officers of the firm. In some cases, the regulations continue to apply despite termination of registration.” (Article 1.01)

The audit regulations apply to all firms (regardless of size), directors and officers carrying out UK audit work and those registered by the ICAEW, ICAS or ICAI.

The Association of Certified Chartered Accountants (ACCA) has similar auditing regulations included in its regulations.

Now let’s see briefly how is auditing activity regulation in US.

The United States, for example, has introduced tough external audit regulation under the Sarbanes-Oxley Act of 2002 (Named after its authors, the democratic senator Paul S. Sarbanes and the republican delegate Michael Oxley). Canada has also introduced a regulator with extensive powers, including a national inspections unit as independent monitor of major audits.

The American Institute of Certified Public Accountants (AICPA).

The American Institute of Certified Public Accountants (AICPA) is a non-profit professional organization representing certified public accountants (CPA) in the United States. The organization is integral to rule-making and standard-setting in the CPA profession, and serves as an advocate for legislative bodies and public interest groups.

The AICPA was founded in 1887, under the name American Association of Public Accountants, to ensure that accountancy gained respect as a profession and was practiced by ethical, competent professionals. The AICPA exists to provide its more than 418,000 members with the resources, information, and leadership to provide CPA services in the highest professional manner.

From its earliest iteration in 1887 to as late as the 1970s, the AICPA was the only body setting generally accepted technical and professional standards for CPAs in a number of areas. In the 1970s, the Financial Accounting Standards Board (FASB) took over responsibility for setting generally accepted accounting principles (GAAPs). However, the AICPA still retains its standards-setting responsibilities in such areas as professional ethics, business valuation, financial statement auditing, attest services, and CPA firm quality control.

More recently, in 2012, the AICPA partnered with the Chartered Institute of Management Accountants (CIMA) to create the Chartered Global Management Accountant (CGMA) designation. The two organizations then went on to create the Global Management Accounting Principles (GMAPs) in 2014, in order to formalize best practices in the field of management accounting.

In 2017, the two organizations formed a third international association, the Association of International Certified Professional Accountants, which seeks to strengthen the accounting profession by combining the skills and knowledge of both public and management accountants. Despite all these developments, the AICPA and the CIMA still continue to provide all of their previous benefits to existing members.

In response to auditors across the public accounting industry consistently failing to apply a healthy amount of skepticism to clients' statements, the AICPA proposed a new standard with the goal of promoting skepticism as part of general auditing standards.

In 2020, Statement on Auditing Standards No. 143 was issued to supersede SAS no. 122, amending section 540, auditing accounting estimates, including fair value accounting estimates, and related disclosures, as well as various other sections in AICPA Professional Standards.

The AICPA is integral to rule-making in the largely self-regulated CPA profession and serves as an advocate for legislative bodies and public interest groups. It sets standards for obtaining and maintaining the CPA designation, which is earned by accountants who pass a series of accounting exams and satisfy other experience requirements, and oversees CPA practitioners to make sure they are meeting competence and performance standards.

Members of the AICPA consist of professionals in business and industry, public practice, government, and education. Offices are located in New York City; Washington, D.C; Durham, North Carolina; Ewing, New Jersey; and Lewisville, Texas.

The International Forum of Independent Audit Regulators (IFIAR).

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit regulators from 54 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. The mission is to serve the public interest, including investors, by enhancing audit oversight globally.

Since its creation, IFIAR's membership has grown as a result of the establishment of new independent audit regulators in different jurisdictions around the globe, bringing together independent audit regulators. IFIAR focuses on the following activities:

- Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspections of auditors and audit firms;
- Promoting collaboration and consistency in regulatory activity; and
- Providing a platform for dialogue with other international organizations that have an interest in audit quality.

IFIAR became a Member of the Monitoring Group during 2011; the Group oversees audit and accounting related standard setting activities of the International Federation of Accountants (IFAC), monitors the activities of the Public Interest Oversight Board (PIOB), and convenes to discuss issues and share views relating to international audit quality and regulatory and market developments having an impact on auditing.

In 2015, IFIAR's members approved a multilateral framework for information sharing, and the organization is piloting a coordinated, multijurisdictional audit inspection for gaining a better understanding of group audits. IFIAR also conducts and publishes annual surveys of its members' inspection findings.

Based on IFIAR's 2015-2017 Work Plan, the organization's key objectives for the next year are:

- Improving audit quality globally
- Implementing IFIAR's new governance structure and operations
- Strengthening IFIAR's role as the international leader on audit matters
- Facilitating learning and cooperation among IFIAR Members

The purpose of independent audit inspections is ultimately to enhance the level of audit quality. This should in turn increase the public's confidence in financial statements, thereby contributing to the more efficient operation of capital markets and greater investor protection. Improving audit quality remains IFIAR's most important objective. The most important activities within IFIAR to improve audit quality globally are:

- Continuing to press the six largest global networks for actions;
- Providing input on audit standard setting and standard setting governance;
- Conducting and reporting on IFIAR's Inspection Findings Survey;
- Publication of thought papers on matters relating to audit quality; and
- Continuing to address group audit considerations.

Discussion.

Historically, leading practitioners established codes of professional conduct and, ultimately, standards of accounting, auditing, and other practices. During the 20th century, the necessary knowledge of the standards of professional practice that protected society rested almost exclusively on professional practitioners, who established professional organizations to promote their profession and its standards. This has led many government regulators with statutory authority to choose to adopt professional association standards by reference or acceptable interpretation.

Over time, and in many countries, such as the United States, this approach evolved into a sophisticated system of government-sanctioned self-regulation, which for many years was considered adequate, effective, and protective of the public. The regulation of the auditing profession is usually included as part of the general regulation of the accounting profession and includes the following areas:

- Education and admission standards;
- Auditing standards;
- Ethical standards; and disciplinary responsibility.

Where regulation is carried out mainly by professional organisations, it is often referred to as „self-regulation“ and when it is carried out by government, it is often just „direct regulation“. There is no pure model of self-regulation or direct regulation. A professional organization rarely regulates without some sort of government mandate, and similarly, a government rarely regulates without some sort of interaction with a professional organization.

For a country with a relatively weak economy like Georgia, the abundance of professional organizations may be a luxury, because it is difficult to form a proper financial and material-technical base for professional organizations. But it is also wrong to diminish their role and refer only to the function of professional training of accountants.

I express the opinion that in the audit regulation process, the influence role and capacity of the state and professional organizations should be balanced, rights should not be concentrated in the hands of the state only, which has never brought positive effects. In the conditions of a free market economy, the state's control over accounting and auditing of business entities should not be strictly centralized and monopolistic.

As a result of the research, a set of proposals and measures is determined, which is necessary to justify the importance of the role of professional organizations in the process of regulating audit activities and to balance the conflicting interests between the professional organization and the state control service, taking into account the examples of international practice and sharing the experiences of various advanced countries to understand the place and role of professional organizations wisely. in the matter.

Conclusions.

Thus, it would be better if the professional organizations operating in Georgia had more involvement in the process of auditing activity regulation. The regulation process should not be centralized and concentrated only in the hands of the state (Ministry of Finance). Professional organizations should also contribute more to the process of teaching audit methodology and quality control, which should be carried out more intensively.

It would be desirable to involve professional organizations along with the SARAS in the process of checking the quality control of auditing companies. Due to its limited personnel resources, the SARAS is not able to monitor audit companies in a timely manner.

The Association of Chartered Certified Accountants (ACCA) of the United Kingdom is a good example of how effective and influential a professional body can be, its place, and its role in the process of regulating auditing activities.

In general, the primacy of direct control is the main characteristic of the command (Soviet) economy.

Ronald Reagan, the 40th president of the United States of America, during which the American economy made great progress, has the following words: "In the current crisis, the government is not the solution to our problem; The government itself is the problem." This wisdom means that direct control alone cannot lead to the desired results.

This is a challenge for a wide range of specialists and experts. In no country has the reform ever been completed. Reform is a continuous process and must be adapted to the challenges of the relevant time. It should be adopted in the common interest of the nation.

REFERENCES

1. Abuselidze, G. (2009). Tax-payment infringement and questions of protection of the Tax-bearersrights. *Journal of Economics and Business*, 4, 81-92
2. Gnanarajah, R. (2022). Analyst in Financial Economics, Introduction to Financial Services: Accounting and Auditing Regulatory Structure, U.S. and International; Congressional Research Service, US. 7-5700 www.crs.gov R44894
3. Gvaramia, N. (2017). Audit activities in foreign countries.
4. ICAEW (Institute of Chartered Accountants in England and Wales) Version 6 / April 2017, ISBN 978-1-84152-549-5; Audit Regulations and Guidance
5. Accounting and Auditing Regulatory Structure: U.S. and International; Congressional Research Service, US. R44894 <https://crsreports.congress.gov/>
6. Слободяник, А. М., & Абуселідзе, Г. Н. (2020). Відображення в бухгалтерському обліку операцій з ліквідації підприємства при визнанні підприємства банкрутом.
7. Legislative Herald of Georgia. (2016). Law of Georgia on accounting, reporting and auditing (date of adoption 08.06.2016; document number 5386-Is)
8. <https://pcaobus.org/oversight/standards/auditing-standards>
9. https://pcaobus.org/news-events/speeches/speech-detail/the-audit-profession-and-the-evolution-to-independent-oversight_159
10. <https://www.icaew.com/technical/audit-and-assurance/inquiry-into-audit/audit-manifesto>
11. <https://www.frc.org.uk>
12. www.ifrs.org
13. www.ifac.org
14. <https://www.ifac.org/about-ifac/membership/country/georgia>
15. <https://www.fasb.org/home>
16. <http://www.iaasb.org>
17. <https://www.accountancyeurope.eu/publications/organisation-of-the-public-oversight-of-the-audit-profession-in-30-european-countries>