

HEAD OF THE SERVICE FOR ACCOUNTING, REPORTING AND AUDITING SUPERVISION

ORDER N

Tbilisi        ---        -----        2017

**On Approving the Professional Certification Standard**

Pursuant to the Article 11(1) of the *Law of Georgia on Accounting, Reporting and Auditing* I order:

**Article 1.** Approve the Professional Certification Standard in accordance with the enclosed Annex.

**Article 2.** This Order shall come into force .....

Yuri Dolidze

Head of the Service

## Professional Certification Standard

### Article 1. General Provisions

Pursuant to *the Law of Georgia on Accounting, Reporting and Auditing*, the SARAS 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.

### Article 2. Definitions of Terms

1. **Professional competence:** Professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes.
2. **Foundation level of proficiency:** Typically, learning outcomes in a competence area at foundation level focus on:
  - a) Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;
  - b) Performing assigned tasks by using the appropriate professional skills;
  - c) Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;
  - d) Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and
  - e) Providing information and explaining ideas in a clear manner, using oral and written communications.
  - f) Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.
3. **Intermediate level of proficiency:** Typically, learning outcomes in a competence area at intermediate level focus on:
  - a) Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;
  - b) Combining technical competence and professional skills to complete work assignments;
  - c) Applying professional values, ethics, and attitudes to work assignments; and
  - d) Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.

- e) Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.

**4. Advanced level of proficiency:** Typically, learning outcomes in a competence area at advanced level focus on:

- a) Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;
- b) Integrating technical competence and professional skills to manage and lead projects and work assignments;
- c) Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;
- d) Assessing, researching, and resolving complex problems with limited supervision;
- e) Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and
- f) Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders
- g) Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.

**5. Assessment:** Measurement of professional competence developed throughout learning and development. The following measurement approaches can be employed to assess the effectiveness of a learning and development process: input measures; process measures; and output measures. In choosing a measurement approach, the following characteristics should be considered: validity, reliability, and cost effectiveness.

**6. Reliability in assessment:** An assessment activity has a high level of reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if the majority of assessors, acting independently, consistently come to the same judgment, given the same set of circumstances.

In order to increase assessment reliability:

- Ambiguous content should be excluded from examination tasks and instructions;
- Compliance of test content needs to be evaluated to increase objectivity of testing;
- Evaluators are to be trained.

**7. Validity in assessment:** An assessment tool has a high level of validity if it measures what it was intended to measure. Validity is not an absolute measure, and different assessment activities may have different levels of validity. Validity has multiple forms and includes the following:

- (a) Face validity—An assessment activity has high face validity if the assessment activity is perceived to measure what it is intended to measure;
- (b) Predictive validity—An assessment activity has high predictive validity if the content of the assessment activity relates to the particular aspect of professional competence that it is intended to assess; and

(c) Content validity—An assessment activity has high content validity if the assessment activity provides adequate coverage of the particular aspect of professional competence being assessed.

**8. Equity in assessment:** An assessment tool has a high level of equity if it is fair and without bias. Equity is not an absolute measure, and different assessment activities may differ in their level of equity

**9. Transparency in assessment:** An assessment activity has a high level of transparency when details of an assessment activity, such as the competence areas to be assessed and timing of the activity, are disclosed publicly. A high level of transparency is also relevant when considering the entirety of the assessment activities that are undertaken during the education period. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency. Clear and accessible communications to stakeholders may lead to achieving a high level of transparency.

**10. Sufficiency in assessment:** An assessment activity has a high level of sufficiency if it (a) has a balance of depth and breadth, knowledge, and application, and (b) combines material from different areas applied to a range of situations and contexts.

### **Article 3. Theoretical Teaching and Assessment**

The purpose of assessing the theoretical teaching course and theoretical knowledge is to ensure that certified accountant has and demonstrates essential technical competence for performance of auditor's role.

### **Article 4. Examination of Professional Competence**

1. The examination of professional competence must:

- a) guarantee the necessary level of theoretical knowledge of audit – related subjects listed in Article 6 of this regulation. Each subject listed in Article 6 must be examined to at least university final or equivalent level; and
  - b) guarantee the ability to apply such knowledge in practice. The ability to apply in practice the theoretical knowledge of each subject listed in Article 6 shall be examined at the advanced level of proficiency and should demonstrate professional competence. This examination will include practical examinations such as professional level case studies, or advanced professional level examinations with practical elements, which assess a candidate's ability to apply the required theoretical knowledge in practice.
2. Professional organizations are expected to be capable of being recognized by SARAS for the teaching and examining of theoretical knowledge of the subjects relevant to audit. Specialized examination bodies can also be recognized for examining theoretical knowledge.
  3. Professional organizations in cooperation with specialized examination bodies will typically be more likely to be capable of recognition for the teaching and examining of the ability to apply theoretical knowledge in practice to professional standard.

## **Article 5. Qualification Requirement**

1. For obtaining the right to conduct auditing in Georgia a person shall:
  - a) Attain a level required for admission to the university or its equivalent;
  - b) Complete full theoretical course;
  - c) Acquire 3-year practical experience
  - d) Pass a university final or equivalent level exam

## **Article 6. Subjects to be Covered**

1. The test of theoretical knowledge included in the examination of professional competence shall cover the following subjects:
  - a) General accounting theory and principles
  - b) legal requirements and standards relating to the preparation of annual and consolidated accounts;
  - c) financial reporting and international accounting standards;
  - d) financial analysis;
  - e) cost and management accounting;
  - f) risk management and internal control;
  - g) auditing, assurance and professional skills;
  - h) legal requirements and professional standards relating to statutory audit and statutory auditors;
  - i) business and organizational environment
  - j) business strategy and management
  - k) professional skepticism and professional judgment
  - l) ethical principles
  - m) commitment to the public interest
2. These subjects should be examined to university final level or equivalent, and to the intermediate level of proficiency.
3. The test of theoretical knowledge included in the examination of professional competence shall also cover at least the following subjects insofar as they are relevant to auditing:
  - a) company and business law, regulation and corporate governance;
  - b) the law of insolvency and similar procedures;
  - c) tax law;
  - d) civil and commercial law;
  - e) social security law and employment law;
  - f) information technology and computer systems;
  - g) business, general and financial economics;
  - h) mathematics and statistics;
  - i) basic principles of finance and the financial management of undertakings
  - j) intellectual professional skills
  - k) interpersonal and communication professional skills

- l) personal professional skills
- m) organizational professional skills

3. The relevant aspects of these subjects should be examined to university final level or equivalent, and to at least the intermediate level of proficiency.

#### **Article 7. Learning outcomes**

Education providers shall prescribe the learning outcomes for professional competence to be achieved by professional accountants and auditors in order to be certified. These learning outcomes shall include those listed for each subject in Article 6 in the Annex to this standard.

#### **Article 8. Update and Review of Theoretical Course**

Providers of courses of theoretical instruction in accounting and audit shall regularly review and update their professional accounting education programs. This requirement reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

#### **Article 9. Objective of the Examination of Professional Competence**

1. The assessment of professional competence shall measure the achievement of technical competence and other elements of professional competence and shall comprise assessment activities that have high levels of reliability, validity, equity, transparency, and sufficiency (as defined) within professional accounting education programs.
2. The assessment shall be based on verifiable evidence, that is evidence that is objective, capable of being proven, and stored in written or electronic form.
3. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form. Basing the assessment of professional competence on verifiable evidence will increase the confidence of stakeholders that aspiring professional accountants have achieved the appropriate level of professional competence by the end of the education period.
4. Examples of verifiable evidence include:
  - a) Certificates of successful course completion;
  - b) Recorded outcomes of successful achievement in examinations; and
  - c) A record of achievement provided by employers on competence achieved by aspiring professional accountants.

## **Article 10. Content of the Assessment**

The content of the assessment of professional competence taken as a whole shall examine both the theoretical knowledge of all the subjects set out in Article 6 to the required level of proficiency, and the ability to apply such knowledge in practice. To be recognized by SARAS, examination providers must demonstrate how the examination or examinations meet both of these goals. For example, theoretical knowledge may be confirmed by intermediate level examinations covering the full range of subjects. The ability to apply the knowledge in practice may be confirmed by final, professional level examinations which have a high degree of practical application, such as case studies or similar.

## **Article 11. Procedure for Examination Exemption**

1. Exemptions are granted by professional organizations only for purposes of their certification programs.
2. Professional organizations grant exemptions:
  - a. in accordance with accredited program of an authorized higher education institution for the learning outcomes proved by final examination.
  - b. in accordance with certification program course of the other professional organization for learning outcomes proved by final examination passed in a specialized examination body.

## **Article 12. Documents to be Submitted for Professional Certification**

Documents to be submitted for professional certification by an authorized person shall include the following:

- a) Written application drafted in accordance with Article 78 of the General Administrative Code of Georgia;
- b) A copy of personal ID, while in case of its absence, a document that allows to identify a person;
- c) Documents proving studies/ exemption of subjects.

## **Article 13. Procedure for Certificate Issuance**

A certificate shall cover the following information:

- a) Name, surname;
- b) Personal number;
- c) Logo of certificate issuance body;
- d) Certificate number;
- e) Name of a certificate issuing body and identification number certified by an authorized person's signature and seal (if any).
- f) Date of issuance

## **Article 14. Transitional Provisions**

1. Prior to mandatory reflection of learning outcomes for audit-related subjects provided for in accredited education programs of authorized higher education institutions according to EU directive and International

Education Standards, and during the next two years, a professional organization shall give exemptions for subjects listed in a higher education diploma for candidates' admission to certification program.

2. The professional organization, whose certification program is recognized by SARAS as a certification program in accordance with the present standard and procedure for recognition of the certification program, and for which the SARAS proves compliance with the professional certification standard, shall be authorized to exempt the candidate from certain subjects based on passed exams and relieve him/her of certification examinations defined under the present standard prior to effective date of the present standard.

<b>Competence Area (Level of Proficiency)</b>	<b>Learning Outcomes</b>
(a) Financial accounting and reporting (Intermediate)	<ol style="list-style-type: none"> <li>1. Apply accounting principles to business transactions and other events.</li> <li>2. Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.</li> <li>3. Evaluate the appropriateness of accounting policies used to prepare financial statements.</li> <li>4. Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.</li> <li>5. Interpret financial statements and related disclosures.</li> <li>6. Interpret reports that include non-financial data, for example, sustainability reports and integrated reports.</li> </ol>
(b) Management accounting (Intermediate)	<ol style="list-style-type: none"> <li>1. Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.</li> <li>2. Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.</li> <li>3. Analyze financial and non-financial data to provide relevant information for management decision making.</li> <li>4. Prepare reports to support management decision making, including reports that focus on planning and budgeting, cost management, quality control, performance measurement, and benchmarking.</li> <li>5. Evaluate products and business segment outcomes.</li> </ol>
(c) Finance and financial management (Intermediate)	<ol style="list-style-type: none"> <li>1. Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.</li> <li>2. Analyze an organization's cash flow and working capital requirements.</li> <li>3. Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis.</li> <li>4. Evaluate the appropriateness of the components used to calculate an organization's cost of capital.</li> <li>5. Apply capital budgeting techniques in the evaluation of capital investment decisions.</li> <li>6. Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.</li> </ol>
(d) Taxation (Intermediate)	<ol style="list-style-type: none"> <li>1. Explain national taxation compliance and filing requirements.</li> <li>2. Prepare direct and indirect tax calculations for individuals and organizations.</li> <li>3. Analyze the taxation issues associated with non-complex international transactions.</li> <li>4. Explain the differences between tax planning, tax avoidance, and tax evasion.</li> </ol>

(e) Audit and assurance (Intermediate)	<ol style="list-style-type: none"> <li>1. Describe the objectives and stages involved in performing an audit of financial statements.</li> <li>2. Apply relevant auditing standards (for example, International Standards on Auditing), and applicable laws and regulations to an audit of financial statements.</li> <li>3. Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.</li> <li>4. Apply quantitative methods that are used in audit engagements.</li> <li>5. Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.</li> </ol>
(f) Governance, risk management and internal control (Intermediate)	<ol style="list-style-type: none"> <li>1. Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and explain the role of stakeholders in governance, disclosure, and transparency requirements.</li> <li>2. Analyze the components of an organization's governance framework.</li> <li>3. Analyze an organization's risks and opportunities using a risk management framework.</li> <li>4. Analyze the components of internal control related to financial reporting</li> </ol>
(g) Business laws and regulations (Intermediate)	<ol style="list-style-type: none"> <li>1. Explain the laws and regulations that govern the different forms of legal entities.</li> <li>2. Explain the laws and regulations applicable to the environment in which professional accountants operate.</li> </ol>
(h) Information technology (Intermediate)	<ol style="list-style-type: none"> <li>1. Analyze the adequacy of general information technology controls and relevant application controls.</li> <li>2. Explain how information technology contributes to data analysis and decision making.</li> <li>3. Use information technology to support decision making through business analytics.</li> </ol>
(i) Business and organizational environment (Intermediate)	<ol style="list-style-type: none"> <li>1. Describe the environment in which an organization operates, including the main economic, legal, political, social, technical, international, and cultural forces.</li> <li>2. Analyze aspects of the global environment that affect international trade and finance.</li> <li>3. Identify the features of globalization, including the role of multinationals, e-commerce, and emerging markets.</li> </ol>
(j) Economics (Foundation)	<ol style="list-style-type: none"> <li>1. Describe the fundamental principles of microeconomics and macroeconomics.</li> <li>2. Describe the effect of changes in macroeconomic indicators on business activity.</li> <li>3. Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.</li> </ol>
(k) Business strategy and management (Intermediate)	<ol style="list-style-type: none"> <li>1. Explain the various ways that organizations may be designed and structured.</li> <li>2. Explain the purpose and importance of different types of functional and operational areas within organizations.</li> <li>3. Analyze the external and internal factors that may influence the strategy of an organization.</li> <li>4. Explain the processes that may be used to implement the strategy of an organization.</li> <li>5. Explain how theories of organizational behavior may be used to enhance the performance of the individual, teams, and the organization.</li> </ol>

<p>(l) Intellectual (Intermediate)</p>	<ol style="list-style-type: none"> <li>1. Evaluate information from a variety of sources and perspectives through research, analysis, and integration.</li> <li>2. Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.</li> <li>3. Identify when it is appropriate to consult with specialists to solve problems and reach conclusions.</li> <li>4. Apply reasoning, critical analysis, and innovative thinking to solve problems.</li> <li>5. Recommend solutions to unstructured, multi-faceted problems.</li> </ol>
<p>(m) Interpersonal and Communication skills (Intermediate)</p>	<ol style="list-style-type: none"> <li>1. Display cooperation and teamwork when working towards organizational goals.</li> <li>2. Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.</li> <li>3. Demonstrate awareness of cultural and language differences in all communication.</li> <li>4. Apply active listening and effective interviewing techniques.</li> <li>5. Apply negotiation skills to reach solutions and agreements.</li> <li>6. Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.</li> <li>7. Present ideas and influence others to provide support and commitment.</li> </ol>
<p>(n) Personal skills (Intermediate)</p>	<ol style="list-style-type: none"> <li>1. Demonstrate a commitment to lifelong learning.</li> <li>2. Apply professional skepticism through questioning and critically assessing all information.</li> <li>3. Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.</li> <li>4. Manage time and resources to achieve professional commitments.</li> <li>5. Anticipate challenges and plan potential solutions.</li> <li>6. Apply an open mind to new opportunities.</li> </ol>
<p>(o) Organizational skills (Intermediate)</p>	<ol style="list-style-type: none"> <li>1. Undertake assignments in accordance with established practices to meet prescribed deadlines.</li> <li>2. Review own work and that of others to determine whether it complies with the organization's quality standards.</li> <li>3. Apply people management skills to motivate and develop others.</li> <li>4. Apply delegation skills to deliver assignments.</li> <li>5. Apply leadership skills to influence others to work towards organizational goals.</li> <li>6. Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision making</li> </ol>
<p>(p) Professional skepticism and professional judgment</p>	<ol style="list-style-type: none"> <li>1. Apply a questioning mindset critically to assess financial information and other relevant data.</li> <li>2. Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.</li> </ol>

(Intermediate)	
(b) Ethical principles	<ol style="list-style-type: none"> <li>1. Explain the nature of ethics.</li> <li>2. Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.</li> <li>3. Identify ethical issues and determine when ethical principles apply.</li> <li>4. Analyze alternative courses of action and determine the ethical consequences of these.</li> <li>5. Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate approach.</li> <li>6. Apply the relevant ethical requirements to professional behavior in compliance with standards.</li> </ol>
(c) Commitment to the public interest (Intermediate)	<ol style="list-style-type: none"> <li>1. Explain the role of ethics within the profession and in relation to the concept of social responsibility.</li> <li>2. Explain the role of ethics in relation to business and good governance.</li> <li>3. Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.</li> <li>4. Analyze the consequences of unethical behavior to the individual, the profession, and the public.</li> </ol>

**Subject areas and learning outcomes required by EU Directive and IESs.**

Overlaps and inconsistencies between EU and IES: All of the below subjects required to be covered to the level indicated.

Subject area (EU Dir)	Level to be attained	Subject Area (IES)	Level to be attained
(a) general accounting theory and principles;	University final		
(b) legal requirements and standards relating to the preparation of annual and consolidated accounts;	University final	IES 2 (g) Business laws and regulations	Intermediate
(c) international accounting standards;	University final	IES 2 (a) Financial accounting and reporting	Intermediate
(d) financial analysis;	University final		
(e) cost and management accounting;	University final	IES 2 (b) Management accounting	Intermediate
(f) risk management and internal control;	University final	IES 2 (f) Governance, risk management and internal control	Intermediate
(g) auditing and professional skills;	University final	IES 2 (e) Audit and assurance; IES 3 Professional Skills	Intermediate
(h) legal requirements and professional standards relating to statutory audit and	University final	IES 2 (e) Audit and assurance	Intermediate

statutory auditors;			
Relevant aspects of:			
(a) company law and corporate governance;	University final	IES 2 (f) Governance, risk management and internal control	Intermediate
(b) the law of insolvency and similar procedures;	University final	IES 2 (g) Business laws and regulations	Intermediate
(c) tax law;	University final	IES 2 (d) Taxation	Intermediate
(d) civil and commercial law;	University final	IES 2 (g) Business laws and regulations	Intermediate
(e) social security law and employment law;	University final	IES 2 (g) Business laws and regulations	Intermediate
(f) information technology and computer systems;	University final	IES 2 (h) Information technology	Intermediate
(g) business, general and financial economics;	University final	IES 2 (j) Economics	Foundation
(h) mathematics and statistics;	University final		
(i) basic principles of the financial management of undertakings.	University final	IES 2 (c) Finance and financial management	Intermediate
		IES 2 (i) Business and organizational environment	Intermediate
		IES 2 (k) Business strategy and management	Intermediate
		IES 3 (a) Intellectual skills	Intermediate
		IES 3 (b) Interpersonal and communication skills	Intermediate
		IES 3 (c) Personal skills	Intermediate
		IES 3 (d) Organizational Skills	Intermediate
		IES 4 (a) Professional skepticism and professional judgment	Intermediate
		IES 4 (b) Ethical principles	Intermediate
		IES 4 (c) Commitment to the public interest	Intermediate