



SUMMARY OF REPORT

**ON THE RESULTS OF THE ACTIVITY OF
CHAMBER OF AUDITORS OF AZERBAIJAN
REPUBLIC FOR 2015**

BAKU – 2016

“Strengthening of control over the budget expenditures and financial discipline, provision of the efficient use of revenues is one of the issues constantly causing concern among the society. It is impossible to provide the sustainability of gained economic success and social welfare without transparency. Economic achievements and social progress were possible as a result of the strategy established by the wise leader Heydar Aliyev and currently continued successfully. I’m very glad that, Azerbaijan’s economic success gained up to now and reforms we carried out currently are properly evaluated by the prestigious financial organizations of the world. This in turn requires each of us to work more transparently and efficiently. At the same time the transparency simplifies the work of the regulatory authorities in the fight against corruption”.

Ilham ALIYEV,

The President of the Republic of Azerbaijan

FOREWORD

In 2015 Chamber of Auditors carried out its activities according to the Work Plan on 2015-2017 includes in the implementation of relevant works intended in the “Development concept of the audit service of the Republic of Azerbaijan” drawn up based on the “The National Action Plan for the 2012-2015 on the fight against corruption” confirmed by the order dated September 5, 2012 of the President of the Azerbaijan Republic and on the execution of the duties on the development and regulation of audit and resting with the Chamber of auditors in legislation. Work plan of Chamber covered the important areas like the organization and regulation of audit; study of the foreign audit practice and application of the international audit practice; quality control of audit and the provision of transparency in audit field; training and retraining of the audit personnel meeting modern requirements; implementation of systematic measures on teaching and promotion of audit services; improvement of financial-information system in the chamber system. The list of the works carried out by the Chamber of Auditors in 2015 together with the Committees under its Board can include the preparation of the draft law “On auditor activity”; improvement of prohibitions and sanctions system according to the international practice in the field of audit service; improvement of reporting and statistical indicators system in audit system and the application of the means of information technologies; preparation of methodical instructions on the expansion of voluntary and relevant services; expansion of cooperation relations with the accounting and auditing organizations of the foreign countries; organization of associative and honorary membership to the Chamber of Auditors, translation and publication of the new versions of international audit standards; preparation of new sectoral audit programs; implementation of measures together with the Committees under the Board of Chamber and other issues. As a result of the constant attention and care of the President of Azerbaijan Republic Mr. Ilham Aliyev to Azerbaijan audit, in 2015 audit has entered to the qualitatively new stage of development and his role and importance has grown more in the economical and social life of the country. At the same time, the measures taken during the reporting year was possible thanks to the implementation of important duties like the application of international audit standards and practice in our country put before the independent audit service by the President of Azerbaijan Republic.

In 2015 a number of important problems have been resolved in the Chamber of Auditors on the expansion of the development and application of audit service in Azerbaijan and the increase of transparency according to the relevant state programs.

*Vahid NOVRUZOV,
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Republic of Azerbaijan,
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INTRODUCTION

Work Plan of the Chamber of Auditors of Azerbaijan Republic on 2015-2017 includes in the activity of the Chamber in the fields of organization and regulation of audit, application of international standards, quality control, provision of ethics and transparency, personnel training and international relations, publications, conferences and seminars, provision of financial information, regulation within the Chamber. According to the Work Plan the works intended on the following fields were carried out:

- preparation and discussion of the projects of normative-legal acts on audit legislation;
- study and application of the international practice on the prohibitions and sanctions system in the field of audit service;
- preparation of the guidelines, recommendations and methodical instructions related to the audit service;
- analysis of the reports on audit activity and preparation of recommendations;
- analysis of the results of sociological survey on the actual problems of the audit service and preparation of recommendations;
- improvement of reporting in audit system, organization and implementation of accreditation and registration of auditors and audit organizations according to the international practice;
- education and information through the expansion of opportunities and functions of the official website of the Chamber, as well as the implementation of interactive surveys;
- preparation of system of measures on the expansion of voluntary and relevant services;
- improvement of regulation system of prices in audit;
- control over the compliance with ethic principles;
- determination of the level of rating of auditors for the current year;
- organization of the regular delivery of the latest additions and amendments made on the International Audit Standards and Ethics Code of the Professional Accountants;
- organization of associative and honorary membership to the Chamber of Auditors;
- implementation of measures on the application of administrative responsibility due to the evasion from mandatory audit;
- improvement of the qualification program of auditors by including the latest additions and amendments made on the International Audit Standards and Ethics Code of the Professional Accountants;
- strengthening of the cooperation of auditors with the authorities fighting against corruption;
- improvement of investigation and discipline processes of the Chamber according to the requirements of IFAC;
- inspection of the audit organizations and financial and economic activities of the independent auditors and preparation of review on the inspections carried out;

- implementation of audit inspections based on the decision of the competent state authorities (by order);
- activity on the preparation of personnel: organization of examinations to take the name of auditor;
- conducting qualification courses, as well as the internal auditing and accounting courses for the auditors and the employees of audit organizations (assistants, specialists);
- provision of the participation of the representatives of Chamber in the conferences, forums, symposiums and other events organized by the international auditing and accounting organizations;
- preparation of new agreements and memorandums on the cooperation with foreign partners;
- conducting conferences, “round table” and seminars;
- coverage of measures on the activity of the Chamber of Auditors in media.

I. DUTIES AND FUNCTIONS OF THE CHAMBER OF AUDITORS

The Chamber of Auditors of Azerbaijan Republic which was established for the purpose of organizing the state regulation of audit service in the country, preparing drafts, measures system of the relevant normative acts in this field and directed to the development and improvement of audit service in the Republic of Azerbaijan, defending the interests of the state, economic entities and auditors, controlling over the compliance with the requirements arising from the legislation acts and normative legal acts by auditors in its activity based on the Law of Azerbaijan Republic on “Audit service” operates from April 5, 1996.

The Chamber of Auditors is guided by the Law of Azerbaijan Republic “On audit service”, Regulation “On the Chamber of Auditors of Azerbaijan Republic” and other normative acts in its activity.

The main task of the Chamber of Auditors aims to organize the work of the audit service in the Republic in order to provide the exact and proper implementation of finance and accounting in all the economic entities regardless of the form of ownership and to carry out the measures for the development and the improvement of it according to the current legislation.

II. STRUCTURE OF THE CHAMBER OF AUDITORS

During the reporting period, the structure of the Chamber of Auditors was determined as follows based on the relevant order of the Chairman of the Chamber of Auditors in accordance with the clause 11 “On the Chamber of Auditors of Azerbaijan Republic” of Regulation in order to improve the activity of Chamber of Auditors, increase the level of state regulation and development of audit service in the Republic, provide the rendering of high-quality audit services meeting modern requirements taking into consideration the local conditions and based

on the international practice in this field and strengthen the importance and role of audit in economic reforms successfully implemented in the country :



III. PARTICIPATION OF CHAMBER OF AUDITORS IN STATE PROGRAMS

The Chamber of Auditors of Azerbaijan Republic has also participated in the implementation of a number of State Programs having great importance along with the duties and functions intended in the Regulation of the Chamber of Auditors. Including:

– **On “State Program (for 2007-2015) on improvement of the management of state property in Azerbaijan Republic” approved by the Decree No. 586 dated June 6, 2007 of the President of Azerbaijan Republic:**

1. The subject of “Management of state property” was included in the qualification programs of the auditors, auditor assistants and specialists on 2008-2015 and has been taught in the qualification courses every year.

2. The subject of “State Program on the improvement of the management of state property in Azerbaijan Republic” was included in the seminars held during 2015.

3. The quality of audits conducted at state institutions and joint-stock companies whose shares belong to state (fully or partially) are regularly being inspected and the relevant measures are being taken within the framework of disciplinary and investigation measures of the Chamber.

4. Measures in the field of requirements of international organizations on audit in the state, study and application of foreign practice are being regularly carried out.

– **Action Plan (2011-2015) on the implementation of “State Program on the poverty reduction and sustainable development in Azerbaijan Republic in 2008-2015” approved by the Order of the President of Azerbaijan Republic No.2043 dated September 15, 2008:**

The Chamber began to operate from the first days of its establishment in the field of the development of teaching materials on audit. “I and II volumes of the Collection of International Standards on quality control, audit, analysis, other confirmation and related services” in connection with the fulfillment of clause 6.1.2. of “Publication of the version of international audit standards on 2013” of the clause 6.1. “Publication of books, textbooks, informational and promotional materials on audit” of the Work Plan of the Chamber of Auditors on 2015-2017 related to the clause 3.1.2.5. “Development of teaching materials related to the reorganization of study of the subjects on accounting and auditing on the transition to the International and National Accounting Standards of the Action Plan (2011-2015) on the implementation of tasks arising from the Regulation and State Program on poverty reduction and sustainable development in Azerbaijan Republic in 2008-2015” approved by the Order No. 1578 dated June 28, 2011 of the President of Azerbaijan Republic and the presentation was held in the Chamber of Auditors in November 27, 2015.

– **“National Action Plan for 2012-2015 on the promotion of Open Government” and “National Action Plan for 2012-2015 on the fight against corruption” approved by the Order of the President of Azerbaijan Republic No. 2421 dated September 5, 2012.**

Fields of activities were intended on provision of regular information to the community of the Chamber of Auditors on its activity, increase of transparency in the activities of authorities performing financial control, improvement of the work of the consideration of applications and

complaints, prevention of the conflicts of interests and submission of the declarations on financial information, improvement of the activity of municipalities, improvement of the rules of ethical conduct, improvement of audit services, development of international cooperation in the field of fight against corruption, awareness on the fight against corruption and other fields in the Work Plan of the Chamber of Auditors of the Azerbaijan Republic related to the implementation of “National Action Plan for 2012-2015 on the promotion of open government” and “National Action Plan for 2012-2015 on the fight against corruption”. Currently the Chamber of Auditors regularly continues its activity on the stated fields.

In particular, the following works were carried out on the execution of National Action Plan”:

Improvement works were carried out on the Draft Law of Azerbaijan Republic “On Audit activity” and “Round Table” dedicated to the discussion of the project was held.

In the discussion of draft law of public interest, the representatives of Ministries of Justice, Taxes, Economy and Industry of Azerbaijan Republic, Central Bank, State Committee on Securities, Confederation of Entrepreneurs (Employers), State University of Economics as well as the audit organizations were participated.

Taking into consideration the opinion and suggestions, the last version of the same project was presented to the same agencies and the opinion, suggestions and recommendations of them on the draft law were taken into account.

According to the Work Plan of the Chamber of Auditors, the following normative documents were drawn up in 2015 and approved by the relevant decisions of the Board of Chamber:

- “Investigation and disciplinary measures system in the field of audit service”;
- Regulation “On public control over the activity of the Chamber of Auditors of Azerbaijan Republic”;
- “Methods of the determination of the cost of audit”;
- “Model Regulation on the Audit Committee”;
- “Program on the implementation of audit in the tourism enterprises”;
- “Normative and methodical base regulating the provision of related services”;
- Methodical instructions “On the organization of the work of the Board of Directors on audit”;
- Recommendation “On the organization of the relations with supreme governing bodies in the field of Audit Committee”;
- Methodical instructions “On the development of model audit standards inside the company for the national audit organizations”;
- Regulation “On the membership to the Chamber of Auditors of Azerbaijan Republic”;
- “Statistic indicators system of audit”;
- Rules “On the organization of the activity of call center in the Chamber of Auditors of Azerbaijan Republic”;
- Manual “On the implementation and documentation of audit”;
- Manual “On conducting clerical work in the Chamber of Auditors of Azerbaijan Republic”;
- Regulation “On awards of the Chamber of Auditors of Azerbaijan Republic”;

IV. ORGANIZATION AND REGULATION OF AUDIT

Scope of audit service on 2015

During 2015, 39 independent auditors, 56 audit organizations (including branch and representative office of 4 foreign audit organizations) and 18 foreign invested audit organizations were entitled to carry out audit activity.

Reports were presented to the Chamber of Auditors by 39 independent auditors and 56 auditor organizations on their activities. Based on the submitted reports it was determined that, 3094 contracts were concluded with the economic entities in the amount of 49 106 089,0 manats during the reporting period. Special weight of signed contracts was 21,0% according to their number and 66,1% according to their amounts on branches and representative offices of foreign audit organizations, according to their number 16,1% and according to their amounts 23,9% on foreign invested audit organizations, according to their number 34,4% and according to their amounts 6,6% on local audit organizations and according to their number 28,5% and according to their amounts 3,4% on independent auditors.

Comparison of the scope of audit service with 2014

➤ The number of contracts concluded in 2015 in comparison with 2014 decreased from 3487 to 3094, that's 393 in number or 11,3%, and its amount increased from 46 698 157,5 manats to 49 106 089,0 manats, that's 2 407 931,5 manats or 5,2%.

➤ Among the contracts signed during 2015, 2649 were executed in the amount of 40 601 128,5 manats.

We should note that, the number of contracts concluded in 2015 in comparison with 2014 decreased from 2995 to 2649, that's 346 in number or 11,6%, and its amount increased from 38 664 155,2 manats to 40 601 128,5 manats, that's 1 936 973,3 manats or 5,0%, and average amount increased from 12 909,6 manats to 15 327,0 manats, that's 2 417,4 manats or 18,7%;

1770 (2,7%) mandatory audit facilities out of 64 958 were audited on 2015.

As a result of the analysis of audit services provided on organizational and legal form of mandatory audit entities during 2013-2015 it was determined that, 1894 (2,9%-i) mandatory audit facilities out of 64 958 on Republic during 2014 and in 2015 1770 (2,7%) mandatory audit facilities out of 64 958 were audited. When comparing the years of 2014-2015, 0,2% reduction was observed in the number of economic entities audited mandatorily.

V. PROVISION OF TRANSPARENCY AND FIGHT AGAINST CORRUPTION

The relevant works were carried out by the Chamber of Auditors on the implementation of measures intended for 2015 in "National Action Plan on the promotion of Open Government for 2012-2015" approved by the Order No. 2421 dated September 5, 2012 of the President of Azerbaijan

Republic and “National Action Plan on the fight against corruption for 2012-2015” and “Development concept of audit service in Azerbaijan Republic” (2012-2020).

On “National Action Plan on the promotion of Open Government for 2012-2015”:

According to the clause “Regular placement of information of the state authorities on their activities in their websites on updated bases”, information on the activity of Chamber of Auditors on 2015 in the regular and updated manner was placed in the website of Chamber. Based on the clause “Development of annual reports of the state agencies on their activities and statement of them in their web sites”, an extensive report drawn up on the results of the activities of the Chamber of Auditors on 2014 was published in the first quarter of 2015 in magazine format and officially presented to the Presidential Administration of Azerbaijan Republic, as well as the Cabinet of Ministers of Azerbaijan Republic, Ministries of Taxes, Economy and Industry, Central Bank, state and non-state agencies and educational enterprises, as well as translated into English and sent to about 20 international organizations cooperating with the Chamber and placed in the web site of the Chamber.

On “National Action Plan on the fight against corruption for 2012-2015”:

According to the clause “The organization of the regular direct as well as the mobile reception of citizens by the heads of the state agencies”, as at the end of each year at the end of 2015, days and hours on direct reception of citizens by the management of Chamber on 2016 was determined, reception was presented to the Presidential Administration of Azerbaijan Republic in the order of schedule information and was hanged up in billboard in the entry of the Chamber where everyone can see and placed in the web site of the Chamber.

Based on the requirements of clause “The organization of trainings on the prevention of conflict of interests”, it was approved by the decision of the Board of Chamber which aimed to create favorable conditions for operating based on the healthy competition of the independent auditors and audit organizations, to implement measures on strengthening of the ability to complete, to take measures on the regulation of unfair competition cases and conflict of interests in audit market and seminar was held with the participation of audit organizations and independent auditors on the “Manual” in the Chamber of Auditors in the second half of 2015 related to the adoption of “Manual” on the prevention of the competition cases and unfair conflict of interests in the “Auditor” service placed in the web site of the Chamber. According to the Work Plans of the Chamber on 2015-2017 and Board of Chamber on 2015, annual report was prepared on the conditions of the compliance with the rules of ethical conduct by the members of the Chamber of Auditors and confirmed. That report was added to the report prepared on the implementation of measures by the Chamber of Auditors of Azerbaijan Republic in 2015 intended in the “National Action Plan on the promotion of Open Government” for 2012-2015 and “National Action Plan on the fight against the corruption for 2012-2015” and was sent to the Cabinet of Ministers of Azerbaijan Republic and Commission for Fight

Against Corruption of Azerbaijan Republic according to the requirements of clause 3.1. of the Order of the President of Azerbaijan Republic Mr. Ilham Aliyev dated September 5,2012.

During the report year, the cases of the violation of the rules of ethical conduct were identified by 3 audit organizations and 2 independent auditors while auditing. Each case was investigated, the result of the investigations were discussed in the Professional Ethics Committee of Auditors, Quality Control Committee, under the Management of Chamber and Board of Chamber accordingly, official warning was issued to the two independent auditors and the management of two audit organizations that violated the rules, as well as three months time was given to the audit organization in order to eliminate defects and shortcomings and the license of audit organization was cancelled.

In order to execute the tasks in the meeting devoted to the results of the social and economic development of 9 month of 2015 of the Cabinet of Ministers of the President of Azerbaijan Republic and challenges ahead of the Law of the President of Azerbaijan Republic “On the suspension of inspections in the field of entrepreneurship”, “Inspections on the financial and economic activities of independent auditors and audit organizations” were suspended for two years from November 1, 2015 based on the decision of the Board of the Chamber of Auditors dated October 1, 2015.

Cooperation relations of the Chamber of Auditors with the competent state authorities on the increase of transparency and fight against corruption were also continued in the form of state orders in 2015. So that, independent auditors and the representatives of audit organizations were involved in the inspections based on the 26 applications entered from the authorities and the materials drawn up on the results of completed inspections were presented to the relevant authorities.

VI. QUALITY CONTROL OF AUDIT SERVICE

Quality control of audit service is carried out according to the “Rules on quality control of audit service in Azerbaijan Republic” and “Regulation of the Quality Control Committee of the Chamber of Auditors of Azerbaijan Republic” approved by the decision of the Board of the Chamber of Auditors of Azerbaijan Republic in order to provide the execution of the decisions of the Board of the Chamber of Auditors of Azerbaijan Republic and the requirements of membership obligations in front of International Audit Standards, Code of Ethics for Professional Accountants, International Federation of Accountants (IFAC) which the Chamber is a member governed by the Law of Azerbaijan Republic “On audit service” and Regulation “On the Chamber of Auditors of the Azerbaijan Republic”.

In accordance with the stated normative documents and the relevant clauses of the Work Plans of the Chamber of Auditors on 2015-2017 and the Board of Chamber on 2015, Work Plan of the Quality Control Committee on 2015 was approved and started to be executed.

In 2015 reporting year, Quality Control Committee established its activity in the following four directions:

- to participate in carrying out the measures intended in the “Development concept of audit service taking into account the international practice” (2012-2020) which prepared based on

the “National Action Plan on the fight against corruption for 2012-2015” and implementation was assigned to the Chamber of Auditors;

- In order to carry out obligations of the membership requirements of International Federation of Accountants (IFAC) created before the Chamber, to inform the auditors on the changes in international audit standards and participate in the organization of the provision of them with visual aids;

- To investigate the letters of complaint and applications entered to the Quality Control Committee related to the rendering audit service by audit organizations and independent auditors;

- to organize the quality control of audit inspections carried out by audit organizations and independent auditors.

In order to provide the organization of quality control of audit service more efficiently and to improve division of labor of the Chamber of Auditors among the structural divisions by taking into account the international practice, the independent department of “Quality control of audit” in the structure of the Chamber of Auditors based on the Order of the Chairman of Chamber of Auditors of Azerbaijan Republic “On the improvement of the structure of the Chamber of Auditors of Azerbaijan Republic” No. 1/28 dated September 1, 2015.

At the same time, in order to improve the organization and regulation of control in this field, a new Chairman was appointed to the Quality Control Committee under the Board of the Chamber of Auditors of Azerbaijan Republic based on the decree No.265/5 dated August 11, 2015 of the Board of the Chamber of Auditors of Azerbaijan Republic.

According to the implementation of the clause 3.1. of “The implementation of inspections on quality control of audit service and the preparation of report on the inspections based on the plan approved in accordance with the Requirements Obligation of IFAC on Membership No.1” of the Work Plan of the Chamber of Auditors on 2015-2017, the quality of audits carried out by two audit organizations (“Baker Tilly Audit Azerbaijan” LLC, “Baltic Caspian Audit” LLC) as well as two independent auditors (Isgandarov Samad Mahmud, Jafarov Altay Mursal) was inspected. The relevant instructions were given on the result of inspection.

In the period until the suspension of inspections, based on the Extracts from a single information register of the inspections carried out in the field of entrepreneurship of the Ministry of Justice of Azerbaijan Republic and the relevant orders of the Chairman of the Chamber of Auditors of Azerbaijan Republic, the financial and economic activities of 8 independent auditors and 4 audit organizations were inspected.

Inspection was carried out based on the Methodical instructions “On the inspection of activities of independent auditors and audit organizations” approved by the Order No. 220/5 dated July 2, 2011 of the Board of the Chamber of Auditors of Azerbaijan Republic and the documents presented by the persons whose activities were inspected.

As a result of the works carried out “The Summary on the inspection of the financial and economic activities of audit organizations and independent auditors” was prepared and presented to

the management of the Chamber. The same Report was discussed in the meeting of the Board of the Chamber of Auditors and decision No. 270/2 dated December 4, 2015 was adopted.

VII. TRAINING OF AUDITING STAFF AND INCREASE OF THEIR PROFESSIONAL QUALIFICATION

The issues of training of auditing staff in Azerbaijan and increase and improvement of their professional qualification to be able to operate in line with the international requirements constitute one of the priorities in the operation of the Chamber.

Conducting examinations in order for acquiring auditor name

Schedule on the organization of relevant works regarding the expiration of their licenses during I quarter of 2015-2016 was approved. According to the schedule, two-stage examinations were conducted regarding the expiration of their licenses in order to acquire auditor name and be engage in auditor activity.

Generally, 18 people participated, 8 of them were successful and as well as 10 people did not participate in the examinations that were held in order to acquire auditor name and for those whose licenses expired during 2015.

Conducting refresher courses for auditors

Taking into consideration of international best practices in the training and continuing professional education programs, curriculum, schedule of refresher courses of auditors and list of the auditors on groups on 2015 were developed and discussed and approved in the meeting of the Chamber. According to the approved program and schedule, refresher courses for groups I and II were conducted from September 1, 2015 till September 30, but for groups III, IV and V from October 5 till October 30. Examinations on the result of the courses were held on October 3 and October 31 in 2015. 142 people took part, 21 people did not take part, no one was expelled due to breach of rules, and 115 people were successful and 27 were unsuccessful in the examinations.

Conducting internal auditor courses

In order to provide the implementation of the Law of Azerbaijan Republic “On internal audit” which entered into force with the Decree dated June 29, 2007 of Ilham Aliyev, the president of Azerbaijan Republic for the purpose of increasing efficacy of managing business entities and which defines legal principles of organizing and exercising internal audit service and rights and liabilities of internal auditors, the Chamber of Auditors of Azerbaijan Republic and Azerbaijan Internal Auditors Institute conducted courses on the approved program on “Principles of internal audit” for 14 people

applied from April 1 till May 1 in 2014 and for 6 people applied from October 19 till November 19 in 2015 and generally for 20 people in order to train internal auditors. At the end of the course the participants were given participation certificates.

Conducting refresher courses for auditors' assistants and audit specialists

According to the relevant work plan of the Chamber of Auditors, curriculum of the course on "Principles of audit" was prepared and approved. According to the same curriculum, heads of all auditor organizations were sent letters regarding participation of their assistant and audit specialists in refresher courses. Thus 59 collaborators applied from 35 auditor organizations were conducted two groups courses from May 1 till May 26 in 2015 and the participants were given certificates according to the results of the courses.

Seminars, symposiums and events conducted by the Chamber of Auditors during 2015

Conducting seminars on 2015 regarding implementation of International Audit Standards

Governed by orders of program nature of the president of Azerbaijan Republic, by learning world best practices and considering the features of national economy in the field of independent financial policy, according to the events conducted in order to expand implementation of audit standards, to the membership obligations which Chamber of Auditors undertook before the International Federation of Accountants (IFAC) and to the clause "Conducting seminars regarding implementation of the International Audit Standards" of the work plan on 2015-2017 of the Chamber of Auditors, adjusting auditor service in our country to the International Audit Standards is of particular importance.

In order to achieve this goal, 19 seminars regarding the interpretation of the International Audit Standards were conducted during 2015 for the members of the Chamber of Auditors.

According to the clause 13.2 "National Activity Plan for 2012-2015 regarding fight against corruption" approved with the order No. 2421 dated September 5, 2012 of the president of Azerbaijan Republic and to "Development conception of auditor service in Azerbaijan Republic" (2012-2020 years), "round table" devoted to the discussion of the Law of Azerbaijan Republic "On the activity of auditor" developed by the Chamber of Auditors was held on January 23, 2015 in order to improve normative legal base of audit.

Representatives of the Ministries of Justice, Taxes, Economy and Industry of Azerbaijan Republic, of the National Bank, of the State Committee for Securities, of the National Confederation of Entrepreneurs (Employers), of State University of Economy, as well as of auditor organizations participated in the discussion of draft law which was of public interest.

Seminar jointly organized by the Chamber of Audit of Azerbaijan Republic and Azerbaijan Tourism and Management University on "Audit activity in Azerbaijan and requirements for staff training in this field" was held on March 17, 2015.

Conference on “Problems before the auditor and their solutions in the fight against corruption and money laundering” devoted to the 92nd birth anniversary of National Leader Heydar Aliyev, was held on April 30, 2015.

The conference was jointly organized by the Chamber of Auditors, Anti-Corruption Department under the General Prosecutor’s Office of Azerbaijan Republic and Financial Monitoring Service.

Lectures on “Role and importance of International Audit Standards in the fight against corruption”, “Current situation of audit quality and ways of increasing it”, “Role and importance of internal audit in elimination of corruption: duties and obligations”, “Anti-corruption measures in international audit practice”, “Necessity of improving audit legislation base” were heard and discussed.

“Round table” regarding the discussion of the report on taking measures related to the implementation of administrative liability for audit evasion was conducted in the Chamber of Auditors of Azerbaijan Republic on June 30, 2015. The event was attended by members and collaborators of the Chamber of Auditors and chairmen of committees under the Board of the Chamber. Information on the results of the “round table” was published in the newspaper “Economy”.

Local events in which members and collaborators of the Chamber of Auditors took part during 2015

Program “On conducting audit in tourism institutions” was taken into consideration in “Development conception of audit service in Azerbaijan Republic” (2012-2020 years) and in the clause “Preparation of guides, recommendations and methodical instructions regarding auditor service” of the work plan on 2015-2017 of the Chamber of Auditors and developed by Najaf Talibov, an adviser of the chairman of the Chamber on scientific and methodological issues, independent auditor, on December 22, 2015. The program was approved in the meeting dated November 25, 2015 of the Chamber of Auditors of Azerbaijan Republic and presented to the Ministry of Culture and Tourism and Azerbaijan Tourism and Management University in order to be coordinated.

VIII. INTERNATIONAL RELATIONS

The Chamber of Auditors pays special attention to the preparation of relevant measures system in order to provide acquiring and implementing practices of leading countries developed in the field of audit, as well as increasing the quality of audit in the Republic on the basis of international audit practice.

International events attended by collaborators and members of the Chamber of Auditors during 2015

- Najaf Talibov, an adviser of the chairman of the Chamber on scientific and methodological issues, Namig Abbasli, a chairman of the Committee on International Standards and Elnur Gurbanov, a deputy chairman of the International Standards Committee participated in the meeting of Experience Society on Auditing and Accounting on “Modernization of accounting and auditing legislation on the requirements of European Union and exchange of the best international practice” on April 27-28, 2015.

- Lamiya Bayramova, a chairman of International Relations Committee under the Board of Chamber of Auditors participated in the corporate governance events jointly organized by ACCA (the Association of Chartered Certified Accountants) and ecoDA (The European Confederation of Directors Associations) in Brussels on May 5, 2015.

- Vahid Novruzov, a chairman of the Chamber of Auditors of Azerbaijan Republic, doctor of economic sciences professor and Gasham Bayramov, a head of bodies took part in the “round table” on “Internal control in clarity” within the framework of VII International Forum “ATOMEKSPO 2015” held in Moscow, the capital of Russian Federation on June 1, 2015.

V. Novruzov, a chairman of the Chamber of Auditors, professor, delivered a lecture on “Azerbaijan internal control and audit” in the “round table” which was moderated by Alexander Loctaeu, a director on internal control and audit of “Rosatom” State Corporation and general supervisor, and Igor Igin, a director of the department of inspection-control activity of “Rosatom”. In the “round table” where the delegation of the Chamber of Auditors participated, most representatives were from Russian Federation, but representatives of the Chamber of Auditors of Hungary and Azerbaijan also took part.

- Delegation led by Vahid Novruzov, a chairman of the Chamber of Auditors, professor took part in the Annual General Meeting of the European Federation of Accountants and Auditors (EFAA) held in Lisbon, Portugal and in the international conference on “Global economic crisis and its elimination – Critical review of financial report” jointly organized by EFAA and OTOC (Association of Chartered Accountants of Portugal) on June 25-26, 2015.

- Delegation led by Vahid Novruzov, a chairman of the Chamber of Auditors, professor took part and in the international conference organized by the Federation of Auditors, Accountants and Financial Managers of Georgia in Tbilisi, the capital of Georgia, on “Learning the best practice in accounting and auditing and certification: focusing on international practice for Georgia” on September 21-22, 2015. Presentation “On Azerbaijan practice of certification in auditing” was of great interest in the international conference where representatives of 10 countries (France, Germany, Australia, Montenegro, Russia, Poland, Ukraine, Azerbaijan, Georgia and Moldavia) participated. In the conference broad discussions were conducted around the lectures on certification in auditing and accounting.

- Lamiya Bayramova a chairman of International Relations Committee under the Board of Chamber of Auditors participated in the board meeting of the International Federation of Accountants (IFAC) held in Singapore city on November 11-12, 2015.

- Rahim Alizada, a member of the Chamber of Auditors, independent auditor, participated in the event on “Money laundering and fight against corruption: role of financial specialists and accountants” organized by the Consultative Committee of Accountancy Bodies (CCAB) in Brussels, the capital of Belgium on November 18, 2015.

International events and meetings organized by the Chamber of Auditors in 2015

- Meeting was held with Natalia Vovchuk, a representative on Ukraine, Baltic and Caucasian countries of the Association of Chartered Certified Accountants of UK on February 13, 2015.

During the meeting business issues on continuing effective collaboration and its future development perspective, as well as implementing membership obligations before IFAC were discussed between ACCA and the Chamber of Auditors, Azerbaijan representative of International federation of Accountants (IFAC).

- V Eurasian forum of the accountants and auditors on “Accounting and auditing in globalization: stages, tendencies and development perspectives” was held on October 8, 2015.

The main goal in organizing the forum was current situation in globalizing world economy, effective use of financial resources, to conduct professional discussions in the field of improving transparency in the managerial system and generally in social-economic life, to solve existing problems, to clarify activity areas of relevant intuitional mechanisms taking into account international practice, to get real results from implementation of international standards in this field, from enlightenment and international collaboration.

IX. OPERATION OF SPECIAL COMMISSIONS AND COMMITTEES

During the reporting year Professional Ethics Committee of Auditors under the Board of the Chamber of the Auditors, Quality Control Committee, Committee for legislation and legal issues, Committee for international standards, Committee for disputes and appeals, Committee for information and press, Committee for governmental bodies and public relations, Committee for international relations, Committee for national audit support, Committee for training of auditors and specialists, Methodical Committee, Committee for Youth and Committee for membership issues conducted their operations in accordance with the Regulations and work plans approved with the relevant decisions of Board of the Chamber.

Committees under the Board of the Chamber of the Auditors submitted their operation reports on 2015 and work plans on 2016 to the Chamber of the Auditors. A relevant decision was adopted by discussing reports and work plans of these committees in the Board of the Chamber of the Auditors.

X. OPERATION OF CHAMBER BOARD

Regulation of Chamber Board

According to the Regulation “On the Chamber of Auditors of Azerbaijan Republic” approved by the decision of Milli Majlis of Azerbaijan Republic, No.1115, dated September 19, 1995 Board of

the Chamber of Auditors was established in order to conduct current works and fulfill practical service functions.

The Board is a managerial body of the Chamber of Auditors, an independent financial body, that regulates and develops auditor services in Azerbaijan Republic, defends property rights of the owners and interests of the state, business facilities and auditors, controls the compliance of independent auditors and audit organizations with the requirements coming from legislative acts of the republic in its activity.

13 meetings of the Board of the Chamber were conducted in 2015 (two hundred seventy two meetings since its inception till the end of the reporting year) and mainly decisions regarding the discussion of normative legal documents, instructions, standards and rules regulating the activity of auditor were adopted .

XI. FINANCIAL-ECONOMIC OPERATION OF THE CHAMBER OF AUDITORS

The Chamber of Auditors of Azerbaijan Republic is a self-supporting independent financial body that operates in accordance with its Regulation and possesses the following financial resources:

- membership fee paid by audit organizations and independent auditors;
- payment fee for participation in the examinations held to get a license which gives the right to engage in audit activity;
- payment fee for courses;
- payment fee from associated member;
- incomes from printed products published on audit.

According to the financial resources, the income of the Chamber of Auditors was 531222.00 manat in 2015. The income of the Chamber of Auditors decreased 15,6% in comparison to 2014 (629491.00 manat).

The Chamber of Auditors paid 23 011,13 manat to the state budget and 23 011,13 manat to the State Social Protection Fund during 2015. In 2015 the average number of the employees in the Chamber was 56 and wage and premium in the amount of 232 682,26 manat were paid to them.

The results of the financial-economic operation of 2015 in comparison to 2014 were stipulated in the table below:

With manat			
Year	Income	Expense	Profit
2014	629 491,0	573 178,0	56 313,0
2015	531 222,0	505 453,0	25 769,0

The table shows lower profit in the amount of 30544.00 manat in 2015 in comparison to 2014.

XII. INFORMATION-PUBLICITY AND PUBLISHING ACTIVITIES

In line with the exercise of the clause “Taking measures regarding implementation of administrative responsibility for mandatory audit evasion” of the work plan, discussion on the report on the results of taking measures regarding implementation of administrative responsibility for mandatory audit evasion was conducted in the “round table” on June 30, 2015. Broad material was developed on the results of the “round table” and published in the newspaper “Economy” on July 10, 2015 in order to inform the community.

In line with the exercise of the sub-clauses “Translation of the version 2013 of the international audit standards” and “Translation of the Code of professional ethics of IFAC” of the clause “Taking measures in the direction of translation and implementation of methodical materials of IFAC and other professional organizations on the implementation of international standards” of the work plan, translations were completed and these collections were published.

In line with the exercise of the clause “Publication of VIII volume of the book Audit. Legislation and normative documents” of the clause “Publication of audit books, tutorials, materials of information and publicity nature” of the work plan, the materials to be included in “Audit. Legislation and normative documents” were collected and it was decided to prepare the materials for editing with its decision No. 269/2 in the meeting of the Chamber of Auditors.

In line with the exercise of the clause “IV publication of site audit programs” of the work plan, materials were collected and approved by being discussed in the meeting of the Chamber of Auditors on December 25, 2015 and confirmed with its decision No. 269/1.

16 articles submitted by the collaborators and members of the Chamber were published in various magazines and newspapers during 2015.

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