



**REPORT  
ON THE RESULTS OF  
THE ACTIVITIES OF THE CHAMBER OF  
AUDITORS OF AZERBAIJAN REPUBLIC  
FOR 2016**

*(approved by the Resolution of the Council of the Chamber of  
Auditors of the Republic of Azerbaijan No. 286/1 of March 31,  
2017)*

**Baku – 2017**

## **THE PRESIDENT OF AZERBAIJAN REPUBLIC**

### **To the staff and members of the Chamber of Auditors of the Republic of Azerbaijan**

I sincerely congratulate you on the 20th anniversary of the Chamber of Auditors, which occupies a special place in the market infrastructure and plays an irreplaceable role in ensuring transparency, I wish you success in your fruitful work for the growth of the economic power and potential of our country.

The formation in our country of an independent audit and its legal framework, directly related to the name of the national leader, Heydar Aliyev, created conditions for the successful development of this form of independent financial control for a short period of time. The state regulation of audit services in our country is carried out by the Chamber of Auditors. During the activity of the Chamber of Auditors, international audit standards were implemented in the country, a lot of work was done to transform the internal audit service into an integral element of the corporate management system, and to establish effective control over the activities of auditors. The Chamber adequately represents our country in international and regional professional structures, including in such an authoritative organization as the International Federation of Accountants.

Strengthening control over budget expenditures and financial discipline, ensuring the effective use of income are issues of concern to society. It is impossible to ensure the duration of economic success in the absence of transparency. The obtained economic achievements and social progress became possible as a result of continuation of the strategy laid down by profound Heydar Aliyev. It is gratifying that Azerbaijan's economic success and ongoing reforms are duly appreciated by authoritative global financial institutions. And this, in turn, requires from each of us even greater transparency and efficiency of work. Transparency facilitates the work of controlling bodies and in the fight against corruption.

Along with the control exercised by state bodies, the role of public control, including independent auditing, is growing. Independent audit is one of the main means of ensuring publicity in strengthening financial and tax discipline, economical expenditure of funds for the purpose. At the same time, taking into account the challenges of the new time, much remains to be done in the area of reorganizing the audit system at the current stage of economic reforms, increasing its effectiveness and enhancing integration into the international community.

I am confident that the Chamber of Auditors, through its fruitful activities, will continue to contribute to the development and progress of an independent audit in our country, to ensure and further enhance transparency

**Baku, April 4, 2016**

**Ilham Aliyev**

## FOREWORD

According to the law "On Auditing Service" signed by the nationwide leader Heydar Aliyev on September 16, 1994 the audit of Azerbaijan, has passed a successful development path in 20 years.

Since 2003, as a result of the constant attention and concern of the President Ilham Aliyev, the audit of Azerbaijan has stepped into a qualitatively new stage of development and its role and importance in the economic and social life of the country have increased even more. At the same time, it became possible due to implementation of the important tasks set by the President of the country to the independent audit service, such as the introduction of international standards and practice of audit in the country. 12 years ago, the President of Azerbaijan Ilham Aliyev has assessed the audit: "The audit of Azerbaijan plays an important role in the conduct of economic policies related to the implementation of large-scale programs in the field of development of the economy and regions, increasing the flow of investments in the non-oil sector of the country, development of entrepreneurship, improving employment, reducing poverty and improving people's welfare. At this stage, financial discipline, the efficient use of funds are particularly important, and from this point of view, the audit should be at the forefront for the successful execution of these tasks."

These thoughts, harmonizing with modern reality, are an obvious example of the far-sighted policy and deeply thought out strategy of the President of the country on state building.

In 2016, the Chamber of Auditors built its activities in accordance with the Law of the Republic of Azerbaijan "On Auditing Service", the Regulation "On the Chamber of Auditors of the Republic of Azerbaijan", the President of the country signed other laws, orders and resolutions, as well as the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan and the Chamber Council For 2016 approved by the Decision of the Council of the Chamber No. 271/1 of December 18, 2015, with the Concept of Development of Audit Services in the Republic of Azerbaijan (2012-2020), as well as with commitments the Chamber of Auditors as a full member of the International Federation of Accountants (IFAC) and other documents, and played an active role in the economic and political life of the country.

The year 2016 was very significant for the Chamber of Auditors. 20 years have passed since the Chamber began its activities. In this regard, the President of the country appointed the staff and members of the Chamber of Auditors of the Republic of Azerbaijan on April 4, 2016:

Controlling budget spending, strengthening financial discipline and ensuring the effective use of income - all these issues cause public anxiety. It is impossible to ensure continuity of economic achievements and social well-being in the absence of transparency. The achieved economic results and social progress became possible as a result of the strategy laid down by profound Heydar Aliyev and successfully continuing at the present time. It is very pleasant that the economic achievements of Azerbaijan and the ongoing reforms are properly assessed by the world's leading financial institutions. This, in its turn, requires from each of us even greater

transparency and efficiency in the work. Transparency, at the same time, facilitates the work of supervisory bodies in the fight against corruption.

Along with the control of public authorities, the role of public control, including independent audit, is steadily growing. Independent audit is one of the main tools for strengthening financial and tax discipline, to ensure transparency in the field of targeted and effective expenditure of funds in accordance with their purpose. At the same time, taking into account the challenges of the new era, at this stage of economic reforms, much remains to be done in the area of restructuring the audit system, increasing its influence and increasing integration into the international community. "

The development and expansion of the use of audit services became possible as a result of identifying and solving significant problems of independent audit in a number of important state programs that have been adopted and successfully implemented in recent years. The Chamber of Auditors was involved in solving many problems within the framework of the State Programs, including such important tasks as increasing transparency, strengthening the fight against corruption, improving financial reporting, increasing the efficiency of using financial resources, accelerating the state-based openness and democracy, developing Regions and entrepreneurship without artificial barriers and interference. Over the past period, the Chamber of Auditors became a participant in seven state programs and fully fulfilled its duties. In 2016, work in this area was successfully continued.

The activity of the Chamber of Auditors, based on principled positions and in accordance with the procedure established by law, together with the relevant structures and for the protection of public interests, continues to this day. As in previous years, the successes achieved by the audit of Azerbaijan in 2016, if to say in the words of the honorable President, service to the strengthening of Azerbaijan's economic power is due to the existence of strong political support in the country, and for this the Azerbaijani auditors express their gratitude primarily to the President of the country. It can be firmly stated that such attention and concern hasn't been achieved in any country of the world.

In 2017, not satisfied with the successes achieved, thanks to the economic progress of the developing independent Azerbaijan, we set ourselves the goals of fulfilling the most important tasks to increase transparency. These tasks, prepared in accordance with the instructions of the President of the country, are defined in the concept of development of audit services covering the period until 2020, and the staff and members of the Chamber of Auditors, ensuring timely and qualitative fulfillment of these tasks, will contribute to the development of independent Azerbaijan and the strengthening of its economic power.

**Vahid Novruzov,**  
**Chairman of the Chamber of Auditors of the**  
**Republic of Azerbaijan, Doctor of Economics, Professor**

## INTRODUCTION

The work plan of the Chamber of Auditors of the Republic of Azerbaijan for 2016 covers the activities of the Chamber in the areas of audit organization and regulation, application of international audit standards, quality control, ethics and transparency, training of personnel, international relations, publications, conferences and seminars, financial and information support, Regulation. In accordance with the Plan, the planned work was carried out in the following areas:

- implementation of measures envisaged by the Concept of Development of Audit Services in the Republic of Azerbaijan (2012-202);
- development of draft regulatory and legal acts related to the legislation on audit;
- preparation of audit-related instructions, recommendations and guidelines;
- Development of a unified register of information on the audit of economic entities conducted in 2015;
- Improvement of accreditation and work on accounting of auditors and audit organizations in accordance with the current legislation;
- introduction of a system of measures to expand voluntary and related services;
- creation and analysis of analytical information system in the field of audit of economic sectors and regions of the country;
- carrying out of measures connected with prevention of evasion from obligatory audit;
- development and implementation of a system of measures against dumping and unfair competition;
- study and implementation of foreign experience in the organization of audit;
- continuation of activities related to the implementation of the International Standards of Auditing;
- translation and application of IFAC methodological manuals and other professional organizations concerning the implementation of the International Standards on Auditing;
- development of methodological guidelines for the organization of work to combat audit organizations and independent auditors with corruption;
- development of methodical recommendations on the application by the audit organizations and independent auditors of the Law of the Republic of Azerbaijan "On combating the legalization of money or other property obtained through criminal means and financing of terrorism";
- development of instructions on the principles and procedures for internal quality control in order to combat corruption in audit organizations;
- implementing the necessary measures for the organization of public control over the activities of the Chamber of Auditors;
- enhancing of qualification of auditors;
- providing practical assistance to higher education institutions in the preparation of training programs in auditing and accounting;
- preparation and submission of the Work Plan of the Chamber of Auditors for submission to the IFAC;

- ensuring the participation of representatives of the Chamber in conferences, forums, symposiums and other events organized by international audit and accounting organizations;
- conducting relevant work with international professional organizations, of which the Chamber of Auditors is a member;
- publication of books, teaching aids, materials on audit of information and propaganda nature;
- translation, editing, publication of the IFAC Code of Ethics for Professional Accountants and the 4th edition of industry audit programs (posted on the Chamber's website);
- organization of conferences, symposiums, "round tables" and seminars on the main audit problems;
- Improvement of the Chamber's website;
- Regularly informing the public about the activities of the Chamber of Auditors.

## **I. FUNCTIONS AND DUTIES OF THE CHAMBER OF AUDITORS**

The main task of the Chamber of Auditors is to organize the audit service in the republic and to carry out activities for the development and improvement of its activities in accordance with the legislation in order to ensure accurate and correct financial and accounting management in all business entities regardless of ownership.

For this purpose, the Chamber performs the following functions:

Carries out the organization and regulation of audit services in the Republic of Azerbaijan;

Issues permits for conducting audit activities in the territory of the Republic of Azerbaijan to independent auditors and audit organizations, oversees the compliance of their work and the Statutes of auditing organizations with the Law of the Republic of Azerbaijan "On Auditing Service";

Maintains records of independent auditors and audit organizations;

Develops and approves the rules for passing examinations for permits that give the right to engage in auditing activities in the territory of the Republic of Azerbaijan;

Develops and approves the composition and statutes of the examination committee for the issuance of permits that give the right to engage in audit activities, determines the amount of payment for the examination;

Gives recommendations to independent auditors and audit organizations on matters related to the compilation of audit experience and the application of existing

legislation, prepares proposals for the development and improvement of audit services and oversees their implementation;

Prepares manuals, recommendations and guidelines for conducting the audit;

Draw up normative documents on the forms and methods of providing audit services, prepare relevant recommendations based on the continuous study of national and international experience;

In accordance with the legislative acts of the country ensures the consideration of claims of customers to independent auditors and audit organizations in connection with improper performance of professional functions;

Carries out appropriate measures to protect the rights and legitimate interests of independent auditors and audit organizations;

Carries out a second audit;

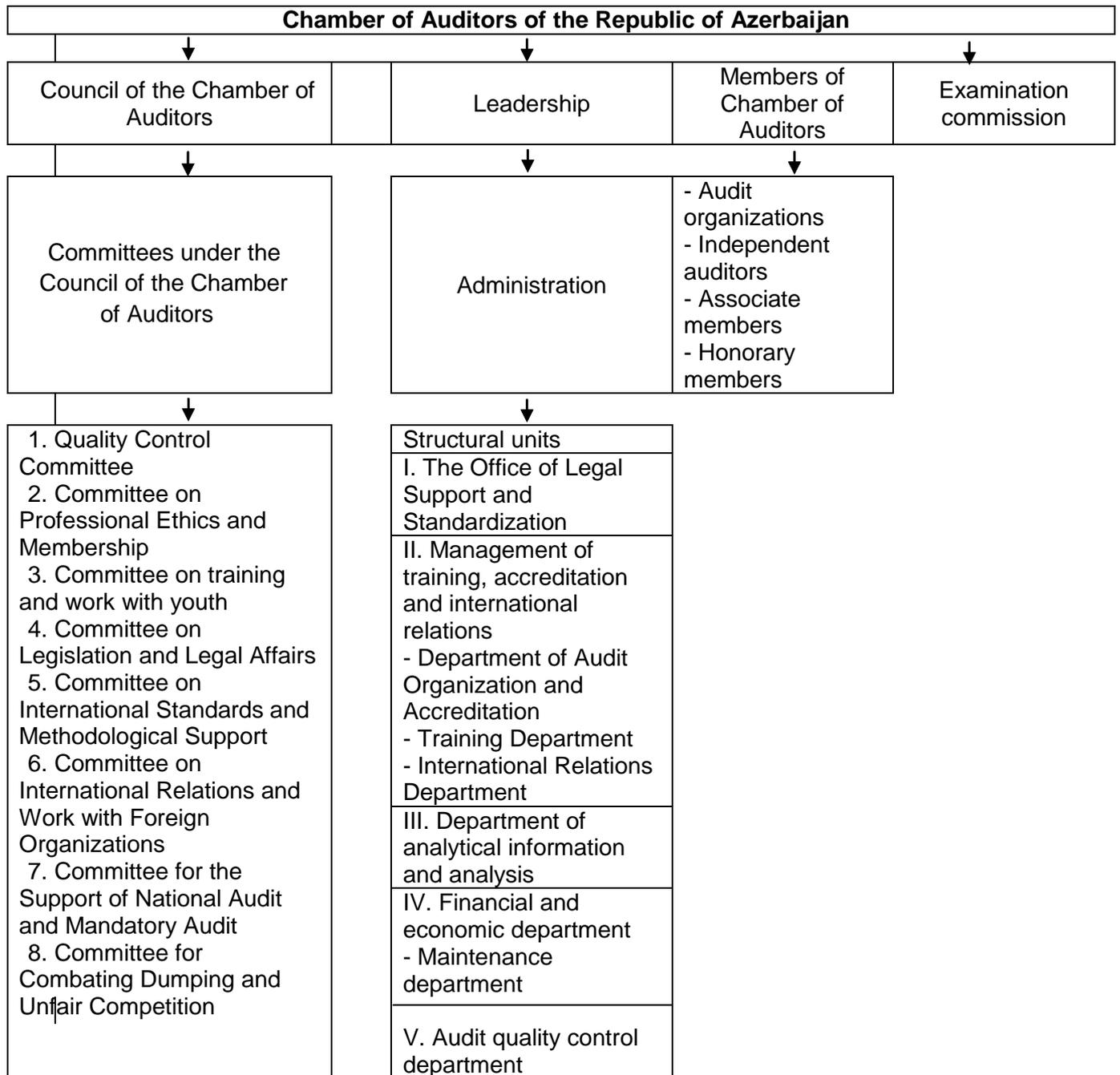
Issues audit reports on the correctness of the assessment of property of economic entities in connection with the privatization of state enterprises or with other purposes.

In the manner and in cases provided for by law, within the limits of its authority, performs the functions of the supervisory authority for combating the legalization of money or other property obtained by criminal means and financing terrorism in relation to persons providing audit services.

## **II. THE STRUCTURE OF THE CHAMBER OF AUDITORS**

In accordance with p. 2 "Improvement of audit regulation and redefinition of the status of the Chamber of Auditors on the basis of international experience", p. 6, "Expanding the application of international experience in the field of audit management and regulation", Section II "Governance, regulation and strengthening of the institutional capacity of auditing", p.8 "Bringing the structure of the Chamber of Auditors in line with international practice" section IV "Organization of the audit", "Concept of development of audit services in the Republic of Azerbaijan (2012-2020)." the structure of the Chamber of Auditors is updated annually.

In order to improve the activity of the Chamber of Auditors, to increase the state regulation and the level of development of the audit service in the country, to ensure the quality provision of up-to-date audit services based on international experience in this area and taking into account local conditions, strengthening the importance and role of auditing in successful economic Reforms, the structure of the Chamber during the reporting period was determined as follows:



### **III. PARTICIPATION OF THE CHAMBER OF AUDITORS IN STATE PROGRAMS**

Along with the duties and functions stipulated in its Charter, the Chamber of Auditors participated in the implementation of a number of important state programs. Including:

#### **I. "National Action Plan for Promotion of the Open Government for 2016-2018", approved by the Decree of the President of the Republic of Azerbaijan No.1993**

**Dated April 27, 2016**

In accordance with the requirement of paragraph 2 of the Decree of the President of the Republic of Azerbaijan No. 1993 dated April 27, 2016 and in connection with the implementation of the measures provided for in the "National Action Plan for the Promotion of the Open Government for 2016-2018", approved by the same Decree, The Chamber of Auditors No. 1/32 of September 19, 2016 approved the "Action Plan of the Chamber of Auditors of the Republic of Azerbaijan (2016-2018).

The report on the implementation by the Chamber of Auditors in 2016 of the activities provided for in the "National Action Plan" was prepared and submitted to the Cabinet of Ministers of the Republic of Azerbaijan and the Commission of the Republic of Azerbaijan for Combating Corruption.

**In connection with the implementation of the activities provided for in the "National Action Plan for the Promotion of the Open Government for 2016-2018", the Chamber of Auditors carried out the following works:**

#### **Development of mobile versions of government websites, opening pages of websites through social networks and ensuring their active activities**

In connection with the implementation of this item, Order No. 1/52 of November 25, 2016 of the Chairman of the Chamber of Auditors "On improving the website of the Chamber of Auditors" was approved.

In connection with the execution of this Order, the subsections of the website of the Chamber of Auditors "Our history", "Management", "Members of the Chamber Council", "Chamber Administration", "Chamber Structure", "Legislation", "Standards", "International Relations" The Trade Union of the Chamber of Auditors, Participation in Government Programs, Ethics Reports, Public Relations, Chamber of Auditors 20, Quality Control and Archives have been modernized, work on improving other subsections continues.

#### **Implementation of activities related to the application in government bodies of the principles of operation and transparency standards, which are guided by the centers "ASAN service".**

In connection with the implementation of this item, approved by the Resolution of the Council of the Chamber of Auditors No. 259/1 of December 27, 2014, "Methodological guidelines for the registration and accreditation of auditors and audit organizations" were modernized and approved by the Resolution of the Council of the Chamber of Auditors No. 277/2 of July 4, 2016 For No. 277/2. Currently, the registration and accreditation of auditors and audit organizations is conducted in accordance with these rules.

At the same time, the Rules for the Issue of Permits for the Right to Engage in Auditing, developed on the basis of the Work Plan for 2016, were approved by the Resolution of the Council of the Chamber of Auditors No. 278/1 of September 6, 2016. In order to implement this Decree, all issued permits for the right to engage in auditing activities in accordance with the new rules were secured. At present, the issuance of permits for the right to engage in auditing is carried out in accordance with the new rules.

**Improvement of work on consideration of applications of entrepreneurs and taking appropriate measures to solve the problems they face**

In accordance with the provisions of the "Rules for the management of records management in state and municipal bodies, legal entities that are state or municipal property, or whose majority shareholding (shares) belongs to the state or municipality, budget organizations" approved by the President's Decree of the Republic of Azerbaijan No. 951 of June 23, 2016, with the aim of improving the citizenship of office work connected with the appeals, the Orders of the Chairman of the Chamber of Auditors No. 1/27 dated July 27, 2016 "On the conduct of record keeping in the Chamber of Auditors of the Republic of Azerbaijan in connection with citizens' appeals" and No. 1/43 of November 8, 2016 "On measures to control the conduct of records management in the Chamber of Auditors of the Republic of Azerbaijan In connection with the appeals of citizens."

**Ensuring public awareness of the reforms carried out in the economic sphere, their goals and essence**

In order to support the ongoing reforms in the country, on August 5, 2016, a consultation seminar was organized by the Chamber of Auditors on the "Duties of auditors and relevant structures that are created by the regulations adopted to speed up economic reforms."

Detailed information on the seminar is given in Section VII "Training of Audit Personnel and Increasing Their Professional Qualifications" (pages 30-47).

**Preparation of proposals on the requirements (compliance mechanism) of anti-corruption, transparency, ethical conduct and reporting in order to ensure transparency and prevent corruption in the private sector**

In order to continue work on bringing the level of audit services in line with international best practices, creating transparent relations between audit service providers and representatives of the private sector, observing ethical conduct, creating an atmosphere for fighting corruption, in accordance with clause 3.1 "Preparation of proposals on the requirements (compliance mechanism) of anti-corruption, transparency, ethical behavior and reporting in order to ensure transparency and prevent corruption in private The Action Plan of the Chamber of Auditors of the Republic of Azerbaijan "in connection with the implementation of the measures outlined in the" National Action Plan for the Promotion of the Open Government for 2016-2018, "approved by the Order of the Chairman of the Chamber of Auditors No. 1/32 of September 19, 2016, was Developed and approved a plan-program.

**Implementation of measures to improve cooperation with international organizations and relevant state bodies of foreign countries specializing in the field of the Open Government and the fight against corruption**

At the invitation of the Ministry of Foreign Affairs of the Republic of Azerbaijan, representatives of the Chamber participated in the event held on March 14, 2016 in connection with the implementation of the project "Improving skills in preventing and combating corruption" in the "Framework for Cooperation Programs" of the European Union with the Council of Europe.

**Preparation of educational and training programs to combat corruption and ethical behavior for various target groups, including for civil servants, training and training, support for such initiatives**

In connection with the implementation of this paragraph, an educational program of the training courses for the professional development of the Chamber of auditors for 2016<sup>th</sup> year -was prepared. The listed topics "Normative acts adopted in the recent period related to the strengthening of the role of independent audit in the implementation of economic reforms", "System of measures to expand voluntary and related services", "Amendments made in 2014 to the International Standards of Auditing", "Code of Ethics for Professional Accountants", "Combating the legalization of money or other assets obtained by criminal means and financing of terrorism", "Prevention of cases of unfair competition and conflicts of interest in the audit "Organization of audit in the fight against corruption", "Amendments and additions made in 2015-2016 to the Tax Code", "Quality control system for audit services" were included in the training programs for auditors and trained auditors in the amount of 60 Hours in 5 groups from September to December 2016.

**Organization of information exchange and effective coordination between institutions of internal control of state bodies and bodies specializing in the field of combating corruption.**

In order to support the ongoing reforms in the country, on June 28, 2016, a roundtable organized by the Chamber of Auditors on "**Responsibilities of auditors in fighting corruption and increasing transparency**" was held.

The objectives of the round table were to support the increase of transparency and fight against corruption related to the fulfillment of obligations arising from the content of international conventions to which the Republic of Azerbaijan joined, in ensuring transparency of the activities of economic entities in accordance with regulatory and legal acts regulating auditing activities and Provisions of other legislative acts, in providing assistance in combating the legalization of illegally obtained income and financing the Ethics, observance of norms and rules of professional ethics in accordance with the country's legislative acts, the International Standards of Auditing, the Code of Ethics for Professional Accountants, in the elimination of defects and deficiencies in the provision of audit services, in promoting and strengthening Measures to create a more effective and efficient system for preventing and combating corruption.

Representatives of the Chamber of Auditors, the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, the Chamber for Control over Financial Markets of the Republic of Azerbaijan, the Ministry of Justice, the Ministry of Economy, the Accounts Chamber, the Ministry of Taxes participated in the round table discussion , The Project "Improving skills in the field of prevention and combating corruption", the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, The "

Şheffaflıq Azərbaycan", the "Constitution" Research Foundation, the Azerbaijan Institute of Internal Auditors, audit organizations and independent auditors. The work of the round table was covered by AZERTAJ and CJSC "Azerbaijan Television and Radio Broadcasting".

At the same time, in connection with the implementation of this paragraph, in accordance with the provisions of the Memorandum of Understanding on Cooperation in the Fight against Corruption concluded between the Chamber of Auditors and the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan on May 5, 2010, the Chamber The Auditors and the General Directorate for Combating Corruption under the Prosecutor General of the Azerbaijan Republic carry out information exchange among themselves.

**Establishment of cooperation with civil society institutions and support of their activities for implementation of activities outlined in the Action Plan**

In connection with the implementation of this item, the draft of the "Guidelines for the organization of audit in the fight against corruption" developed by the Chamber of Auditors was sent to the Constitutional Research Foundation, and on June 28, 2016, a roundtable was held on the topic "Responsibilities of auditors in the fight against corruption And increasing transparency, "comments and suggestions were taken into account in the draft.

**II. -"National Action Plan for 2017-2019 on combating the legalization of money or other property obtained by criminal means and financing of terrorism" approved by Decree of the President of the Republic of Azerbaijan No. 2451 of November 18, 2016**

In connection with the execution of the works recommended for implementation of the Chamber of Auditors in the "National Action Plan for 2017-2019 to Combat Money Laundering or Other Property and the Financing of Terrorism", the following work has been scheduled in the Chamber's Work Plan for 2017- 2019:

1. Appointment in the Chamber of Auditors of persons responsible for the implementation of the law on AML/CFT in the field of audit services.
2. Appointing a structural unit within the Chamber of Auditors, which will exercise control in the sphere of AML/CFT.
3. Taking measures to develop and implement a training strategy and appropriate training programs for auditors on the AML/CFT.
4. Provision of methodological support to audit organizations and independent auditors in the construction and effective use of the internal control system to combat AML/CFT in accordance with the requirements of the law.
5. Provision of methodological support to auditors in the creation of an information base for identification, verification of clients and identification of the risks of the AML/CFT, the use of an information system that allows monitoring of transactions and clients with a high degree of risk.

6. Providing methodological support to auditors with the aim of identifying indicators for identifying suspicious transactions and the typology of AML/CFT and their regular updating.

7. Providing methodological support to auditors in the formation of the "Know Your Customer" policy, including the policy of client acceptance.

8. Providing methodological support to the speeches of the person responsible for the fight of auditors with the AML/CFT, with information on identification, accounts and transactions.

9. Evaluation of the results of internal audits in audit organizations to determine the effectiveness of the internal control system in the area of AML/CFT.

10. Conducting training for the working staff of the Chamber of Auditors, involved in audits in the sphere of AML/CFT

11. Taking measures to prepare and implement a risk-based control program by the Chamber of Auditors.

12. Implementation of measures to build a system for back-information and quality control of information on suspicious transactions, which is submitted to the Chamber for Supervision of Financial Markets from the Chamber of Auditors and who are members of audit organizations and independent auditors.

13. Assistance and provision for the connection of the Chamber of Auditors and its members - audit organizations and independent auditors to the information base of the Chamber for Supervision of Financial Markets.

14. Adoption by the Chamber of Auditors of measures to implement the risk assessment of the AML/CFT.

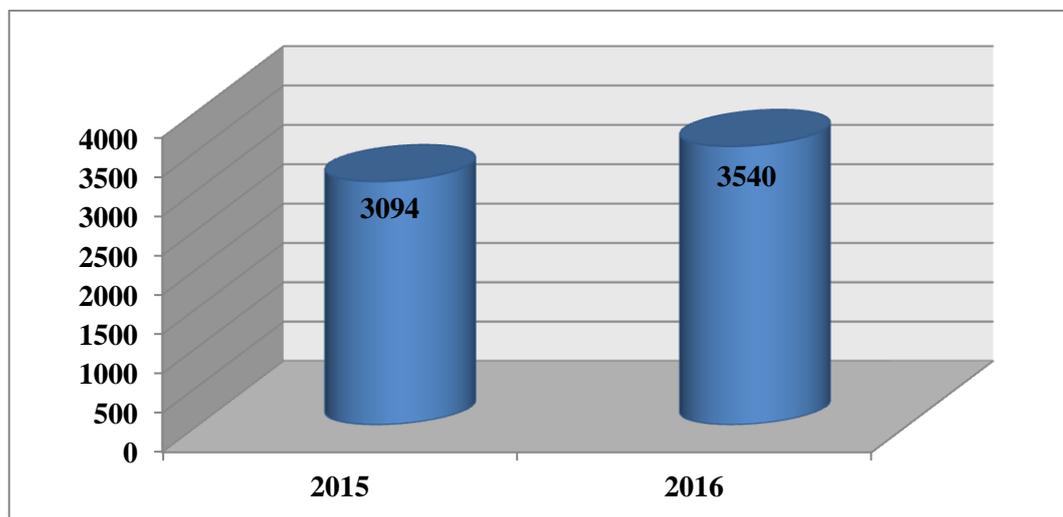
## IV. THE ORGANIZATION AND REGULATION OF AUDIT

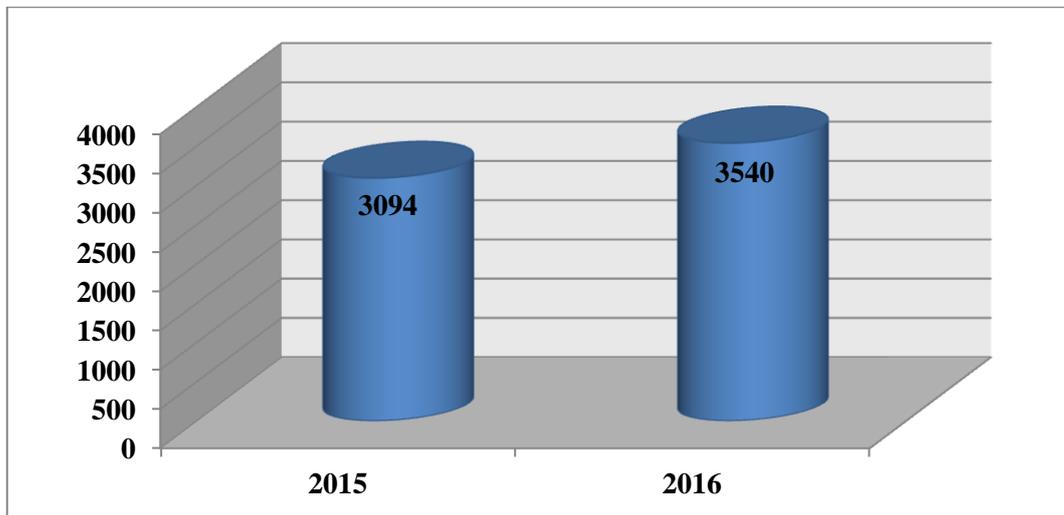
### *In 2016, the volume of audit services*

In 2016, 37 independent auditors, 67 \_audits of (with foreign investment and representations and branches of external auditor organizations including 4 of 18 auditing organizations of) the authority to carry out an audit activity. By the 37 independent auditors and 67 auditing organizations presented the report on the activity of the Chamber of Auditors. According to the report, it was found that, during the reporting period, 3540 contracts were signed in the amount of 56 862 165,5 manat provided with businesses entities. The relative \_ share of concluded contracts as for representative offices and branches of external auditor organizations number 14,0% and as for the amount 64,4%, as for the number of audit firms that use trademarks of foreign legal entities 14,9 % and as for the amount 25,5%, as for number of local auditor firms 43,2% and as for the amount 6,9%, as for the number of independent auditors 27,9-% , and as the amount 3,2%.

Compared with 2015 years, in 2016 , the number of signed contacts increased from 3094 up to 3540, i.e. by 446,56 pcs or 14,4% and the sum increased from 49 106 089,0 manat up to 56 862 165,5 manat, i.e. by 7 756 076,5 manat or 15,8%. (Chart 1-2)

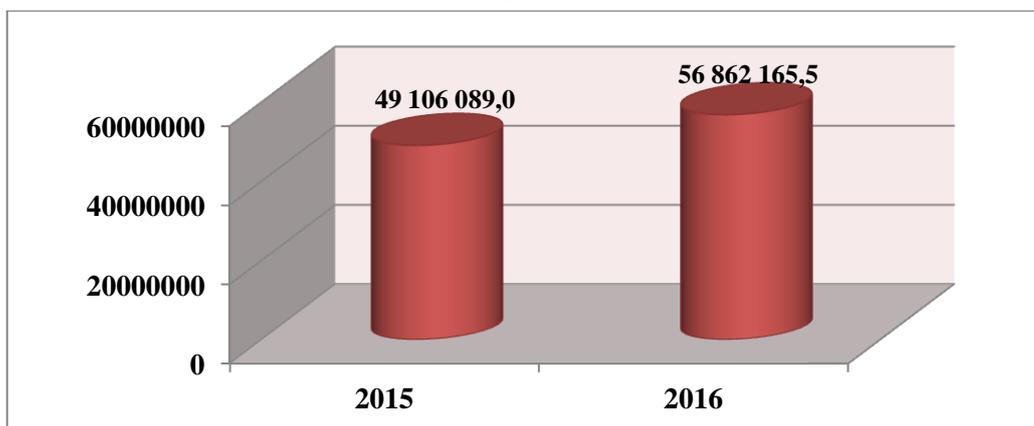
***The number of contracts for the provision of audit services about 2015-2016 years***





**Chart 1.**

***The amount of the contracts for the provision of audit services during 2015-2016 years***



**Chart 2**

Including:

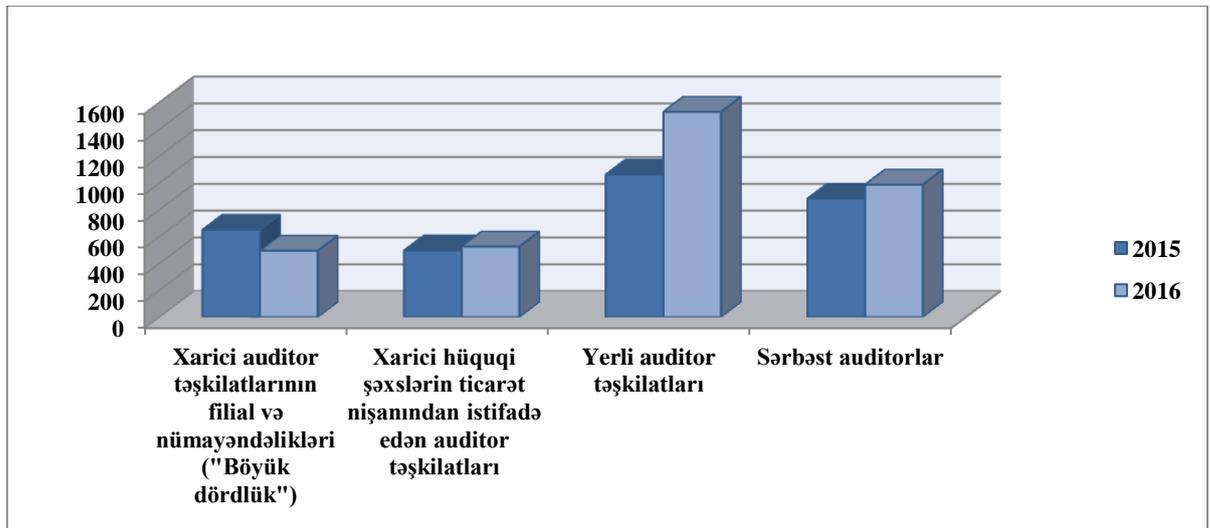
- The number of contracts for representative offices and branches of external auditor organizations decreased from 651 up to 495, i.e. by 156 pcs or 24,0%, the sum increased from 32 452 663,2 up to 36 634 014,7 manat, i.e. by 4 181 351,5 manat or 12,9%

- The number of contracts in accordance with audit organizations that, are using foreign legal entities' trademarks increased from 497 up to 526, i.e. 29 pcs or 5,8%, the sum grew from 11 718 681,0 manat up to 14 495 213,7 manat, i.e. by 2 776 532,7 or 23,7%.

- the number of the contracts with local audit institutions, increased from 1063 up to 1531, i.e. by 468 pcs or 44.0%, and the amount from 3 245 655,8 manat up to 3 905 117,0 manat i.e. by 659 461,2 manat or 20,3%.

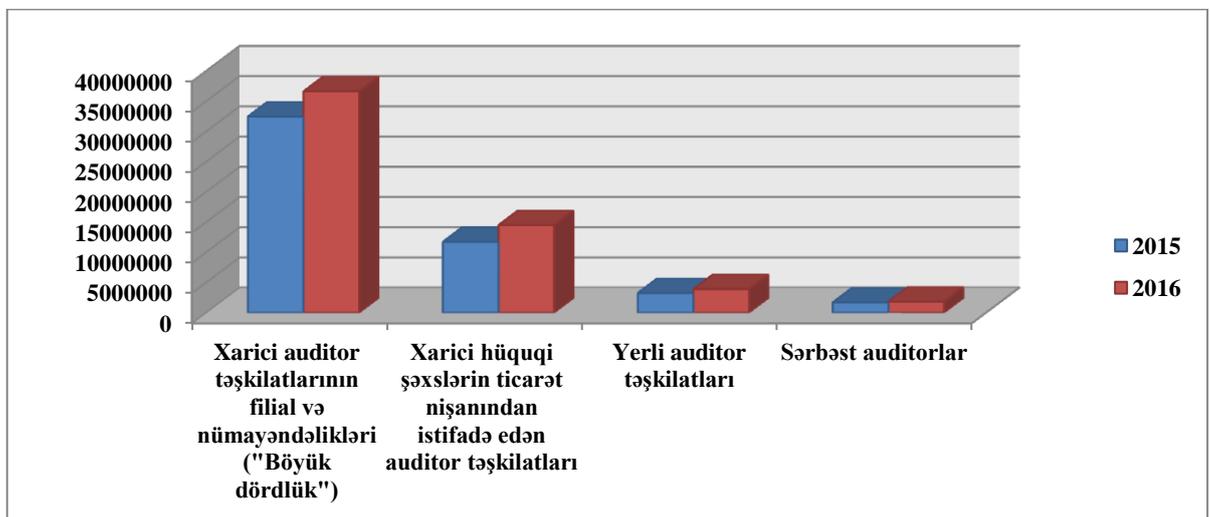
- The number of contracts with independent audit has been increased from 883 up to 988, i.e. by 105 pcs or 11,9%, the sum increased from 1 689 089,0 up to 1 87 820,1 manat, i.e. by 138 731,1-manat or 8,2% (Chart 3-4)

**The number of contracts concluded by independent auditors and audit organizations**



**Chart 3**

**The amount of contracts, signed by audit firms and independent auditors**



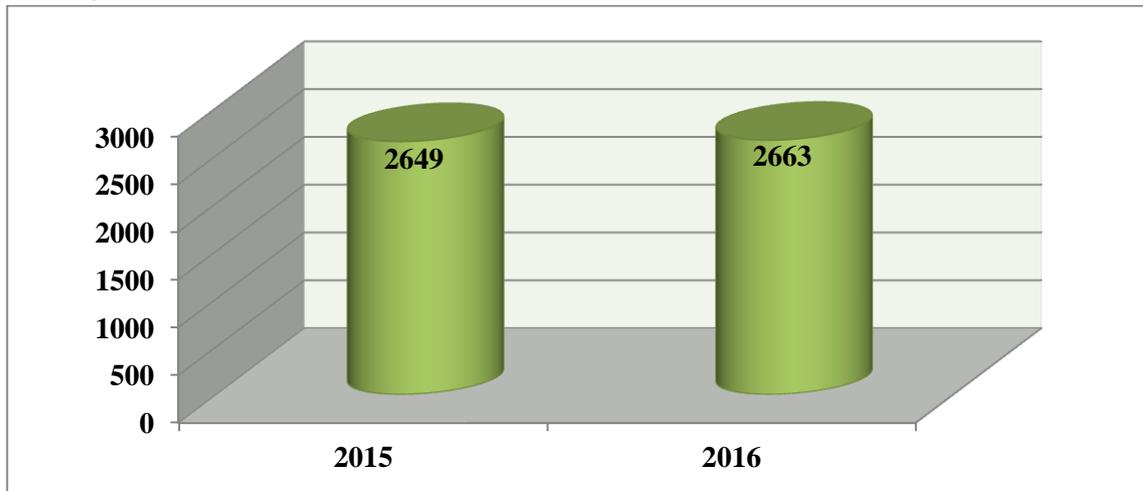
**Chart 4.**

➤ Contract which signed during 2016 were performed on 2663, amount is about 47 706 104,9 manat

It should be noted that, compared with 2015, in 2016 the number of executed contracts grew from 2649 up to 2663, i.e. by 14 pcs or 0,5%, the amount increased from 40 601 128,5 manat up to 47 706 104,9 manat, i.e. by 7 104 976,4 manat or

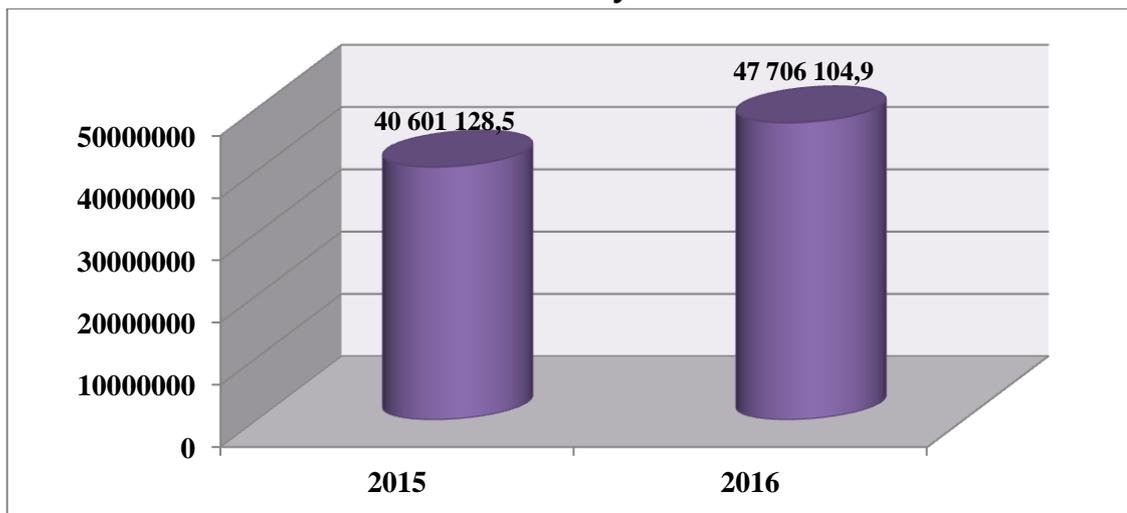
17,5%, the average amount grew from 15 327,0 manat up to 17 914,4 manat, i.e. by 2 587,4 manat or 16,9%.

**The number of contracts for the provision of audit services performed for 2015-2016 years**



**Chart 5.**

**Sum of the contract for the provision of audit services performed for 2015-2016 years**



**Chart 6.**

Including:

- The number of the executed contracts with representative offices and branches of external auditor organizations reduced from 583 to 447, i.e. by 136 pcs or 23,3% . the amount increased from 30 580 337,8 manat up to 34 760 889,7 manat, i.e. by 4 180 551,9 manat or 13,7%, the average amount has been increased from 52 453,4 manat to 77 764,8 manat\_ i.e. by 25 311,4 manat or 48,3%.

- The number of executed contracts with auditor organizations\_ using trademarks grew from 321 up to 328 azn, i.e. 7 units or 2,2%, the amount from 5 702 840,9 up to 8 415 455,3 manat, i.e. by 2 712 614,4 manat or 47,6%, the average amount grew from 17 765,9 up to 25 656,9 manat, i.e. by 7 891,0 manat or 44,4%.

The number of executed contracts with local audit firms increased from 1001 up to 1048, that is, 47 units or 4,7%, the amount from 3 013 660,8 manat up to 3 145 370,1 manat, i.e. by 131 709,3 manat or 4,4%, the average amount are dropped from 3 010,6 manat up to the 3 001,3 manat, i.e. by -9,3 manat or 0,3%.

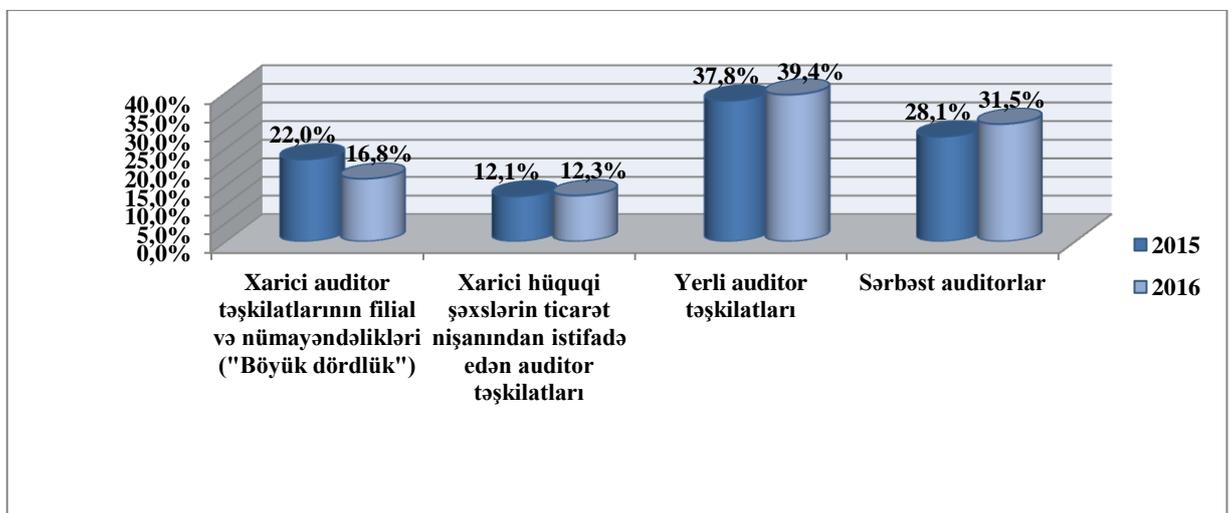
- The number of executed contracts by independent auditors, increased from 744 up to 840 i.e. by 96 units or 12,9%, the amount from 1 304 289,0 manat up to 1 384 389,8 manat, i.e. by 80 100,8 manat or 6,1%, the average amount decreased from 1 753,1 manat up to 1 648,1 manat, i.e. by 105,0 manat or 6,0%.

Thus, following results are found, compared in according with 2015-2016 years

**1) As for the number of executed contracts**

- Branches and representative office of external auditor organizations ("Big four") reduced from 22,0% up to 16,8%;
- As for audit organizations using the trademark of the foreign legal entities increased from 12,1% up to 12,3%
- Local audit firms increased from 37,8% up to 39,4%
- Independent auditors increased from 28,1% up to 31,5%.(Chart 7)

**The number of special weight of audit services provided for 2015-2016 years**

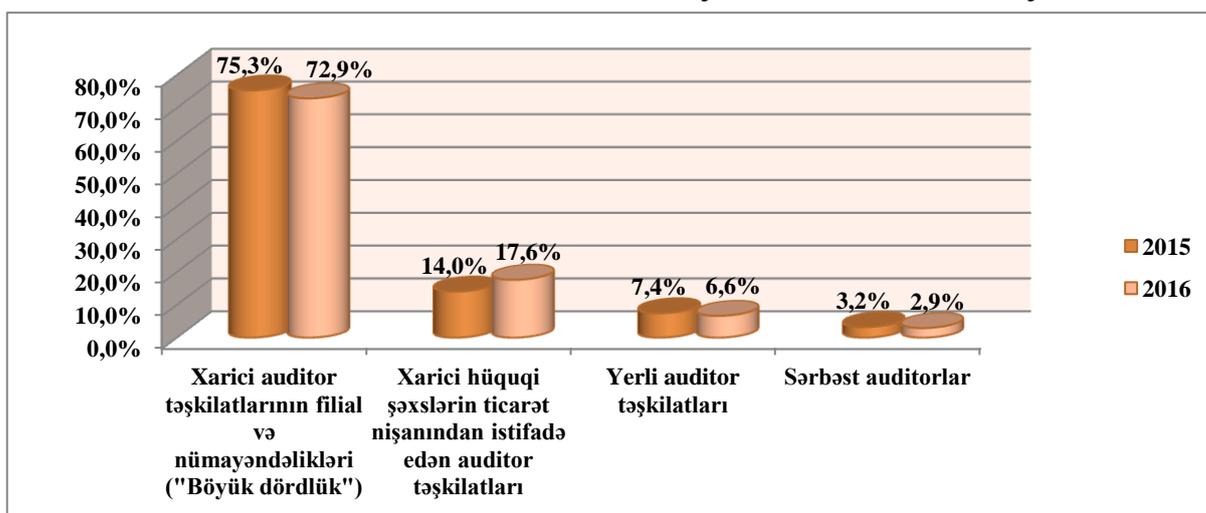


**Chart 7.**

**2) The amount of the contracts made for**

- Branches and representative offices of external auditor organizations ("Big four") reduced from 75,3% up to 72,9%;
- As for audit organizations using the trademark of the foreign legal entities increased from 14,0% up to 17,6%
- As for local audit organizations reduced from 7,4% to 6,6%
- As for independent auditors reduced from 3,2% to 2,9% (Chart 8)

**The share of volume of the rendered services by auditors 2015-2016 years**



**Chart 8.**

1522 (2,3%) out of 67.522 mandatory audit entities of had been audited as for 2016 year

**Table 1.**

The organizational and legal form of mandatory audit entity	The number of mandatory audit entity across the Republic	Number of the mandatorily audited businesses for 2016	Auditing percent	Number of the mandatorily audited businesses for 2016	Auditing percent	In 2015-2016 Increase and (+) decrease (-) (% per annum)
Stock companies	1546	250	16,2%	284	18,4%	-2,2%
Limited liability companies	64246	532	0,8%	805	1,2%	-0,4%
The municipalities	1608	661	41,1%	599	37,2%	3,9%
Banks	48	48	100,0%	43	100,0%	0,0%
Insurance organizations	19	19	100,0%	27	100,0%	0,0%
The political parties	55	12	21,8%	12	21,8%	0,0%
<b>TOTAL</b>	<b>67522</b>	<b>1522</b>	<b>2,3%</b>	<b>1770</b>	<b>2,7%</b>	<b>-0,4%</b>

As one can see from the table, during the 2015-2016 years, as a result of the analysis of audit services in according with the legal- organizational form of mandatory audit entities, it was found that, during 2015 in the republic out of 67 522 mandatory audit entities 1770 (2,7% ) and in 2016 1522 (2,3%) were audited. While comparing

2015-2016 years, it was observed that, the number of audited business entities reduced by 0,4%.

Thus, comparisons conducted on auditing for 2015-2016 years, revealed the following results

- As for joint stock companies it reduced from 18,4% to 16,2%
- As for liability companies it decreased from 1,2% to 0,8%;
- As for municipalities it increased from 37,2% to 41,1%.

## **V. Ensuring transparency and combating corruption**

### **As for "The National Action Plan on Promotion of Open Government for 2016-2018":**

In accordance with the requirements of paragraph 2 of decree of the President of the Republic of Azerbaijan Mr. Ilham Aliyev № 1993 dated 27 April 2016, with regard to implementation of measures envisaged by "The National Action Plan on Promotion of Open Government for 2016-2018" approved by such decree "The Action Plan of the Chamber of Auditors of Azerbaijan Republic" (2016-2018 years) was approved by order of the Chamber of Auditors № 1/32, dated 19 September 2016 year and it was included to the Work plan of the Chamber of Auditors of the Azerbaijan Republic for 2017. Detailed information on the implementation of the measures of "The National Action Plan on Promotion of Open Government 2016-2018 years" was given in the III section of the report "The participation in the state programs of Chamber of Auditors of Azerbaijan Republic " (pp.8-13)

### **"The National Action Plan for 2017- 2019 on fighting the legalization of money or other property acquired by criminal means and financing of terrorism" on:**

The order dated November 18, 2016 no. 2451, approved by President of the Republic of Azerbaijan Mr. Ilham Aliyev "The National Action Plan for 2017- 2019 on combating the legalization of money or other property obtained by criminal means and financing of terrorism" in connection with the execution of Chamber of Auditors "The National Action Plan for 2017- 2019 on combating the legalization of money or other property obtained by criminal means and financing of terrorism" to the Chamber of Auditors of the Republic of Azerbaijan on "Ensuring the implementation of the recommendations to implement measures " was approved by the order no. 1/5, dated 22 November, 2016. In order to ensure the execution of the order "The National Action Plan for 2017- 2019 on combating the legalization of money or other property obtained by criminal means and financing of terrorism" plan of measures The Chamber of Auditors of the Republic of Azerbaijan on "Ensuring the implementation of the recommendations to implement measures " was prepared and included in the work plan of the Chamber of Auditors for 2017.

Increasing transparency and fighting against corruption towards of Chamber of auditors, cooperation continued with competent like as form state order in 2016. So that, including on the basis of 28 applications from the same organs. For the issue of inspections independent auditors and representatives of audit organs have been involved. Provision to the related organs of results on completed inspections and prepared materials was provided. These applications were entered by the Prosecutor General of the Republic of Azerbaijan, Main Department to Combat Corruption under the Prosecutor General of the Republic of Azerbaijan, The State Security Service of the Azerbaijan Republic, The Republic of Azerbaijan Baku Administrative Economic Court number 1, The Republic of Azerbaijan Baku Administrative Economic Court number 2, The Republic of Azerbaijan, the Centre for work with Municipalities of the Ministry of Justice of the Republic of Azerbaijan in Baku Court of Appeal, Ganja city Kapaz District Court, Sheki Court of Appeal, Baku city Narimanov District Court, Baku city Sabail District Court, Baku city Nizami District Court, Baku city Yasamal District Court, Baku city Binagadi District Court, the Investigation department of the Department of the Preliminary Investigation of Tax Crimes under the Ministry of Taxes of Azerbaijan Republic.

**"The concept of development of audit service in the Republic of Azerbaijan (2012-2020 years)" on:**

President of the Republic of Azerbaijan approved by the Order № 2421 dated September 5, 2012 year, "Fight against corruption for 2012-2015, the National Action Plan "prepared according to the 13.2 paragraph "The concept (2012-2020 years) of development of the audit service in the Republic of Azerbaijan" following the relevant work was done by the Chamber of Auditors in the direction of the execution of the measures envisaged for 2016.

2016 work plan of the Chamber of Auditors and the "Audit on the drafts of legal normative acts for the preparation and discussion" item 1.2.1 of the "Law of the Republic of Azerbaijan taking into account the requirements of International Standards on Auditing the "Auditors about" to complete work on a project" in accordance with subparagraph 1.2 of the concept of the "Audit service promote the normative legal base of" International. Audit Standards and legislation in the field of "Auditing law of the Republic of Azerbaijan on" 2016 July 4 discussed and approved, and posted on the website of the Chamber of Auditors, Chamber of Auditors on the draft prepared by taking into consideration the recent changes in the Council by decision no 277/1 of its audit service.

The concept of the first to "promote the normative legal base of the audit service" and 2016 work plan of the Chamber of Auditors of "Audit legislation and discuss preparation of draft regulations on" the 1.2th paragraph of the 1.2.1th "Taking into

account the requirements of International Standards on Auditing "About activities of auditors" to complete work on the draft Law of the Republic of Azerbaijan"

The draft Law of the Republic of Azerbaijan "Activity about auditor" on 21 November in 2016, at the meeting the Board of the Chamber of auditors, taking into account the proposals and comments translated into English for the purpose indicated discussed and the Chamber of auditors and members of the International Association of Accountants, and the European Federation of (EFBA) Accountants and Auditors of (the IFAC) Chamber of accounting and auditing bodies of foreign countries as provided by decision no. 281/1 on the execution decided decisions and fulfilled.

The concept of "study and application of international experience in the preparation of proposals on the improvement of the legal framework of the Audit" division I, 5th, VII " increasing transparency in audit , unfair competition and the fight against corruption," "money Laundering and fighting corruption, strengthen cooperation with the audit of the authority conducting" the 2th division, 2016 work plan of the Chamber of Auditors of the Republic of Azerbaijan and according to the the 3.4th "Organization of audit firms and independent auditors for the preparation of Methodical instructions fight against corruption" In accordance with paragraph, "Methodical Guideline on the organization of audit in the fight against corruption, "made in the draft, the Council Chamber have approved decision №276/7, it have discussed at the meeting, on may 2016, 26, and by audit firms and independent auditors, the application have considered appropriate.

The concept, part I, 5th p. "Preparation of proposals on study and application of international experience in auditing of improving the legal framework", VII p " Increasing transparency and combating corruption and unfair competition in audit" in the 6th p "About struggle against legalization of money or other property acquired by criminal means and financing of terrorism", the Law of the Republic of Azerbaijan to ensure sustainable implementation of obligations by the independent auditors and audit organizations" and Chamber of auditors work plan for 2016 "on combating the legalization of money or other property from Crime and financing of terrorism in" 3.5th, the Law of the Republic of Azerbaijan on the application of the audit firms and independent auditors by Methodical recommendations preparation in accordance with paragraph "About struggle against legalization of money or other property acquired by criminal means and financing of terrorism" Audit Guidance on the application of the Law of the Republic of Azerbaijan by recommendations" made in the draft and the Board of the Chamber on May 2016, 26 at a meeting of the Board discussed and approved by the decision N 276/6 of them were of the audit firms and independent auditors, the application was considered appropriate. That methodical recommendations posted on the website of the Chamber and the activities of independent auditors and audit organizations sent on august 2016, 2 in order to use the service.

The Law of Azerbaijan Republic "On audit service" and the "Chamber of Auditors of Azerbaijan Republic on "Audit activity, regulation and audit of the institutional capacity building" measures envisaged in order to provide implementation of the II; "Concept of development of (2012-2020 years) audit services in Azerbaijan Republic and Regulations" , The chairman of the Chamber of Audit of the Chamber of Auditors with the decree no. 1/3, dated January 2016, 29 "On approval of the Regulations of the structural units of the Chamber of Auditors of the Azerbaijan Republic and their duties" and legal provision of analytical information and analysis department Regulations, standardization, training accreditation and international relations departments, and their officers was approved.

According to 6 paragraph of the concept of the and 1.2.3 paragraph work plan of the Chamber of Auditors for 2016 "Participate in the preparation of the draft law on financial control, accounting and auditing, or review" the works of were regularly executed.

In order to provide implementation of 1 "Regularly informing the public about the activities of the Chamber of auditors" of II Section of Concept "Audit of management, regulation and institutional capacity building of the audit", work plan of the Chamber of auditors for 2016, paragraph 7.7 "Regularly informing the public about the activities of the Chamber of Auditors" and paragraph 8.4 "Chamber of Auditors preparation of a report on the results of activity for 2015; \_to the relevant authorities and inform the public about it" on 22 April 2016 the report prepared in compliance with Guidelines on "Structure, preparation and publication of annual report and reports on the activities of the Chamber of Auditors of Azerbaijan Republic" approved by order of Council of the Chamber of Auditors No. 238/7 dated 18 December 2012 was submitted to Administration of the President of the Republic of Azerbaijan and respective institutions being approved by decision the Chamber of Auditors 275/1 dated 30 March 2016 on "Chamber of Auditors of the Republic of Azerbaijan on the results of results for 2015".

A report published on the website of the Chamber in Azerbaijani and English languages and "Economic" newspaper published in the edition dated 6-12 May 2016.

The concept of the "Audit service in the field of international practice, the ban on bringing" and "Transparent investigation and sanction the use of" the Chamber of Auditors of "Audit services in the field of study and application of international experience in research and discipline measures on" 2015 November 25 in accordance with paragraph 3 of resolution no. 269/1 of the Council of 3 to 4, the items and "Auditors. Service in the investigation and disciplinary action on the application of the Rules "prepared and submitted to the government a draft.

In connection with the 7th points of execution of the II part of concept "Appropriate legal and institutional measures to ensure the implementation of the control of outside auditors", Chamber of auditors work plan for 2016, the 3.2th

"Chamber of Auditors of Azerbaijan Republic on public control over activity" Regulation on the application of measures" and the "necessary measures for the implementation of the public control over activity of organization of Chamber of Auditors" and 3.7 items related to fulfilment of the Public Council on implementation of elections to the draft declaration prepared, the application of the protocol on the results of the elections, the ballot papers will be posted on the website of the Chamber, and on persons and submitted to the government a draft of the form, join the elections.

By order of the chairman of the Chamber of auditors no. 1/40 dated October 26, 2016 year, on "Audit Chamber of the Republic of Azerbaijan on the establishment of the electoral commission to order Public Council under the organization and conduct of elections" the Election Commission consisting of 9 people were established.

According to paragraph 11 of section II of the concept "Attracting new members", consider the received applications and appeals to the Chamber, work is done in order to accept new members and in 2016, 35 independent auditors, 7 associate members of the House to 21 organizations were admitted (or expired permits were registered again).

In accordance with the 3rd Concept of "Expand the application of International auditing standards" the 7th part of the "International Federation of Accountants, (the IMF) auditors and accountants for multi-stage application of the system of examinations for getting the name of the auditor in Azerbaijan will be held in accordance with the recommendations on examination by the names of" the persons who applied multi-stage system of examinations for getting the name of the auditor.

In accordance with 9th division of 3rd Concept "International auditing standards of professional Accountants and auditors of training courses on Ethics Code of the latest additions and changes to the program regularly inclusion", International Auditing Standards and Ethics of recent additions and changes to the Code of Professional Accountants of training courses included in the program and training.

The concept of "Organizing of permanent seminar on the application of International Auditing Standards and Ethical Code of Professional Accountants" of the 11th division III, Chamber of auditors work plan for 2016, the 2.2.1th "IFAC Professional Accountants of translation, editing and application of the Code of Ethics", the 2.2.2th "International Auditing Standards in 2014, editing and translating the introduction of additions and changes have made" in connection with the amendments and changes have translated from English into Azerbaijani by the standards of item and Introduction to editing the work have completed, and posted on the website of the Chamber.

The concept of "improving the quality of Auditing service" "complying with Ethic principles to control the implementation of" the 3th division IV, VI "Auditing organization" of the 19 "Ethical principles for monitoring the implementation use the system", VII "Audit in increasing transparency and combating corruption and unfair

competition" of the 5 "Ethical principles for monitoring the implementation use the system", XII "Analysis, research and surveys" department "Auditors professional ethics rules and standards for conducting research on" the 3th and 2016 work plan of the Chamber of Auditors and the 3.8 "member of the Chamber of Auditors to monitor compliance with the rules of ethical conduct, this annual report on the preparation of the ethics conduct rules in "accordance with paragraph, a member of the Chamber of Auditors by the control and this annual report on" prepared and approved by Council Chamber, with the decision no. 284/1 dated December 2016, 27.

The concept of "Audit activities outside the control of appropriate legal and institutional measures to ensure the implementation" of an outside audit quality control related to the study of international experience related to the implementation of paragraph 4, section IV, "The quality of audit services in the Republic of Azerbaijan, control on the edge of Law "s draft prepared by the working group of the Council of the Chamber approved by decision no. 279/2, dated 30 September 2016.

The concept of VI "Auditing organization" of Chamber of Auditors and the work plan for 2016, the 1.19 "Statutory audit measures related to prevention of evasion", prepared for the item in order to provide implementation of subparagraph, the Ministry Of Taxes of Azerbaijan on August 2016, 22, sent a letter about "Determining not auditing of mandatory audit on commercial entities object" in order to provide implementation of subparagraph, the letter was sent to the Ministry Of Taxes of Azerbaijan on August 2016, 22.

Based on the information of the Ministry of Taxes\_ created detecting of forced businesses escaping audit, prevention of evasion from audit and administrative responsibility in connection with the application of the mechanism for determining created an electronic database and defined list of businesses escaping audit in the Chamber of Auditors. Letter s have sent to the heads by the Chamber of auditors of audit evasion in order to prevent businesses escaping audit-

Among the problems arising from the provisions of the Partnership Agreement signed in order to ensure the execution of the objects of obliged audit and businesses escaping audit was requested to send warning letter instructed the electronic record keeping by the ministry, the Chamber of Auditors with the Ministry of Taxes 2003 June 25.

President of the Republic of Azerbaijan approved by the order no. 2421 dated September 5, 2012 year, of the 13.3 part "Statutory audit mechanism for determining connection with the application of administrative liability for failure to take measures for" the "improvement of the Audit services" "to fight Corruption for 2012-2015, the National Action Plan" the execution of 13 item entrusted to the Ministry of Taxes and Chamber of Auditors.

According to the Chamber of Auditors with the letter dated 15 September 2016 of the Ministry of Taxes, in accordance with the requirements of current legislation of the

Republic of Azerbaijan defined list of taxpayers who have to undergo mandatory audit and appeal submitted by the Chamber in accordance with the subject of mandatory audit, which must be in the database of the Ministry of Taxes short messages (SMS) sent to mobile phone call center through 22094 taxpayers.

| Concept in accordance with paragraph 28 of section VI; "Providing more sophisticated establishment of mutual relations between state control and external audit", In order to establish cooperation between the Chamber of Control of Financial Markets and Financial Markets, the letter was sent to Chamber of Control of financial Markets, and the work in this direction continues.

The concept of "promotion and application of the Audit" of the "Chamber of Auditors and the possibility of the expansion of the functions via education and information, as well as conducting online survey, the official website—" of the 2th department of the item and Chamber of auditors work plan for 7.2 of the 2016 items related to the implementation of "improvement of the website of the Chamber of Auditors" according to the agreement signed between the State Agency for Special Communications and Information Security of Special State Protection Service of the Azerbaijan Republic by the Chamber of Auditors, Chamber of audit revealed shortcomings and certificate having been eliminated by "Info security" "audit.gov.az" internet resources. Chamber's web site regularly improved and his continuous activity in Azerbaijani, English and Russian languages is regularly provided. 2016 work plan of the Chamber in order and decrees of chairman of the Council Chamber, news, announcements, events, commemorative events were posted on the website of the Chamber of 27 sections in 2016 in 38 cases - of the Chamber, materials, etc.

According to the concept of the XI paragraph "Holding of publications, seminars and conferences" of 6th division, "Support of vocational training of young auditors and job promotion in the relevant higher education institutions", In accordance with paragraph 2016 work plan of 4.7, "Provision of practical assistance to higher education institutions for preparation training program due to audit and accountancy "Approved plan-program the subtitle 3th, "Guidelines of creation and improvement of joint projects and training programs on the audit and accounting", according to 4th subparagraph, "Agreed and discussing of prepared educational materials with relevant stakeholders "| For the aim of to take advantage of- foreign experience the educational programs of various foreign universities, textbooks and training programs are examined and taking advantage the collected materials which prepared new educational program was sent to various partners.

|

## VI. EXTERNAL QUALITY ASSURANCE AUDIT

In accordance with the Regulations of the Chamber of Auditors “on the Chamber of Auditors of the Republic of Azerbaijan”, independent auditors and auditor organizations have the authority to check the quality of conducted audit. At the same time, on the law of the Republic of Azerbaijan on “auditing services” independent auditors and audit organizations to carry out quality audit inspections and auditing services, all violations found during the audit, report on shortcomings of maintenance of accounting and reporting on the compilation to the management of the customer. Since 2010, Azerbaijan has started to implement the International Standards on Auditing (ISA) in order to improve the quality of audits conducted by auditors, specific tasks and requirements.

In this regard, a number of documents have been developed and approved in the Chamber of Auditors in order to improve the quality of audit services for implementation and quality control.

However, developments in recent years in the audit practice of the duties of the auditors in accordance with the conditions and principles of expanding the adoption of the ISA requires a new audit service necessitated the improvement of quality control.

In this sense, in the activities of independent auditors and audit organizations, along with the application of internal quality control, there was a need to improve external control. Following the congratulatory letter from the President of the Republic of Azerbaijan Mr. Ilham Aliyev addressed to the employees and members of the Chamber of Auditors on the occasion of the 20th anniversary of the performance of tasks, the Council of the Chamber of Auditors, by the decision No. 276 approved by the 5th paragraph of the plan of measures "to develop urgent measures to improve the quality of the Audit Service", As well as for the implementation of the schedule of measures envisaged for the implementation of the timetable for implementing the measures of the calendar plan in the Concept of Development of the Audit Service in the Republic of Azerbaijan, paragraphs 4.1 "of applying international standards on audit quality control", 4.3 "Implementation of ethical principles" and 4.4 of the "external control activities for the provision of audit, legal and institutional measures in implementation", on the work plan of Chamber of Auditors for the year 2016, in the paragraph 3.1 "commitment of the membership in IFAC requirements № 1 (SMO) in accordance with the approved monitoring plan, and on the results of the auditor's review of the quality of service", International Standards on Auditing, Code of Ethics for Professional Accountants, International Quality Control Standards No. 1, Universal Declaration of Membership Obligations No. 1, according to the decree No. 1/20 on June 8, 2016 “on improving the quality system of an audit service” by the chairman of the Chamber of Auditors, ”Rules on the quality of outside control of audit

services in Azerbaijan Republic” and added Questionnaires and Confidentiality Statement approved by decision No. 279/2 by the Audit Chamber of the Council.

According to the “schedule of implementation the quality control of audit conducted by independent auditors and auditing companies” which was approved by the decision No 277/5 dated July 4, 2016, under the Council of Chamber of Auditors about “the approval of revised working plan of Quality Control Committee of the Chamber of Auditors of the Republic of Azerbaijan and the list of inspectors of the Quality Control Committee for the year 2016” during 2016, 10 auditing companies and 11 independent auditors that tested the quality of audits over the last 3 years are compatible with the International Standards on Auditing.

All the test results were discussed and appropriate decisions were made at a meeting of the committee for Quality control

In addition, letters were sent to the heads of audit organizations and independent auditors in order to eliminate the identified shortcomings in their activities

In 2016 in the hall of the Council of the Chamber of Auditors results were discussed external quality control of audit services and the decision No. 285/1 of January 31, 2017 was taken. In accordance with paragraph 3 of this ordinance, failing to comply with the requirements of International Auditing Standards and serious shortcomings in the activities and when those shortcomings are found taking all into account 6 auditor organizations and 6 independent auditors were warned and they were notified about more effective measures taken against them if they allow such incidents in the future.

It was decided to crosscheck the quality of audits conducted by independent auditors and audit organizations for compliance with the International Standards on Auditing in 2017 prepared in accordance with the Decree No. 1/20 “to improve the quality control of audit service” by the Chairman of the Chamber of Auditors and approved implementation of decision No. 279/2 “On the edge of the new Rules on external quality control of audit services in Azerbaijan Republic” taken by the Council of the Chamber of Auditors of Azerbaijan Republic on September 30,2016, the Chamber of Auditors held a seminar at October 27,2016, with the participation of an independent auditors and audit organizations.

The detailed information on the seminar listed in reports section VII of “training of auditors and raise the level of professional qualification” (pages 39-40)

In accordance with the Decree No. 1/52 dated November 25, 2016, “on the improvement of the website of the Chamber of Auditors” “Quality Control” section has been created by the chairman of the Chamber of Auditors in accordance with paragraph 2.3 of the order, in order to ensure the improvement of the Chambers’ website.

### **Quality control committee under the Council of the Chamber of Auditors**

Quality control committee of the Council of the Chamber of Auditors operates on basis of the Regulations approved by decision 245/1 dated October 11, 2013.

The purpose of the committee is “on auditing services” on the Law of the Republic of Azerbaijan, on “the Statute of the Chamber of Auditors of Azerbaijan Republic”, on “rule of external control over the quality of audit services in the Azerbaijan Republic”, in accordance with the requirements of existing legislation and implementation of International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants (Ethics) Declaration of Membership Obligations (UOB), to provide external control of the quality of audit service and to implement the authoritative members of the Chamber of Auditors of Azerbaijan Republic to audit services, to ensure external control compliance with relevant ethical requirements and professional standards by independent auditors and audit organizations.

In accordance with the decree of June 8, 2016, on “the improvement of the system of control over the quality of audit services” of the chairman of the Chamber of Auditors, the revised work plan of Quality Control Committee at the Council of the Chamber of Auditors for the year 2016 and a list of quality control inspectors of the Board of Auditors was approved by Decision No. 277/5 on July 4, 2016.

In accordance with the paragraphs of the work plan of Chamber of Auditors and the Chamber of the Council for 2016, Quality Control Committee approved and focused on execution of the work plan for 2016.

Quality Control Committee has established its activities in the following ways in the reporting year 2016:

- Prepared in accordance with the National Action Plan on Combating Corruption, the implementation of the tasks of Auditors’ audit services, taking into account “International experience in the development of the Concept” (2012-2020) to participate in the work implementation of the measures envisaged.
- Created to fulfill the requirements of the obligations to the Chamber of Auditors by the members of the International Federation of Accountants, to inform the auditors about changes in the International Standards of Auditors and to participate in the organization of visual aids.
- In connection with the provision of audit services by independent auditors and audit organizations, to investigate the complaint letters and applications on received letters to the Quality Control Committee
- Quality control of audit services provided by independent auditors and audit organizations

Some information on the activities of the Committee's report listed in the section "external auditing service quality control".

## VII. TRAINING OF AUDITORS AND LEVEL RAISE OF PROFESSIONAL QUALIFICATION

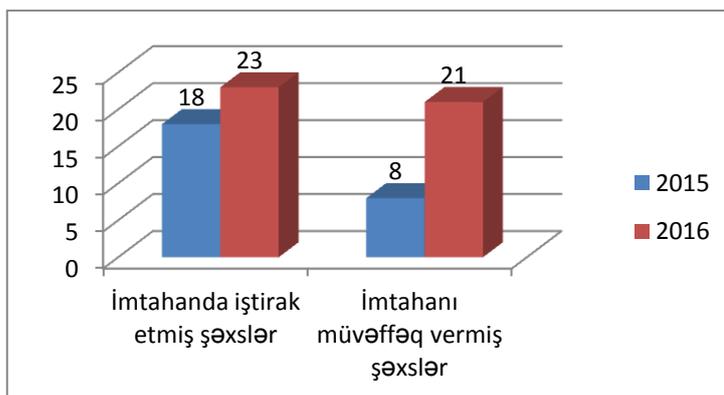
One of the important directions of activity of the Chamber, capable to operate in accordance with international standards on raising level of qualification of auditors' personnel and improvement.

### ***Conducting examinations for getting the name of the auditor***

During the term of the license for the organization of work on the completion schedule approved in 2016 and the first quarter of 2017. According to this schedule, in order to obtain the title of auditor and audit activity, in connection with the completion of the validity of the permit, a two-step examination was held. On the 1<sup>st</sup> and 2<sup>nd</sup> stages of the exams from June 18 to July 1 2016, 7 auditors with completed permits and to obtain the name of auditor 4 people achieved a successful results, including, in accordance with the decision of the Chamber of the Council No. 276/9 of May 26, 2016 on "auditor activity in the territory of the Republic of Azerbaijan in connection with the completion of the term of permit examination decision", in connection with expiration of the term of action, 24 people were released on the exam and the exam period of validity of their permits formalized in the next 5 years. Besides, on the exams of the 1<sup>st</sup> and 2<sup>nd</sup> stages of 2016, from December 17 to 24, 3 auditors with completed permits and to obtain the name of auditor 9 people achieved a successful results, including, in accordance with the decision of the Chamber of the Council No. 282/6 of May 26, 2016 on "auditor activity in the territory of the Republic of Azerbaijan in connection with the completion of the term of permit examination decision", in connection with expiration of the term of action, 18 people were released on the exam and the exam period of validity of their permits formalized in the next 5 years.

In general, 23 people took part in the exams to obtain the name of the auditor and with the expired auditors' permission, and everyone succeeded.

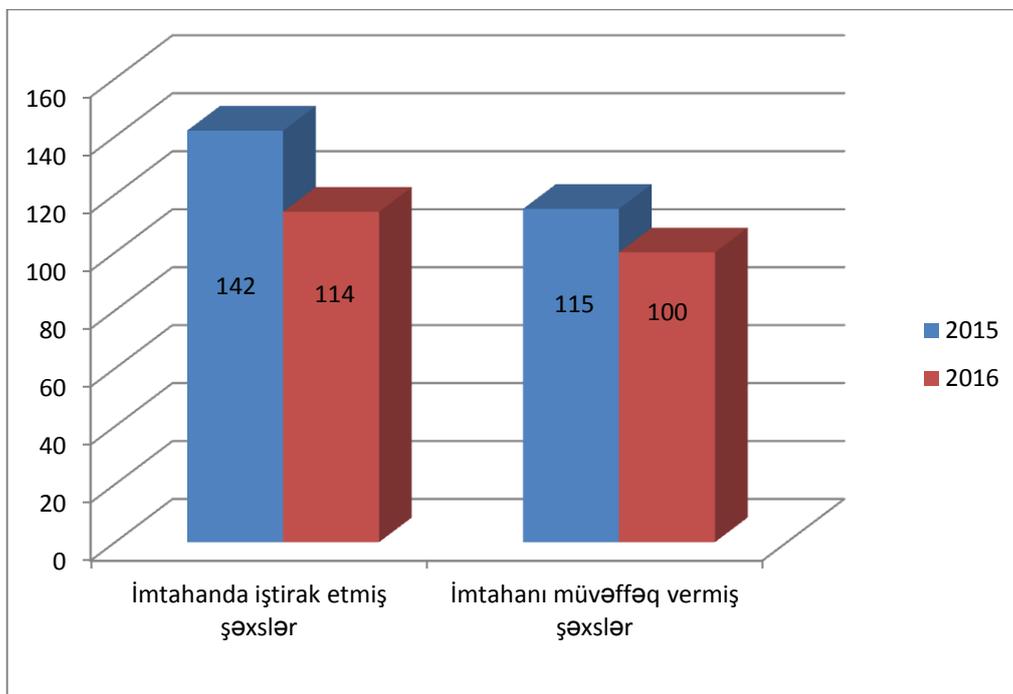
Compared to last year in 2016 for getting the name of the auditor and audit activities in connection with the completion of the term of permit validity of the results of examinations were as follows:



### **Conducting Auditors training courses**

Taking into account academic and vocational training program based on international best practice for 2016, the schedule of the curriculum and the course of professional development of auditors, and the prepared list of auditors by groups and discussed and approved at a meeting of the Council of the Chamber. According to approved schedule and program auditors for I and II stage groups from September 5 to October 4 2016, and for III, IV, V staged groups from October 10 to November 8, were held training courses. On the results of the courses on October 8 and November 12, 2016, exams were held. 114 people took part in the exams, 36 people did not participate, no one have been expelled from examination in violation of the rules, 100 people achieved successful results, 14 did not succeed in exams.

Conducted on the results of auditors training courses of group I, II, III, IV, V in 2016 compared to last year, the results of examination were as follows:



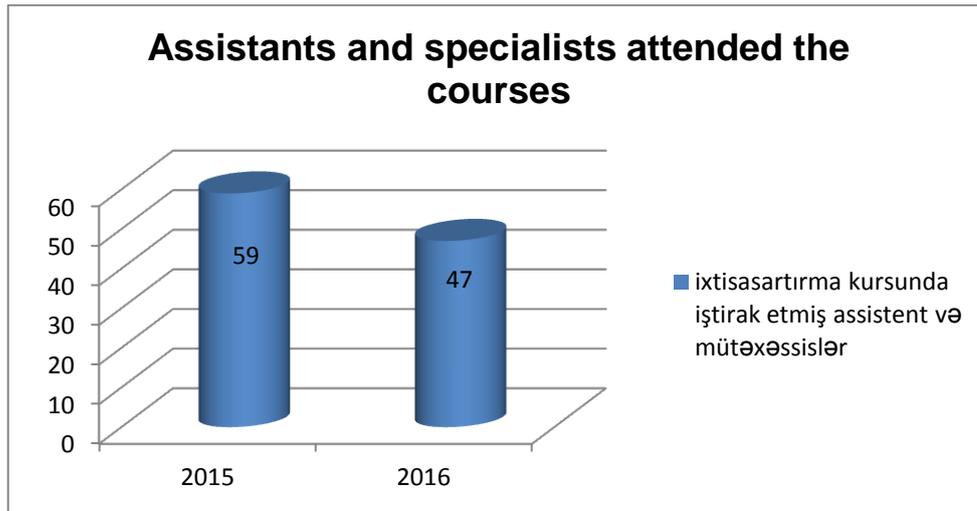
### **Conducting courses for internal auditors**

In order to increase the efficiency of the agricultural administration and implementation of the legal framework for the organization of internal audit service, which defines the rights and responsibilities of internal auditors and with the implementation of the Law on “Internal Audit” which came into effect on June 29, 2007, by the Decree of the President of the Azerbaijan Republic Mr. İlham Aliyev, for the preparation of internal audit staff by the Chamber of Auditors of Azerbaijan Republic and International Institute of Internal Auditors ( IIA), approved courses were held for overall 16 people on “Internal audit staffs” for 12 people who applied between April 11 and May 11, 2016, and 4 people applied between November 21 and December 21, 2016. At the end of the courses participants were awarded with certificates.

### ***Organization of training courses for improvement of auditor assistants and audit specialists***

In accordance with the work plan of the Chamber of Auditors, a program on “Audit Basics” was prepared and confirmed. According to the same program, on April 15, 2016, letters were sent to the head of audit organizations and experts involved in the training courses, from May 2 until May 20, 2016, course were organized for 47 employees of 28 auditing organizations, according to results listeners were presented with certificates.

The results of training courses of auditor assistants and audit specialist in 2016 compared to last year were as follows:



### ***The activities of the Chamber of Auditors in the field of personnel training performed together with organizations it collaborates and higher education institutions***

A number of joint works have been made in the field of personnel training of the Chamber of Auditors and between higher education institutions. Including:

- In 2016 seminars were organized on several related scientific works that entered to Chamber of Auditors
- During the reporting year published literature in the field of finance, accounting and auditing were presented to higher education institutions with the purpose of methodological assistance by the Chamber of Auditors
- More efficient use of the available opportunities of international and national accounting standards and International Audit Standards of training, knowledge and experience to improve the level of experts in the field of accounting, audit and systematic measures aimed at increasing transparency in the Republic of Azerbaijan and implemented in connection with the transition to the new teaching of subjects in accounting and auditing. Preparation of teaching materials about the organization of work in the field of "Accounting" and "Audit" training programs in higher education degree in

"Accounting and audit" training provided to students enrolled in higher education prepared by the Chamber of Auditors in this direction and to continue support to ensure the supply

***Organized events, symposiums and workshops by the Chamber of Auditors in 2016***

1. On January 29, 2016, a seminar named "Methodology for determining the cost of the audit" took place in the Chamber of Auditors.

Speakers at the seminar spoke about the existing problems related to the application of the methods used in determining the best available practices, now determine the value of its economic feasibility and cost of the audit.

At the same time, approved by the Chamber of Auditors of Azerbaijan Republic decision No 159/5 on December 23, 2005 (additions and amendments made by the decision No 197/6 on January 26, 2009 of the Chamber of Auditors of Azerbaijan Republic), "the minimum recommended value of audit services in the territory of Azerbaijan Republic" guidelines for creating customer value of audit services in the formation of correct understanding the importance of the document stressed the necessity for renewal in accordance with modern requirements and economic situation.

The seminar participants noted that the implementation of the audit service in the Republic of Azerbaijan in accordance with International Standards on Auditing continued to enforce such measures and at the time of independence, objectivity and transparency increase, the independent auditors and audit organizations operating in the territory of the country will be useful for improving the quality of audit services and the issues discussed there.

Professional discussions were held at the workshop attended by an independent auditors, audit organizations and representatives of other interested sides.

2. On February 25, 2016, the Chamber of Auditors had "round table" on topic of "objectives of the audit in modern conditions"

During a "round table" a cooperation agreement was signed between the Chamber of Auditors and "International Headstart"

On "round table" discussions and presentation were made of topics on "In strengthening public confidence in need of audit in modern conditions", "Ways of expanding the scope of audit services", "The role of audit in risk assessment and management of business", "Duties of the audit in increasing transparency in financial reporting" and "Application of

international Auditing Standards and quality assurance in problems of audit”.



***"Round table" on "The main duties of audit in modern conditions" (February 25, 2016)***

The event was attended by representatives of the Chamber of Auditors, the Chamber of Accounts, the Azerbaijan Association of Risk Professionals and Accountants, the company "Headstart International".

At the end of the "round table", it was decided to prepare recommendations, preliminary summarizing the suggestions made by the participants.

3. On March 15-16, 2016, in the Chamber of Auditors, there was held a seminar on "The Practice of Preparing Financial Statements in Accordance with International Standards" with the participation of representatives of audit organizations, independent auditors and other interested organizations.

4. On April 20, 2016, in the Chamber of Auditors, there was held a ceremony of awarding medals in accordance with the Decree of the President of Azerbaijan Republic № 1934 of April 4, 2016 "On awarding the "Progress" Medals to the members of the Chamber of Auditors of Azerbaijan Republic".

Opening the ceremony, the Chairman of the Chamber of Auditors Mr. Vahid Novruzov, on behalf of the country's auditors, expressed gratitude to the President of the Republic for the congratulatory letter sent to the staff and members of the Chamber on the occasion of the 20th anniversary of the establishment of the Chamber of Auditors, and in connection with the awarding of 13 members of the Chamber in accordance with the Decree of the President of Azerbaijan Republic № 1934 of April 4, 2016 "On awarding the "Progress" Medals to the members of the Chamber of Auditors of Azerbaijan Republic". At the same time, he noted that the President's congratulatory letter in connection with the 20th anniversary of the

Chamber of Auditors' establishment and the Decree on awarding set responsible tasks for employees and members of the Chamber. In the future, the country's auditors should better understand their responsibilities and must develop a system of measures to promote entrepreneurship for increasing transparency and economic development. In other words, as stated in the President's congratulatory letter, the audit service in Azerbaijan should be reconstructed.

Head of Economic Policy Department of the Presidential Administration of Azerbaijan Mr. Mayil Rahimov who took part in the event congratulated the country's auditors on the 20th anniversary of the Chamber of Auditors and, explaining the duties of the audit service in the new economic and financial conditions, noted the importance of solving the problems facing the Chamber of Auditors.

**THE ORDER  
OF THE PRESIDENT OF AZERBAIJAN REPUBLIC**

**on awarding the members of the Chamber of Auditors of Azerbaijan  
Republic with "Progress" Medal**

Governed by paragraph 23 of Article 109 of the Constitution of Azerbaijan Republic, I hereby resolve as follows:

In connection with the 20th anniversary of the Chamber of Auditors of Azerbaijan Republic the following members of the Chamber for their merits in development of the country's auditing system to be awarded with "Progress" medal:

Maarif Abbasov

Namig Abbasli

Elena Ageyeva

Alimukhtar Baghirov

Altay Jafarov

Ibish Aliyev

Fuad Aliyev

Sabuhi Gulmammadov

Nigar Rahimova

Vali Rahimov

Gulu Soltanov

Najaf Talibov

Ilgar Veliyev.

**Ilham Aliyev**

**President of Azerbaijan Republic**

**Baku, April 4, 2016**

After, 13 persons mentioned in the President's Decree were awarded medals.

At the event, on the occasion of the 20th anniversary of the Chamber of Auditors, for a long work activity and contributed to the development of the audit, a group of the following employees and members of the Chamber were presented with a breastplate "Honorary Auditor" and "Certificate of Honor".

Breastplate "Honorary Auditor":

1. Mamedov Shahbaz Museib oglu
2. Kerimov Natig Imran oglu
3. Jabiyev Huseyn Kommuna oglu
4. Bayramova Lamiya Gasham gizi
5. Aliev Kocheri Amrah oglu
6. Bayramov Veli Oruj oglu
7. Isayev Telman Mabud oglu
8. Gadzhiazizov Ilham Isfendiyar oglu
9. Guliyev Khanbaba Agamoglan oglu

Certificate of honor:

1. Sattarov Mukhtar Nadir oglu
2. Rustamov Rasim Jahangir oglu
3. Novruzova Farida Arif gizi
4. Akhmedova Gyovkhar Islam gizi
5. Akhundov Kamil Jamal oglu
6. Alizade Hayat Asker gizi



***The ceremony of awarding medals in accordance with the Decree of the President of Azerbaijan Republic № 1934 of April 4, 2016 "On awarding the "Progress" Medals the members of the Chamber of Auditors of Azerbaijan Republic (20.04.2016)***

5. On May 17-18, 2016, in the Chamber of Auditors, a training was held on the topics "Practice of preparation of financial statements in accordance with international standards" and "Explanation of methodological guidelines on compilation of in-house standards".

The main objective of the training conducted by the Chamber of Auditors of Azerbaijan Republic jointly with international audit organizations and training centers was to support the successful economic reforms in our country, to ensure the use of international standards by business entities in the preparation of financial statements and to provide methodological assistance to enterprises and organizations in the field of transparency increasing.

The training was conducted by senior experts in the audit of the International Audit Company "Deloitte & Touche" Ruslan Mamedov and Nurlan Ismayilov, by the specialists of the training center "Headstart International" and the Azerbaijan Association of Accountants and Risk Professionals who have international certificates and by the staff of the Chamber.

The training was attended by specialists of state and private companies, enterprises and organizations.

At the end of the event, there were taught the methodology of compiling Financial Reporting in accordance with International Standards, the technology of transition of financial reporting prepared on the basis of National Accounting

Standards to the International Financial Reporting Standards (IFRS), as well as were given the answers to audience interested questions on accounting and finance.



***on the topics "Practice of preparation of financial statements in accordance with international standards" and "Explanation of methodological guidelines on compilation of in-house standards" (17-18.05.2016)***



***Training on the topics "Practice of preparation of financial statements in accordance with international standards" and "Explanation of methodological guidelines on compilation of in-house standards" (17-18.05.2016)***

6. In order to support the ongoing reforms in the country, on August 5, 2016, the Chamber of Auditors organized a seminar-consultation on the "Responsibilities of

auditors and relevant structures that are created by the regulatory and legal acts related to the acceleration of economic reforms."

The main purpose of the event was to provide methodological assistance to auditors and economic entities in the performance of duties which are faced by economic entities and auditors in connection with the Laws, Decrees and Orders signed by the President of Azerbaijan Ilham Aliyev in February and June of this year.

In the course of the event, there was a presentation of the developed by the Chamber of Auditors "Methodological Guidelines on the provision of audit services in the direction of strengthening the role of independent audit in the implementation of economic reforms".

The representatives of the Chamber of Auditors, the Chamber of Control over the Financial Markets, the Central Bank of Azerbaijan Republic, the State Oil Company of Azerbaijan Republic, state legal entity State Examination Center of Azerbaijan Republic, "Azerbaijan Television and Radio Broadcasting" CJSC, "Melioration and Water Management of Azerbaijan" OJSC, "AzerMotorRoads" OJSC, "AzerCarpet" OJSC, "AzerWater" OJSC, "AzerHeatSupply" OJSC, "National Center of Nuclear Research" OJSC, "AzerCosmos" OJSC, "Baku International Sea Commercial Port" CJSC, "Azerbaijan Airlines" CJSC, Azerbaijan Steel Production Complex, "Azerbaijan Caspian Shipping Company" CJSC, "Tourism Center Shahdagh" CJSC in the subordination of the Ministry of Culture and Tourism of Azerbaijan Republic", "Greening and Landscape Structure of Azerbaijan" OJSC, "Baku Metro" CJSC, "MIDA" LLC, "Azerbaijan Railways" CJSC, audit organizations, independent auditors participated and spoke at the seminar-consultation.



***The seminar-consultation on the "Responsibilities of auditors and relevant structures that are created by the regulatory and legal acts related to the acceleration of economic reforms" (05.08.2016)***



***The seminar-consultation on the "Responsibilities of auditors and relevant structures that are created by the regulatory and legal acts related to the acceleration of economic reforms" (05.08.2016)***

7. On October 27, 2016, in the Chamber of Auditors, with the participation of independent auditors and representatives of audit organizations, a seminar was held on the application of the "Instruction on the implementation of internal quality control of audit", developed in accordance with the "Concept of Development of Audit Services in Azerbaijan Republic" (2012-2020) and item 3.6 "Preparation of the Instructions on the principles and procedures of internal quality control for the purpose of fighting against corruption in audit organizations" of the Work Plan of the Chamber of Auditors of Azerbaijan Republic and approved By the decision of the Council of the Chamber of Auditors № 279/3 of September 30, 2016, and the "New Rules for External Quality Control of Audit Services in Azerbaijan Republic", developed in accordance with International Standards on Auditing, the Code of Ethics for Professional Accountants, International Quality Control Standards № 1, Membership obligations № 1, Order of the Chairman of the Chamber of Auditors № 1/20 of June 8, 2016 and approved by the Decision of the Council of the Chamber of Auditors № 279/2 of September 30, 2016.

At the seminar there were made the speeches of the employees of the Chamber of Auditors and took place the professional discussions related to the "New Rules for External Quality Control of Audit Services in Azerbaijan Republic" and "Instructions on the implementation of internal quality control of audit".

At the seminar there was specially marked the need for continuous training and application of international experience, strengthening the quality control of

external audit, including a large role in the development of audit the organization of work on the internal quality control in audit organizations and independent auditors.



***The seminar on the application of the "New Rules for External Quality Control of Audit Services in Azerbaijan Republic" and the "Instruction on the implementation of internal quality control of audit" (27.10.2016)***



***The seminar on the application of the "New Rules for External Quality Control of Audit Services in Azerbaijan Republic" and the "Instruction on the implementation of internal quality control of audit" (27.10.2016)***

8. On November 29, 2016, by the Chamber of Auditors jointly with the branch of the company "Ernst & Young Holdings (CIS) Bi.Vi" in Azerbaijan and "Barattson School of Business & Finance" LLC, there was held a seminar on topics "The practice of preparing the consolidated financial reporting based on IFRS" and "Fighting against intra-corporate fraud and cheating, revealing signs of deliberate distortion of accounting data".

During the event, it was noted the need to support the ongoing economic reforms in the country, ensure the application of international standards by business entities in the preparation of financial statements and provide methodological assistance to enterprises and organizations in the field of transparency increasing.

The training was conducted by the specialists of the branch of "Ernst & Young Holdings (CIS) B.V" in Azerbaijan, "Barattson School of Business & Finance" LLC and the Chamber of Auditors.

The training was attended by specialists of state and private companies, enterprises and organizations.

The seminar provided training on the methodology for compiling financial statements in accordance with international standards, on the technology of transition of financial reporting prepared on the basis of National Accounting Standards to the International Financial Reporting Standards (IFRS), as well as were given the answers to audience interested questions on accounting and finance.



***The seminar on "The practice of preparation of consolidated financial statements based on IFRS" and "Fighting against intra-corporate fraud and cheating, revealing signs of deliberate distortion of accounting data" (29.11.2016)***



***The seminar on "The practice of preparation of consolidated financial statements based on IFRS" and "Fighting against intra-corporate fraud and cheating, revealing signs of deliberate distortion of accounting data" (29.11.2016)***

9. On December 9, 2016 the Chamber of Auditors jointly with "PricewaterhouseCoopers Audit Azerbaijan" LLC and "MAK AZERBAIJAN LTD" LLC held a seminar on the following topics: "Practice of preparation of consolidated financial statements based on IFRS", "Internal audit and corporate governance system" and "Business valuation".

The seminar was conducted by specialists of "PricewaterhouseCoopers Audit Azerbaijan" LLC and "MAK AZERBAIJAN LTD" LLC.

The training was attended by specialists of state and private companies, enterprises and organizations.

The seminar provided training on methodology of compiling financial statements in accordance with international standards, on technology of transition of financial statements prepared on the basis of National Accounting Standards to the International Financial Reporting Standards (IFRS), and answered the accounting and finance related questions interesting for audience.



***The seminar on "Practice of preparation of consolidated financial statements based on IFRS", "Internal audit and corporate governance system" and "Business valuation" (09.12.2016)***



***The seminar on "Practice of preparation of consolidated financial statements based on IFRS", "Internal audit and corporate governance system" and "Business valuation" (09.12.2016)***

## **Local events during 2016 attended by employees and members of the Chamber of Auditors**

During the reporting period employees and members of the Chamber of Auditors participated in the following events:

- "Global Forum on Transparency and Information Exchange in the Tax Area" held in the Ministry of Taxes of the Azerbaijan Republic on March 9-11, 2016;
- "Managing Bar Association and Public-Private Dialogue" and "Donors Forum" Trainings held on July 19-22, 2016
- "Methods for increasing membership in associations" and "Establishing and developing relations" Trainings held in the Holiday Inn Hotel in the framework of the Project "Support to small business development" on October 25, 2016.

## **VIII. INTERNATIONAL RELATIONS**

The Chamber of Auditors pays special attention to taking the appropriate measures to ensure the study and application of the experience of developed advanced countries in the field of audit, as well as to the improvement of the quality of audit in the country on the basis of international auditing practice.

### ***International events during 2016 attended by employees and members of the Chamber of Auditors***

1. The delegation of the Chamber of Auditors took part in the international event of the World Bank on the topic "Requirements for financial reporting: definition and implementation of requirements" held in Warsaw on March 17-18, 2016,

The event was held within the framework of the World Bank's STAREP program "Strengthening of auditing and reporting in the EU's Eastern Partnership countries - Azerbaijan, Belarus, Georgia, Moldova and Ukraine".

At the plenary session, representatives of participating organizations made presentations on this topic and held professional discussions.

Speakers Harald Bransas (Norway), Richard Martin (ACCA), Jonathan Hooper (CFRR), Andrew Busuek (CFRR) spoke on practice of applying the requirements of the EU's directives on accounting and auditing.

At the same time, during the exchange of experience, the requirements of the 4th, 7th and 8th EU Directives concerning, in particular, audit quality control, organizational and legal forms of audit organizations, etc. were discussed, the delegation members gave numerous proposals and held discussions. The Azerbaijani delegation was requested to prepare presentations on accounting and auditing in the country for the next event within the framework of this program.



***International event of the World Bank on "The requirements for financial reporting: the definition and implementation of requirements" in Warsaw (17-18.03.2016)***

2. At the invitation of the World Bank, Chairman of the Chamber of Auditors of the Azerbaijan Republic, Doctor of Economic Sciences, Professor Vahid Novruzov and Head of Administration of the Chamber of Auditors Gasham Bayramov participated in the seminar, the Ministerial Conference and the Regional Forum of Professional Accounting Organizations, held in Vienna, Austria, on 26-28 April 2016, for about 250 high-ranking officials, regulators and specialists from 19 countries of Europe and Central Asia. The purpose of the event, organized by the Center for Financial Reporting Reform (CFRR) of the World Bank, was to support the development of financial reporting system capable to provide investment and sustained economic growth. The seminar, held on the topic "Financial information as the main factor for accelerating development", brought together high-level officials responsible for many common goals, priorities and challenges in strengthening the audit and reporting. Within the program groups, participants exchanged experience with the latest initiatives in the field of audit and accounting.

The various users of financial information participating in the conference — investors, financiers, creditors and regulators — discussed the impact of quality, reliability and availability of financial information on their capital investment decisions and their contribution to transparency.

During the event, there was an exchange of views regarding the application of the IFAC International Standards on Auditing to the audit of small and medium-sized enterprises.

The Chairman of the Chamber of Auditors Mr. Vahid Novruzov gave conference attendees a detailed information on the economic reforms being conducted in the country under the leadership of the President of Azerbaijan Ilham Aliyev, on structural changes and on the ongoing work towards strengthening accountability and transparency.

3. At the invitation of the Georgian Federation of Professional Accountants and Auditors (GFPAA), the delegation led by the Chairman of the Chamber of Auditors, Mr. Vahid Novruzov, took part in the events held on May 20-21, 2016 in Tbilisi, the capital of the Republic of Georgia, and dedicated to the 20th anniversary of the GFPAA, and in the work of international conference on the topic "20 years of professional development: European integration and the problems of the profession" with the participation of representatives from more than 10 countries. In his speech, Chairman of the Chamber Mr. Vahid Novruzov congratulated the leadership, employees and members of the Georgian Federation of Professional Accountants and Auditors on the 20th anniversary and shared the information, which generated a great interest of the participants, on awarding a group of members of the Chamber of Auditors with the "Progress" Medal and the President's congratulatory letter to the Chamber, manifesting his great care of, and attention to the audit.

During the visit, there was held an exchange of views with delegations from Israel and Estonia and reached a preliminary agreement on the conclusion of agreements on cooperation between our organizations.

The delegation members gave conference attendees a detailed information on the economic reforms being conducted in the country under the leadership of the President of Azerbaijan Ilham Aliyev, on structural changes and ongoing work towards strengthening accountability and transparency.



***International conference dedicated to the 20th anniversary of the GFPAA on "20 years of professional development: European integration and the problems of the profession" held in Tbilisi, the capital of the Republic of Georgia (20-21.05.2016)***

4. At the invitation of the Association of Professional Accountants and Auditors of Moldova (ACAP), the Chairman of the Chamber of Auditors Mr. Vahid Novruzov and the Head of the Administration of the Chamber of Auditors Gasham Bayramov took part in the events held in Chisinau, the capital of Moldova on June 16-17, 2016 and dedicated to the 20th anniversary of ACAP, and in work of the international conference on "Problems and Opportunities of the Accountant and Auditor's profession: the world experience and the ways of solutions" with the participation of representatives from more than 10 countries. In his speech Chairman of the Chamber of Auditors Mr. Vahid Novruzov congratulated the management, employees and members of the Association of Professional Accountants and Auditors of Moldova on the 20th anniversary, talked about the economic reforms being held in our country under the leadership of the President and shared the information, which generated a great interest of the participants, on awarding a group of members of the Chamber of Auditors with the "Progress" Medal and the President's congratulatory letter to the Chamber, manifesting his great care of, and attention to the audit.

In his speech, which caused extensive discussions, Mr. V. Novruzov gave the event participants a detailed information on opportunities of audit in the crisis period, on the need to strengthen the public confidence in audit under modern conditions, on

the responsibilities of audit in improving the transparency of the financial reporting, on the proposals for development and improvement of financial control in Azerbaijan Republic, on the need of development of different types of audit in accordance with the new conditions.

During the visit, there was held an exchange of views with the delegations of foreign countries on the expansion of cooperation relations between our organizations.

5. Lamiya Bayramova, Chairman of the Committee on International Relations under the Council of the Chamber of Auditors, member of the Board of Directors of the European Federation of Accountants and Auditors (EFAA), took part in the EFAA Board's meeting and the Congress of the Supreme Council of the French Institute of Certified Public Accountants (CSOES) held in Brussels on September 28-30, 2016. The congress was attended by about five thousand people representing different countries, mainly IFAC members from Africa, Europe, Latin America.

At the meeting of the Board of Directors of EFAA, discussions were held related to financial reporting, taxes, the implementation of the Action Plan for 2016-2017, the reforms carrying out in EFAA, membership fees and other future events.

During the congress, an exchange of views took place with partners, and the received materials were brought for application in our country.

We intend to continue in future our work towards the expansion of international relations for development of audit in our country.



***EFAA Board's meeting and the Congress of the Supreme Council of the French Institute of Certified Public Accountants (CSOES) in Brussels (28-30.09.2016)***

6. On 05-07 October 2016, the delegation led by the Chairman of the Chamber of Auditors Mr. Vahid Novruzov took part in the event, which was held in Podgorica, the capital of Montenegro, dedicated to the 60th anniversary of the beginning of activity of the Institute of Accountants and Auditors of Montenegro, and on October 9-12, 2016 participated in the Seminar on "Improving the audit quality for a more responsible and transparent economy" organized by the World Bank's Center for Financial Reporting Reform (CFRR) in Minsk, the capital of Belarus. Chairman of the Chamber of Auditors Mr. V. Novruzov delivered a congratulatory speech at the jubilee event dedicated to the 60th anniversary of the Institute of Accountants and Auditors of Montenegro, and the Chamber of Auditors of the Republic of Azerbaijan represented by its Chairman was awarded with the Commemorative Diploma of the Institute.

President of Montenegro, Mr. Filip Vujanovic, granted admission to representatives of foreign countries participating in the jubilee, where Mr. V. Novruzov spoke on behalf of participants of the event and advised on relations and cooperation between two countries.

President of Montenegro Filip Vujanovic told in his speech about his close friendship with the President of Azerbaijan Ilham Aliyev.

In the Seminar "Improving the audit quality for a more responsible and transparent economy" organized by the World Bank's Center for Financial Reporting Reform and attended by more than 50 representatives from 9 countries, our delegation gave extensive information about economic reforms carried out in our country under the leadership of President of Azerbaijan Ilham Aliyev to increase the transparency in economy, expand the audit coverage and strengthen its influence.

At the same time, a number of received regulatory documents and materials, related to improving the audit quality, were brought for use in our country.



***The 60th anniversary of the beginning of activity of the Institute of Accountants and Auditors of Montenegro, Podgorica, the capital of the Republic of Montenegro (05-07.10.2016)***



***The 60th anniversary of the beginning of activity of the Institute of Accountants and Auditors of Montenegro, Podgorica, the capital of the Republic of Montenegro (05-07.10.2016)***



***60th anniversary of the beginning of activity of the Institute of Accountants and Auditors of Montenegro, Podgorica, the capital of the Republic of Montenegro (05-07.10.2016)***



***Seminar on "Improving the audit quality for a more responsible and transparent economy", organized by the World Bank's Center for Financial Reporting Reform***

**(CFRR) in Minsk, the capital of Belarus  
(9-12.10.2016)**

***Professional membership of a Chamber of Auditors***

The Chamber of Auditors is a member of following professional organizations:

- Regional Federation of Accountants and Auditors “Eurasia” — December 1999;
- European Federation of Accountants and Auditors (EFAA) — May 2003;
- Eurasian Council of Certified Accountants and Auditors (ESSBA) — April 2007;
- International Federation of Accountants (IFAC) — November 2008.

***International events organized by the Chamber of Auditors in 2016.***

On 5-6 April, 2016 the international scientific-practical conference on "Actual problems of audit regulation in modern conditions", dedicated to the 20th anniversary of the beginning of the activities of the Chamber of Auditors of Azerbaijan Republic was held.

The event were attended by representatives of relevant local and foreign institutions cooperating with the Chamber of Auditors, governmental and non-governmental organizations, private sector, scientific-research institutions, media.

The event participants visited the grave of Heydar Aliyev – the national leader of our people, architect and constructor of independent state of Azerbaijan in "Alley of Honors".

The event was held at the "Park Inn" and opened by the speech of Vahid Novruzov, Chairman of the Chamber of Auditors. After playing the National Anthem of the Republic of Azerbaijan, the congratulation letter by President Mr. Ilham Aliyev addressed to the staff and members of the Chamber on the occasion of the 20th anniversary of the establishment of the Chamber of Auditors and also the Presidential Decree dated 4 April 2016 about rewarding the members of the Chamber of Auditors with the “Progress” medal were read.

In detailed information on activity areas of the Chamber, Vahid Novruzov, the Chairman of the Chamber of Auditors, noted that the recent expansion and development of audit services in Azerbaijan was possible with the help of identification and solution of important problems of independent audit in a number of established and successfully implemented government programs.

For the past 20 years, the Chamber of Auditors has done a lot of work in the field of promotion and development of audit, including preparing 46 books about audit, 43 national auditing standards, International Auditing standards - 2 editions, "Audit. Legislation and regulations" collection – 8 volumes, "Sectoral programs relating to the conduct of audits" – 4 editions, establishing "Economics and Audit" Journal, holding more than 20 international scientific-practical conferences, symposiums, forums, organizing 100 seminars and round tables in eighteen regions, implementing comprehensive measures in the field of preparation of professional auditing staff, increasing the volume and quality of audit and expansion of audit services market. Since the establishment of the Chamber of Auditors, it has been continuing to protect the interests of our state based on principal position together with other relevant agencies in accordance with the legislation. Over the past period Chamber of Auditors participated in 7 state programs and fully fulfilled its duties. V.Novruzov noted that, for the first time in the CIS, the regional office of the International Institute of Internal Auditors was established in Azerbaijan. After transformation into an independent institute, the Institute of Internal Auditors of Azerbaijan became the member of European and Asian Confederations with the support of the Chamber of Auditors.

Then a documentary film dedicated to the 20th anniversary of the Chamber of Auditors was shown.

After the showing of the documentary film congratulations were voiced on the occasion of the 20th anniversary of the Chamber of Auditors

Chairman of the Committee on economic policy, entrepreneurship and industry of National Assembly of the Republic of Azerbaijan, academician Ziyad Samadzade who said the first congratulation noted that, the Chamber of Auditors celebrating its 20th anniversary has been taking an active part in the establishment of a national audit, increasing transparency, fight against corruption and increasing the role of the audit in economic development of the country as a whole during this period. The obligations imposed on independent audit and the financial control by the sustainable development of economy in the field of ensuring transparency in financial accountability were successfully carried out.

Bodo Richardt president of the European Federation of Accountants and Auditors (EFAA) noted that, Chamber of Auditors of the Republic of Azerbaijan has achieved great success during the period of its activities. B.Richardt said that, an important relationship between his organization and Chamber of Auditors was established. Chamber of Auditors has done a great job in the field of application of International Standards and importance of this work is great in terms of the above-mentioned relationship.

Then the Honorary President of the Chamber of Financial Auditors of Romania Horia Neamtu, Executive Director of the Institute of Accountants and Auditors of

Montenegro Rade Scekic, Vice-President of the National Chamber of Statutory Auditors of Poland Barbara Misterska-Drağan, Director of "JPA International Georgia" Society of Accountants, Auditors and Consultants Giorgi Rusiashvili, president of the Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB) Nail Sanlı, President of the national institute of professional accountants, financial managers and economists, head of department of the financial control of Samara, Board Member of the Ministry of Financial Management of Samara region Dmitry Yakovenko, Executive Director of Georgian Federation of Professional Auditors and Accountants Lavrenti Çumberidze, Chairman of the Chamber of Accounts Vugar Gulmammadov, Rector of Baku State University Abel Maharramov, Rector of the Azerbaijan Cooperation University, Deputy of National Assembly Eldar Guliyev, Vice-Rector of the Azerbaijan State Economic University Damad Bagirov, Deputy Minister of Labor and Social Protection of Population İlgar Rahimov, Managing Partner of the Branch Office of Ernst & Young Holdings (CIS) B.V in the Republic of Azerbaijan İlgar Valiyev and others reported with confidence that, the Chamber of Auditors will continue to make its contribution to realization of the development concept aimed at sustainable development and high social level in Azerbaijan.

The second part of the Conference continued its work with the plenary session. The meeting started with the video report "Role of Accountants and Auditors in the fight against fraud and corruption" of the President of the International Federation of Accountants (IFAC) Olivia F.Kirtley.

At the plenary session the corresponding member of the National Academy of Sciences of Azerbaijan Akif Musayev made a speech on "Tax control and tax audit", Honorary President of the Chamber of Financial Auditors of Romania Horia Neamtu made a speech on "Regulatory problems for professional audit institutions", Vice-President of the State Oil Company of the Azerbaijan Republic Suleyman Gasimov made a speech on "The role of internal control system in increasing transparency and in the fight against corruption", president Of the Union of Chambers of Certified Public Accountants of Turkey Nail Sanlı made a speech on "Audit practices of Turkey professional accountants, assessment of the future auditing and accounting professions", Deputy Chairman of Azerbaijani Union of Economists Elshad Samadzada made a speech on "Strengthening directions of role of the audit in ensuring sustainable development", Director of the "JPA International Georgia" Society of Accountants, Auditors and Consultants Giorgi Rusiashvili made a speech on "Transparency problems in the Financial Reporting in Georgia: Coverage of best practices of international experience", Head of Expert analysis department of Anti-Corruption General Directorate with the Prosecutor General Rashid Mahmudov made a speech on "Role of specialists during the financial control and investigation of corruption crimes", Head of the Accounting and Audit Department of Azerbaijan State Economic University Sifariz Sabzaliyev made a speech on "The possibilities of the use of International Financial Reporting Standards in

the accounting practice of Republic", President of the national institute of professional accountants, financial managers and economists, head of department of the financial control of the city of Samara, Board Member of the Ministry of Financial Management of Samara region Dmitry Yakovenko made a speech on "Audit of financial statements of supplied organizations for Budget organizations, state and municipal needs: Detection of Corruption, risk of not detecting, results reveal cases of corruption within the framework of ongoing anti-audit by State and local governments", -Executive Director of the Institute of Accountants and Auditors of Montenegro Rade Scekic made a speech on "Experience of Montenegro in the field of audit", secretary of ISMMMO Erol Demirel and member of the board of directors of ISMMMO made a speech on "Impact of independent audit to business leaders and requirements for conducting awareness in independent audit", Deputy Chairman of the State Statistical Committee of Azerbaijan Republic Yusif Yusifov and Head of Quality management and meta data department of The State Statistics Committee Republic of Azerbaijan made a speech on "Organization of internal audit in Statistics system as one of the main tools of quality management system", director of "Headstart International Consulting" LTD Seyid Ali made a speech on "Application of international Auditing Standards and problems in ensuring quality in audit".

In the end the appeal on behalf of the conference participants to the President of the Republic of Azerbaijan Mr. Ilham Aliyev was accepted.



***The appeal on behalf of participants of the International scientific-practical conference on "Actual problems of regulation of audit in modern conditions" in Baku city to President of the Republic of Azerbaijan Mr. Ilham Aliyev (05.04.2016)***

**TO HIS EXCELLENCY THE PRESIDENT OF THE AZERBAIJAN REPUBLIC  
ILHAM ALIYEV**

**Dear Mr. President,**

**Your Excellency,**

*We, the participants of the international scientific and practical conference devoted to the 20th anniversary of the establishment of the Chamber of Auditors of the Republic of Azerbaijan on "The actual problems of regulation of audit in modern conditions" consider it our duty with deep satisfaction to note that the policy of social and economic development, based on the principles of building a democratic, secular state with market economy, established by the national leader of the Azerbaijani people Heydar Aliyev, successfully continues under your leadership. This policy has created a solid foundation for the transformation of Azerbaijan into a leading state in the region and its successful integration into the world economic system.*

*Due to this, great success was achieved in improving the people's welfare, in increasing the economic power of the country, development of the regions, the non-oil sector and entrepreneurship, production and reconstruction of infrastructure in accordance with modern requirements.*

*For this reason, your recommendations and directions at different levels on increasing the transparency of financial and economic activities and strengthening the fight against corruption, ensuring targeted spending of money and increasing the efficiency of expenditures have a great importance in modern conditions.*

*Pleased to note that in general Azerbaijan met global crisis with sufficient readiness, large currency reserves in the economy provided a high level of financial stability.*

*The main objectives of the international conference held in Baku, the capital of Azerbaijan Republic, are to analyze the current problems of auditing regulation as a global form of civilized financial control in modern conditions, conduct professional discussions on the role and importance of auditing in the system of measures taken to increase transparency and fight against corruption in new economic and financial environment, identifying areas for improving the functioning of institutional mechanisms taking into account the international practice, the adoption and implementation of additional legislation related to increased transparency, the application of international standards in the field of audit and reporting, the achievement of real results in education and cooperation.*

*We would like to note that the Azerbaijani model of audit regulation, the bases of which are laid down by the policy of financial control of the National Leader Heydar Aliyev, are recognized by international professional organizations, and an ensuring the independence by entrusting regulation to a professional body is of great interest for international audit practice. As indicated by conference participants, for many*

*countries of the world the history of the Azerbaijani audit is an example of building a civil society in the country and the successful cooperation of professional organizations with state bodies.*

***Dear Mr. President!***

*Auditors of Azerbaijan constantly feel your attention and care about audit. We highly appreciate the involvement of the Chamber of Auditors in the implementation of important state programs, the adoption of numerous legislative acts aimed at the development of audit.*

*We think that the vitality and absence of an alternative to the economic policy, applied and successfully implemented by you in Azerbaijan, are obvious. The experience of recent years shows that chosen by Azerbaijan policy is successful and correct. We are sure that this policy will give Azerbaijan great achievements in the future.*

***The appeal was accepted at the  
international scientific-practical conference  
"Actual problems of regulation of  
audit in modern conditions"***

*Baku, April 5, 2016*

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On 6 April, 2016 the second day of the conference, section meetings were held at the Chamber of Auditors. The meeting consisted of three sections. 25 theses on "Organization and the regulation of audit", 12 theses on "Organization of the internal audit in the economic entities" and 34 theses on "Ensuring transparency in financial statements and accounting policy" were presented to the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> sections, respectively. Some authors presented the above theses made a speech. Extensive discussions were held around the heard reports and presented materials and questions of listeners were answered.

The same day, representatives of foreign organizations participating in the Conference got acquainted with Heydar Aliyev Center and "Qala" State History and Ethnography Reserve.

Then the exchange of experience in normative legal base of audit, methodical supply, organization and regulation were held with representatives of auditing and accounting organizations of foreign countries.



***International scientific-practical conference on "Actual problems of regulation of audit in modern conditions" in Baku city (05.04.2016)***



***International scientific-practical conference on "Actual problems of regulation of audit in modern conditions" in Baku city (05.04.2016)***



***Speech of Chairman of the Committee on economic policy, entrepreneurship and industry of Milli Majlis of the Republic of Azerbaijan, academician Ziyad Samadzade at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of President of the European Federation of Accountants and Auditors (EFAA) Bodo Richardt at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Rector of the Azerbaijan Cooperation University, deputy of National Assembly Eldar Guliyev at international scientific-practical conference on -"Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Honorary President of the Chamber of Financial Auditors of Romania Horia Neamtu at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Deputy Minister of Labor and Social Protection of Population of the Republic of Azerbaijan Ilgar Rahimov at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of President of the Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB) Nail Sanlı at international scientific-practical conference on -"Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Chairman of the Chamber of Accounts of the Republic of Azerbaijan Vugar Gulmammadov at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Executive Director of the Institute of Accountants and Auditors of Montenegro Rade Scekic at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Vice-Rector of the Azerbaijan State Economic University Damad Bagirov at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Director of the "JPA International Georgia" Society of Accountants, Auditors and Consultants Giorgi Rusiashvili at international scientific-practical conference on -"Actual problems of regulation of audit in***

*modern conditions" (05.04.2016)*



***Speech of President of the of the national institute of professional accountants, financial managers and economists, head of department of the financial control of the city of Samara, board member of the Ministry of Financial Management of Samara region Dmitry Yakovenko at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***Speech of Executive Director of Georgian Federation of Professional Auditors and Accountants Lavrenti Chumburidze at international scientific-***

**practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)**



**Speech of Managing Partner of the Branch office of Ernst & Young Holdings (CIS) B.V. in the Republic of Azerbaijan Ilgar Veliyev at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)**



**Speech of Deputy Chairman of Azerbaijani Union of Economists Elshad Samadzada at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)**



***Speech of Deputy Chairman of the State Statistical Committee of Azerbaijan Republic Yusif Yusifov at international scientific-practical conference on "Actual problems of regulation of audit in modern conditions" (05.04.2016)***



***International scientific-practical conference on "Actual problems of regulation of audit in modern conditions" in Baku city (05.04.2016)***  
***International Scientific-Practical conference "Current problems of regulation of an audit in modern conditions" (05.04.2016)***

## IX. ACTIVITIES OF THE SPECIAL COMMISSIONS AND COMMITTEES

During the reporting year, the following committees operated under the Council of the Chamber of Auditors:

Row No	Name of the Committee	The full name of committee chairman	Duty of the committee chairman
1	Quality control committee	Karimov Vali Mammad	Independent auditor
2	Professional ethics and membership committee of auditors	Aliyev Ibish Museib	Independent auditor
3	Staff training and youth committee	Qurbanov Abbasali Shukur	Director-auditor of "RR-VAM International Audit Consulting" Ltd
4	Legislation and legal affairs committee	Ibrahimov Elnur Elxan	Independent auditor
5	International standards and methodical security committee	Abbasli Natig Ramin	Director-auditor of "ANR Audit" Ltd
6	International relations and foreign organizations committee	Bayramova Lamiya Qasham	Director-auditor of "LB Audit service" Ltd
7	National audit support and mandatory audit committee	Huseynov Zamin Ramazan	Director-auditor of "MAK Azerbaijan LTD" Ltd
8	Committee on the combat against dumping and unfair competition	Fatiyev Uzeir Jamil	Independent auditor

At the annual General meeting of the European Federation Accountants and Auditors (EFBA) that was held in Madrid, Spain on June 24<sup>th</sup> 2016, member of the Chamber of Auditors and the Chamber at the Council for International relations and foreign organizations, chairman of the committee, "L.B. The audit service" Lamiya Bayramova, became a member of the Board of Directors at the same structure.

Regulation approved by the Decision of the Council Chamber NO. 256/3 dated November 5, 2014 and approved by the Decision NO. 257/7 dated November 26, 2014 in accordance to the business plan for 2015-2016, committee on international relations and foreign organizations has done several works in 2016:

- According to the invitation letters from EFBA and CSOES, chairman of the committee Lamiya Bayramova attended EFBA's meeting of the Board of Directors and Congress of the Supreme Council of France Institute of Certified Accountants (CSOES) as a member of the Council of Directors of the European Federation of Accountants and Auditors which took place in Brussels on 28-30 September

Detailed information about the visit is presented in section VIII "International Relations" of the Report

- On the invitation letter of the President of EFBA Bodo Rihard on November 4, 2016 and in accordance with the order K-88 from the chairman of the Chamber of Auditors Vahid Novruzov on November 18, 2016 the Chairman of the committee Lamiya Bayramova attended a conference dedicated to the 20th anniversary of the Institute of Certified Accountants of Bulgaria and the 85th anniversary of an independent audits of Bulgaria, which took place in the capital of Bulgaria, Sofia on 27-29 November. Speaking at the conference Lamiya Bayramova congratulated the Institute of Certified Accountants of Bulgaria and independent audits of Bulgaria with their anniversaries 20th and 85th respectively, and presented gifts to the organization's president Mr. Boyko Kostov
- On the invitation letter of the President of EFBA Bodo Rihard on November 8, 2016 and in accordance with the order K-89 from the Chairman of the Chamber of Auditors Vahid Novruzov on November 18, 2016 the Chairman of the committee Lamiya Bayramova took part in the workshop "digitization" on 5-8 December, 2016 held in Ljubljana, the capital of Slovenia. Topics, workshops and professional discussions were intended on the agenda of the Seminar "Is digitizing a friend or a competitor of small and medium-sized companies?", "Cyber security", "Future e-services" and etc.
- In accordance with 2016 work plan paragraph 1.3 of the Chamber of Auditors "Instructions, recommendations and methodical instructions on preparation of Audit services", was considered appropriate to include the following to Plan-program by the committee chairman Lamiya Bayramova

1. Conducting audit in the framework of the audit program in oil and gas fields
2. Conducting audit in the framework of the audit in processing enterprises engaged in production of food products
3. International auditing used in preparation of a special software products ( Case Ware Audit, Swiss Auditor, AD Audit Report Software and etc.) – with the help of Big Four

Simultaneously participating in various national and international events, the committee responded to a numerous letters received from audit and accounting structures of foreign countries.

In order to provide a more flexible and effective implementation of measures envisaged by the “Concept of development of audit services in Azerbaijan (2012-2020)” and taking into account the foreign experience, and with the purpose to improve the functioning of committees under the Council of the Chamber of Auditors, by decision of the Council of the Chamber of Auditors № 284/6, dated December 27 “The new structure of the committees at the Council of the Chamber of Auditors of Azerbaijan Republic” the new committees have been created under the Council of the Chamber of Auditors–, namely: Quality Control Committee, Professional Ethics and Membership Committee of Auditors, Staff Training and Youth Committee, Legislation and Legal Committee, International Standards and Methodical Security Committee, International Relations and Foreign Organizations Committee, National Audit Support and Mandatory Audit Committee, Committee on the Combat against Dumping and Unfair Competition. Decision № 254/1 dated September 10, 2014 “On establishment of the new committee under the Council of the Chamber of Auditors of Azerbaijan Republic” approved by the Council of the Chamber of Auditors was consider null and void.

## **X. WORK OF THE COUNCIL OF THE CHAMBER**

### **Regulation of the Council of the Chamber of Auditors**

According to Regulation “About the Chamber of Auditors of Azerbaijan Republic” approved by the National Assembly of the Republic of Azerbaijan on September 19,1995 the Council of the Chamber of Auditors was established to fulfill the functions of the current studies and practical services.

The Council is a managing financial body of the Chamber of Auditors which is independent financial body organizing the regulation and development of audit services on the territory of the Republic of Azerbaijan, defending property rights of owners, interests of the state, economic entities and auditors, controlling activity of

independent auditors and audit organizations in observance of requirements arising from the legislation.

**Council performs the following tasks:**

- Confirms instructions, recommendations and methodical instructions related to the implementation of audit service
- Compiles normative documents on the forms and methods of auditing services
- Summarizes the recommendations on the basis of national and international experience in the field of auditing
- Approves rules as a member of an independent auditor or auditors providing audit services
- Implements the appropriate measures for protection of rights and legal interests of independent auditors and auditing organizations
- Resolves disputes arising between independent auditors or audit organizations with costumers in connection with the implementation of professional functions on the basis of legislation.
- Settles the issues related to auditor improvement and development
- Establishes the rules for distribution and use of net profit at the disposal of the Chamber after payment of taxes in accordance with the law,
- Discusses the results of financial and economic activities and quality of audits conducted by independent auditors, audit organizations and branches and representative offices of foreign auditor organizations in compliance with the Law of the Republic of Azerbaijan "on Audit services",
- In case of violations of the law during audit, takes appropriate measures in the prescribed manner against independent auditors and audit organizations
- Approves and discusses the total annual report of independent auditors and audit organizations

**Meetings held by the Council of the Chamber of the Auditors of the Republic of Azerbaijan on 2016**

In 2016 the Chamber held 12 meeting of the Council (two hundred and eighty-four meetings since inception till the end of the reporting year-) and adopted regulations in connection with discussion, according to legal documents regulating the activity of the auditor, guidelines, standards.

- **The following issues were discussed at the two hundred and seventy third meeting of the Chamber of the Council on March 3,2016:**

Work on the draft law of the Republic of Azerbaijan "On audit activity", taking into account the requirements of International Standards on Auditing;

The work plan of the Quality Control Committee for 2016 in accordance with the quality control requirements of the IFAC Committee on implementation of quality control measures

- **The following issues were discussed at the two hundred and seventy fourth meeting of the Chamber of the Council on March 11,2016:**

The research and application of disciplinary measures in the field of auditing services;

Reports on activity results and work plans for the year 2016 of the Committee on International Relations, the Committee on the Qualification of Auditors, Methodical Committee, Government Agencies and Public Relations Committee, the Audit Committees Support, Committee on Dispute and Appeals under the Council of the Chamber of Auditors of the Republic of Azerbaijan

- On results of participation of the auditors of the Audit Chamber of the Republic of Azerbaijan in professional development courses in 2015

On election of honorary members to the Chamber of Auditors of Azerbaijan Republic

On payment of dues by the members of the Chamber of Auditors of Azerbaijan Republic

On members of the Chamber of Auditors who were late with the report on their activities for 2015

On termination of cooperation between the Chamber of Auditors of the Republic of Azerbaijan and "GRBS®" LLC, signed on July 30, 2014

- **The following issues were discussed at the two hundred and seventy fifth meeting of the Chamber of the Council on March 30,2016:**

On the results of activities of Chamber of Auditors of the Republic of Azerbaijan in 2015

- **The following issues were discussed at the two hundred and seventy sixth meeting of the Chamber of the Council on May 26,2016:**

On implementation of the tasks, arising from the letter of April 4, 2016 sent on the 20<sup>th</sup> anniversary of the Chambers of Auditors of the Republic of Azerbaijan from the President of the Republic of Azerbaijan Mr. Ilham Aliyev

On strengthening the role of an independent audit on the implementation of economic reforms adopted under the regulations of recent years

On preparation of recommendations on theses and reports at an international scientific and practical conference dedicated to the 20th anniversary of the Chamber of Auditors on "Current problems of regulation of audit in modern conditions" held on April 4-5, 2016

Discussion of the review of annual reports submitted by independent auditors and audit organizations by the end of 2015

Consideration and preparation of recommendations for annual reports submitted by independent auditors and audit organizations for

Under the law of the Republic of Azerbaijan on "Combating the legalization of money or other property acquired by criminal means and financing of terrorism" methodical recommendations prepared by discussions on the application of the audit firms and independent auditors

Methodical guideline on organization of work on preparation of audit firms and independent auditors to the fight against corruption

On definition of rating levels of auditors for 2015

On examination in connection with expiration of permits for auditor activity on the territory of the Republic of Azerbaijan

On holding a seminar for high-level government officials, regulators and experts, the Ministerial Conference and the Regional Forum of the Organization of Professional Accountants, with the organizational support of the World Bank's Financial Report Reform Center (CFRR) in Vienna

- **The following issues were discussed at the two hundred and seventy seventh meeting of the Chamber of the Council on July 4, 2016:**

The discussion of the draft law on "Audit activity" of the Republic of Azerbaijan

On amendments of methodical instructions on registration and accreditation of auditors and auditing organizations

Plan of training courses on the auditor's training program for the year 2016

On making amendments and additions to the Regulations on the "Premiums of the Chamber of Auditors of the Republic of Azerbaijan"

About revised work plan for the year 2016 of the Quality Control Committee of the Republic of Azerbaijan to the Council of the Chamber of Auditors and approval of the list of quality control inspectors

On termination of the decision of the Council of the Chamber of Auditors No. 252/4 dated 25 June, 2014, on execution of the protocol dated March 19, 2014 and complaint letter of the Quality Control Committee

On restoration of the Memorandum of Understanding signed between the Chamber of Auditors of the Republic of Azerbaijan and “Barattson” LLC on October 23, 2015

On exemption of “Güncel Bağımsız Denetim Danışmanlık ve Yeminli Mali Müşavirlik” from membership fees in the Chamber of Auditors for 2016

- **The following issues were discussed at the two hundred and seventy eights meeting of the Chamber of the Council on September 6,2016:**

On approval of the rules "of granting permission for Audit activity";

On “Quality control of external audit in the draft guidelines”;

Independent auditors and audit organizations in the First half of 2016, submitted a report on the preparation of the review;

The implementation of the activities envisaged in the Concept on development of the audit service in the Republic of Azerbaijan;

On the execution of decisions of the Council of the Chamber, orders and instructions of the Chairman of the Chamber of Auditors.

- **The following issues were discussed at the two hundred and seventy ninth meeting of the Chamber of the Council on September 30,2016:**

On making additions to the work plan for 2016 of the Audit Chamber of the Republic of Azerbaijan

The revised draft on “Regulations on Control of the Republic of Azerbaijan of quality of auditing services”

Quality of internal control audit institutions, anti-corruption policies and procedures with a view to -preparation of Guidelines

Analyzes and development of recommendations on reports submitted by independent auditors and audit organizations\_in the first half of 2016

On introduction of amendments to the “Regulations on the Board of the Chamber of Auditors of Azerbaijan Republic” approved by decision No. 2/1 dated 28 June, 1996 by the Chamber of Auditors of the Republic of Azerbaijan

The adoption of disciplinary measures and the relevant research of organizations regarding disciplinary violations by independent auditors and audit firms

- **The following issues were discussed at the two hundred and eightieth meeting of the Chamber of the Council on November 7,2016:**

On statistical indicators of the audit review system and preparation of the relevant review

In connection with the implementation of paragraph 6.4 of the 2016 work plan on "Activities of the Chamber of Auditors in organizing media coverage of events" of the Audit Chamber of the Republic of Azerbaijan  
On "Application of rules in small and medium-sized enterprises of the international standards of the Audit" translated from English into Azerbaijani

On the status of the payment of membership fees by members of the Chamber of Auditors of Azerbaijan Republic in 2016

- **The following issues were discussed at the two hundred and eighty first meeting of the Chamber of the Council on November 21, 2016:**

On completion of the work on the draft law of the Republic of Azerbaijan "On audit activity"

On- preparation of the work plan of the Chamber of Auditors for 2017

On "Voluntary and coordinated measures to expand the use of audit services"

On- preparation of Inside Firm auditing standards

Program on auditing in motor transport enterprises

- **The following issues were discussed at the two hundred and eighty second meeting of the Chamber of the Council on December 5, 2016:**

On the work plan of the Chamber of Auditors of Azerbaijan Republic for 2017

On- application of international auditing standards and provision of practical assistance to independent auditors and auditing organizations

On- development and implementation of a system against dumping measures and unfair competition

About the industry audit programs- 4th edition

About the actions of an independent auditor Aliyev Aftandil Adigozal

Examination in connection with expiration of the permit for auditor activity on the territory of the Republic of Azerbaijan

- **The following issues were discussed at the two hundred and eighty third meeting of the Chamber of the Council on December 21, 2016:**

On the work plan of the Chamber of the Council for 2017

On market analysis of audit services in Azerbaijan

Program on auditing in motor transport enterprises

On the report on foreign experience in organization of the audit

Approval and addressing of the Plan-program on fight against dumping and unfair competition on behalf of the Board of the Chamber

On providing practical assistance in preparing a training program for auditing and accounting

Report on the organization of conferences, symposiums, seminars and round tables on actual audit problems

On implementation of decision of the Chamber of Auditors of the Republic of Azerbaijan "On external control of quality of audit services " No. 279/2 of September 30, 2016

- **The following issues were discussed at the two hundred and eighty fourth meeting of the Chamber of the Council on December 27,2016:**

Control over the observance of the rules of ethical conduct by members of the

Chamber of Auditors and preparation of- annual report on this matter

Implementation of the measures provided in the Concept for the development of the audit service in the Azerbaijan Republic (2012-2020)

Taking measures to prevent evasion from compulsory audit

On signing an Understanding Memorandum between the Institute of Certified Financial Accountants of Bulgaria and the Chamber of Auditors of the Republic of Azerbaijan

On application of updated international auditing standards

Appropriate decisions were made to, and enforcement was ensured of, decisions on issues discussed during 2016 in the Council of the Chamber of Auditors,

## **XI.FINANCIAL AND ECONOMIC WORK OF THE CHAMBER OF AUDITORS**

The Chamber of Auditors, being an independent financial body has the following financial sources in accordance with the Regulations:

- membership fee paid by audit firms and independent auditors
- fees for participation in the exam, to obtain the name of the auditor
- the fees charged for courses
- correspondent dues
- revenues from audit related publications

In accordance with these sources of financing of the Chamber of Auditors in 2016, the revenues were as follows:

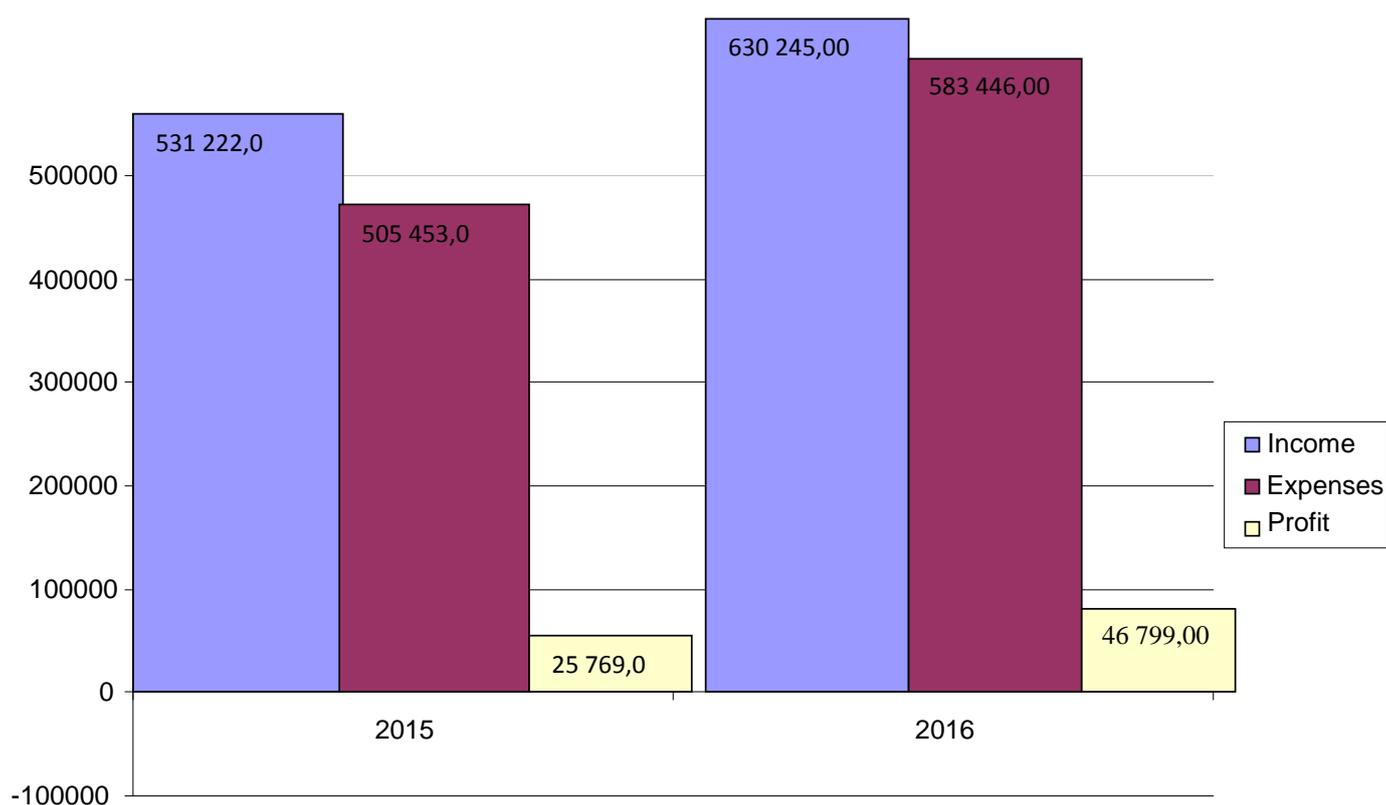
<b>Source of income</b>	<b>The amount</b>
Membership fee	582 880,00
Exam fee	7 750,00
Income from courses	7,150,00
Membership fees of members of correspondents	453,00

Sales of printed products published on audit	12,00
External assistance	32 000,00
<b>TOTAL:</b>	<b>630 245,00</b>

Thus, income received in 2016 amounted to 630 245, 00 AZN, which is 15, 7% increase in comparison with 2015 (531 222, 0 AZN)

The Chamber of Auditors paid 25\_478,-00 AZN to the Budget of Republic, and 66\_073,-00 AZN to the State Social Protection Fund during 2016. The list of the average number of employees in the Chamber in 2016 was 57, and they were paid salaries and bonuses in amount of 264,759.00 AZN.

1% received from the membership fee in the amount of 5,829.00 AZN was transferred to Fund Of Development of the Audit Service in the Republic of Azerbaijan, wherefrom no funds were used within a year



Thus in 2016, with the expenditures in the amount of 583 446, 00 AZN, the Chamber finished financial and economic activity with a profit of 46 799, 00 AZN.

The following table reflects the results of financial and economic activity in 2016 as compared to 2015:

(In AZN)

<b>Years</b>	<b>Income</b>	<b>Expenditures</b>	<b>Profit</b>
<b>2015</b>	<b>531 222,0</b>	<b>505 453,0</b>	<b>25 769,0</b>
<b>2016</b>	<b>630 245,0</b>	<b>583 446,0</b>	<b>46 799,0</b>

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## **INDEPENDENT AUDITOR'S REPORT**

*To the Members of the Chamber of Auditors of the Azerbaijan Republic*

### **Conclusion**

*We have audited the financial statements of the Chamber of Auditors of the Azerbaijan Republic (Chamber of Auditors), which comprise the statement of financial position as of December 31, 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, as well as the notes to the financial statements, including a summary of significant accounting policies.*

*We believe that the added financial statements in all significant respects objectively reflect the financial position of the Chamber of Auditors as of December 31, 2016, as well as financial results and cash flows for the year ended on that date in accordance with the International Public Sector Accounting Standards.*

### **The grounds for the conclusion**

*We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility by these standards is further described in the report's section "Auditor's responsibility for financial statements auditing". We are not dependent on the Chamber of Auditors in accordance with the ethical requirements relating to audit of financial statements in Azerbaijan Republic. We believe that the obtained audit evidence is sufficient and appropriate for the grounds for the conclusion.*

### **The responsibility of management and responsible for managing the economic entity authorized persons for financial statements**

*Management is responsible for the preparation and correct presentation of financial statements in accordance with International Public Sector Accounting Standards, for the organization of the necessary internal control system, which allows to prepare financial statements that, in management's opinion, is not significantly distorted due to fraud or error.*

*Management, in the preparation of financial statements, in the absence of the intention to liquidate the Chamber of Auditors or the termination of its work, or in the absence of*

*any other suitable alternative other than to do so, is responsible for assessing the ability of the Chamber of Auditors' continuous activity, for disclosing information on matters relating to continuous work and for the use of accounting principles on continuous action.*

*The authorized persons responsible for managing the economic entity are responsible for control the process of giving the financial statements of the Chamber of Auditors.*

### **Auditor's responsibility for financial statements auditing**

*Our goal is to obtain sufficient confidence in the presence or absence of significant distortions in the financial statements resulting from fraud or error, and the publication of an audit report that includes our conclusion. Sufficient confidence is a high degree of confidence, but it does not guarantee that, in the presence of significant distortions, an audit conducted in accordance with the ISA always identifies this. Distortions may occur as a result of fraud or error, and are considered significant in case of the probability of their impact, separately or in the aggregate, on the economic decisions of users taken on the basis of such financial statements.*

*An additional description of the auditor's responsibility for financial statements auditing is available on the website of "HLB Azerbaijan" LLC [www.hlb.az](http://www.hlb.az). This description is an integral part of the audit report.*

*On behalf of "HLB Azerbaijan" LLC*

*Islam Bayramov, Managing Partner*

*Ahmed Rajabli str., 41/219, MZ Plaza, AZ1075, Baku, Azerbaijan Republic*

*March 3, 2017*

## **XII. Information, promotion and broadcasting activities**

In 2016, books Chamber of Auditors published following books: "Audit. Legislation and regulations", "Regulation of current problems of audit in modern conditions", "Chamber of Auditors of Azerbaijan Republic – 20 years".

The following 5 articles by the members of the Chamber have been published in various magazines and newspapers:

1. **"Audit service plays a significant role in further strengthening of the economic power of Azerbaijan"** – Chairman of the Chamber of Auditors, doctor of economic sciences, professor Vahid Novruzov, April 5, 2016, the "Republic" newspaper
2. **" The event dedicated to the 20th anniversary of the Chamber of Auditors of the Azerbaijan Republic held in Baku on April 05-06, 2016 and the actual problems of audit regulation in modern conditions"** –

Head of the department for training, accreditation and international relations, S.Gulmammadov, 22 April, 2016, "Economy" newspaper

3. **"The Azerbaijani audit in 2015"** - The head of the Chamber of Auditors Q.Bayramov, 6 May, 2016, the "Economy" newspaper
4. Article about a member of the Chamber of Auditors of Azerbaijan Republic, independent auditor Soltanov Qulu Mehballi, 15 August, 2016, the "Republic" newspaper
5. **"Ample opportunities of audit in fighting against corruption"** - Chairman of the Chamber of Auditors, doctor of economic sciences, professor Vahid Novruzov, 20 December, 2016, the "Azerbaijan" newspaper

# CONTENTS

FOREWORD.....	3
INTRODUCTION.....	5
I. FUNCTIONS AND DUTIES OF THE CHAMBER OF AUDITORS .....	6
II. THE STRUCTURE OF THE CHAMBER OF AUDITORS.....	7
III. PARTICIPATION OF THE CHAMBER OF AUDITORS IN STATE PROGRAMS .....	8
IV. THE ORGANIZATION AND REGULATION of AUDIT.....	13
V.ENSURING OF THE TRANSPARENCY AND COMBATING AGAINSTS TO THE CORRUPTION .....	19
VI. EXTERNAL QUALITY ASSURANCE AUDIT .....	26
VII. TRAINING OF AUDITORS AND LEVEL RAISE OF PROFESSIONAL QUALIFICATION.....	29
VIII. INTERNATIONAL RELATIONS.....	44
IX. ACTIVITIES OF THE SPECIAL COMMISSIONS AND COMMITTEES.....	67
X. WORK OF THE COUNCIL OF THE CHAMBER.....	70
XI.FINANCIAL AND ECONOMIC WORK OF THE CHAMBER OF AUDITORS.....	76
XII. INFORMATIONAND PROPAGANDA AND BROADCASTING ACTIVITIES.....	80

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