REPORT

ON THE RESULTS OF
THE ACTIVITIES OF THE CHAMBER OF
AUDITORS OF AZERBAIJAN REPUBLIC
FOR 2017

(approved by the Resolution of the Council of the Chamber
of Auditors of the Republic of Azerbaijan No. 298/1 of 23 February, 2018)

BAKU – 2018
"... The improvement of financial control in our country, including the regulatory and legal framework of an independent audit based on international experience, strengthening financial and tax discipline in general, are of great importance for reporting and further increasing transparency in the use of financial resources. From this point of view, the discussion about issues related to improving transparency as an important factor of economic development and building accountability on the basis of international standards in high level at the conference of which you are a participant is commendable.

I believe that the discussions and analyzes held in the framework of the conference will be fruitful in the context of further development of accountability and audit in our country, will contribute to ensuring transparency at the present stage of economic development, a greater strengthening of the role of state and non-state control, independent audit in fighting corruption, will create new opportunities for learning and applying world practice.

Ilham ALIYEV,
President of the Republic of Azerbaijan

(From the congratulation letter to participations of “International Scientific-Practical Conference on Strategic Road Map of Azerbaijan’s Economy: Problems of Accountability and Transparency “dated 22 september 2017)
FOREWORD

Thanks to the wise policy pursued by President Ilham Aliyev, despite the difficult geopolitical situation in the world, stability and security in our country were also ensured in 2017, which ensured the rapid and successful development of our country. 2017 was a year of great economic reforms for our country. This is confirmed by authoritative international financial institutions and organizations. That is why both the World Bank and the European Bank for Reconstruction and Development highly appreciate the processes taking place in Azerbaijan, at the same time, according to the Davos World Economic Forum, the economy of Azerbaijan has risen by two steps in 2017 and ranks 35th in the world in terms of their competitiveness. For many years our republic has been maintaining and strengthening its leading positions in the CIS. Gross domestic product, our non-oil sector increased and an increase here is 2.5 percent. In industry the non-oil sector grew by 3.6 percent, 4.1 percent in agriculture, foreign exchange reserves increased by 4.5 billion dollars and now make about 42 billion dollars. Taking into account the population of our country, Azerbaijan occupies one of the leading places on the world scale by the volume of foreign exchange reserves per capita.

The country's economy invested 14.6 billion dollars. This shows that both domestic and foreign investors are interested in investing in our country. This is also a manifestation of stability. Because in today's world in the current financial and economic conditions, investing in foreign countries for many investors is not so acceptable. Only, in stable and promising countries, investments from abroad are received. In 2017, exports increased by 19 percent, including non-oil exports increased by 24 percent. The trade surplus is $ 6.2 billion. This is one of the most important factors for improving the macroeconomic situation and maintaining a stable rate of manat.

In 2017, the Chamber of Auditors conducted its activities in accordance with the programmatic recommendations and instructions reflected in the address of the President of the country on April 4, 2016, addressed to the staff of the Chamber of Auditors of the Republic of Azerbaijan in connection with the 20th anniversary of the Chamber. The President noted:

“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. 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 implementation of the tasks outlined in the Concept of Development of the Audit Service in the Republic of Azerbaijan (2012-2020) and the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017 was continued on a regular basis also last year.

We present an annual report reflecting our activities in 2017 on the organization and regulation of auditing, the implementation of international standards, quality assurance, ethics and transparency, training of personnel, international relations, publications, conferences and seminars, financial and information support and regulation inside the Chamber.

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


I. INTRODUCTION

The work plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017 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);
- preparation of draft regulatory and legal acts related to the legislation on audit and discussion;
- carrying out measures connected with prevention of evasion from obligatory audit;
- carrying out joint work with International Federation of Accountants (IFAC) and European Federation of Accountants and Auditors (EFAA);
- Analysis of the audit service market in Azerbaijan;
- development and implementation of a system of measures against dumping and unfair competition;
- Providing auditors with methodical materials (including normative documents of international professional bodies);
- translation and application of IFAC methodological manuals and other professional organizations concerning the implementation of the International Standards on Auditing;
- Strengthening public confidence in audit and preparation and implementation of an action plan to promote audit;
- Organization of regular delivery of additions and changes to International Standards on Auditing and Ethics for Professional Accountants to auditors;
- According to the plan approved by the Commitment Requirements about No. 1 Membership of IFAC carrying out external control over the quality of auditor services and preparing an overview on its results;
- Monitoring compliance with ethical conduct by members of the Chamber of Auditors and preparing an annual report on that;
- Information exchange and effective coordination between the Chamber of Auditors and specialized agencies in the field of anti-corruption;
- organization of exams for the title of auditor;
- Carrying out training courses for employees of audit organizations (assistants, specialists);
- Preparation and submission of information on implementation of the action plan submitted to IFAC;
- ensuring the participation of the Chamber's representatives at conferences, forums, symposia and other events organized by international audit and accounting bodies;
- Expansion of relations with foreign audit and accounting institutions;
- Carry out inspections by the order of authorized state bodies;
- Participation in the preparation of international normative documents and survey;
- Organization of conferences, symposia, roundtables and seminars on topical issues of audit;
- Publishing audit books, textbooks, information and propaganda materials;
- organization of media coverage of the activities of the Chamber of Auditors;
- Regular public awareness of the activities of Chamber of Auditors;
- Preparation of a single register of information on audits carried out in the subjects of business in 2016;
- Preparing database for reports by independent auditors and auditing organizations for 2016;
- Analysis of annual reports by independent auditors and auditors on the results of 2016 and preparation of recommendations;
- Preparation of review of annual reports by independent auditors and auditors on the results of 2016;
- Determination of the auditor's rating for 2016;
- Based on the results of audits conducted in 2016 analysis of economic areas and economic indicators across the country's regions;
- Preparation of review of reports submitted by independent auditors and auditing organizations for the I half-year 2017;
- An analysis of the statistical system of the audit and preparation of an appropriate review;
- Preparation of programs, guidelines, recommendations and methodological recommendations on auditor activities;
- Study and application of foreign experience on auditing;
- An external analysis of the quality of audit carried out by auditing organizations (independent auditors) in 2016;
- Organization of auditors' professional development courses;
- Conducting internal audit and accounting courses;
- Regularly incorporating of additions and changes to International Standards on Auditing and Ethics for Professional Accountants into the auditors' professional development program and teaching
- Beynəlxalq Audit Standartlarına və Peşəkar Mühasiblərin Etika Məcləşəsində edilmiş son aləvə və dəyişiklikləri müntəzəm olaraq auditorların ixtisasartarma kurslarının proqramına daxil edilməsi və tədrisi;
- Updating and information about auditors and independent auditors, members of the Chamber of Auditors and posting on the Chamber's website;
- Palatanın internet sehifəsinin tekmilləşdirilməsi;
- Posting of important documents related to the decisions of the Chamber of Auditors and the development of audit in the English and Russian languages on the Chamber's website;
- Posting of decisions of Council of Chamber of Auditors, decree and orders of the chairman of Chamber and other documents on the Chamber's website;
- Posting updates of IFAC, EFAA and other international organizations on the Web site of the Chamber;
- Preparation of report on the results of the Chamber of Auditors for 2017, delivery to relevant institutions and the public.

II. 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 in 2017. Including:


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 in 2017:

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

In accordance with the 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" Facebook social network of Chamber has been created. Work in this area is underway.

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.

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 the direction of implementing this item, the Electronic Service section was created on the website of the Chamber of Auditors of the Republic of Azerbaijan. This section includes such subsections as accepting applications for obtaining the title of auditor and issuing permits.

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

Chairman of the Chamber of Auditors has signed the Decree of 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."

The order establishes a special control over the reception of appeals and heads of all structural subdivisions were instructed to ensure prompt consideration of applications. In accordance with the Order and the paragraph "Preparation of forms of annual reports No. 1 and No. 2 on the conduct of record keeping in the Chamber of Auditors in connection with citizens' applications, submission to the Administration of the President of the Republic of Azerbaijan" of the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017, forms of annual reports No. 1 and No. 2 in the management of records management in connection with citizens' applications were filled and submitted on January 13, 2017 to the Administration of the President of the Republic of Azerbaijan.

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

Last year, 6 seminars and 3 round tables, the International Scientific and Practical Conference "Strategic Roadmap for the Azerbaijani Economy: Problems of Reporting and Transparency", jointly organized by the Union of Economists of Azerbaijan and the Chamber of Auditors of the Republic of Azerbaijan on September 21-23 was held.

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

On September 22, 2017, in order to strengthen cooperation and develop the accounting, auditing profession a Memorandum of Understanding was signed between the Chamber of Auditors of the Republic of Azerbaijan and the Association of Auditors of Estonia and an Agreement on Cooperation between the Chamber of Auditors of the Republic of Azerbaijan and the Self-Regulating Organization of Auditors "Russian Union of Auditors" (Association) was signed to create favorable conditions about development of accounting, auditing and other similar professions in the territories of the parties.
In connection with the presentation to the government and public representatives of the report on Republic of Azerbaijan prepared by the General Directorate for Combating Corruption under the Prosecutor General of Azerbaijan within the framework of the "IV round of monitoring of the Istanbul Action Plan," the delegation of the staff of the Chamber of Auditors participated in the event held on February 20, 2017 in the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan.

In order to promote the international standard ISO 37001 in our country and the training of relevant state institutions for the requirements of this standard, the representatives of the Chamber took part in the training on the requirements of the international standard ISO 37001, held on April 27 of this year with the support of the Commission of the Republic of Azerbaijan to Combat Corruption.

On the basis of letter No. 2/799 of September 20, 2017, received from the Administration of the President of the Republic of Azerbaijan, in order to provide information on anti-corruption reforms carried out in our country in 2017 on the basis of the "one-stop-shop" principle to a foreign target audience, in connection with the preparation for the publication by the Anti-Corruption Commission of the annual magazine entitled "Good Governance Initiatives of Azerbaijan", the important materials on combating corruption, promoting open government and effective governance prepared by Chamber of Auditors of the Republic of Azerbaijan, and a brief review of these materials was submitted to the Presidential Administration of the Republic of Azerbaijan. These materials were submitted to the Anti-Corruption Commission on October 23, 2017 electronically.

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 accordance with a letter sent to the Chamber of Auditors from the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, outgoing No. 02/7-29 of April 21, 2017, "On the Formulation of the Results of Verification and Dispatch to the Procurator's Office", prepared on the basis of paragraph 1 of the Ordinance No. 1/23 of the Chairman of the Chamber "On conducting inspections on behalf of the competent state bodies, processing results and sending them to the appropriate institutions", signed on May 8, 2017, "Regulations on carrying out inspections on behalf of competent state bodies" on August 25, was discussed at a meeting of the Council of the Chamber of Auditors and approved by Decision No. 289/1. Based on paragraph 5 of the Council Decision, on September 7, 2017, the "Regulations" were sent to the Supreme Court of the Republic of Azerbaijan, the General Prosecutor's Office of the Republic of Azerbaijan, the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, the Ministry of Internal Affairs of the Republic of Azerbaijan, Of the Republic and on 18 September 2017 to auditors engaged in inspections under the order of the competent state bodies, for taking into account auditing services. In accordance with clause 2, with approved Order of the President of the Chamber No. 1/25 of May 15, 2017, the list of auditors involved in inspections on behalf of the competent state bodies was approved. On the basis of clause 5 of the Order, on May 30, 2017, this document, signed by the Chairman of the Chamber, was submitted to the General Department for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, the State Security Service of the Republic of Azerbaijan, the Ministry of Internal Affairs of the Republic of Azerbaijan and the Supreme Court of the Republic of Azerbaijan.

On the basis of clause 15, "Methodological Support for Combating Corruption Offenses and Legalization of Cash or Other Property Produced by Criminal Means and Financing of Terrorism" of a plan-program for the work plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017, and Decisions of the Council of the Chamber of Auditors No. 289/1 from August 25, 2017, seminar was held on the theme
"Methodological Support for Combating Corruption Offenses and Legalization of Money Received by Criminal Means or Other Property and the financing of terrorism" and "Regulations on the requirements for inspections on behalf of the competent government agencies" on November 7, 2017.

The seminar presented "Methodological Guidelines for the Creation and Implementation of the Internal Control System for Combating the Legalization of Cash and Other Property Produced by Criminal Means and Other Financing of Terrorism" and "Regulations on Requirements for Conducting Inspections on the Instruction of Competent State Bodies", discussions were held on existing problems related to the participation of members of the Chamber of Auditors in conducting inspections on behalf of competent state bodies.

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

The Chamber of Auditors, along with more than 30 accounting and audit organizations of foreign countries, closely cooperates with a number of partners in our country, such as the Ministry of Taxes of the Republic of Azerbaijan, the Chamber for Supervision of Financial Markets of the Republic of Azerbaijan, the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, The Main Department for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, the Accounting Chamber of the Republic of Azerbaijan, Azerbaijan State University of Azerbaijan, Azerbaijan State Agrarian University, Azerbaijan Architectural and Construction University, Baku Business University, Lenkoran State University, Azerbaijan Association of Professional Financial Managers, University of Tourism and Management, Azerbaijan University, Azerbaijan Bank Training Center, BARATTSON LLC, Azerbaijan Association Accountants and Risk Professionals, CBS Language and Business Center, International Training and Design th center.

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 implementation of the National Action Plan, the Order of the Chamber of Auditors No. 1/5 1 of November 22, 2016 "Implementation of measures recommended for the implementation of the Chamber of Auditors of the Republic of Azerbaijan in the National Action Plan for 2017-2019, to combat legalization received by criminal means of money or other property and financing of terrorism " was approved. In order to ensure the implementation of this Order, an Action Plan was drawn up "On the implementation of activities recommended for the implementation by the Chamber of Auditors of the Republic of Azerbaijan in the National Action Plan for 2017-2019, to combat money laundering or other property laundering and financing of terrorism ".

The report on the implementation by the Chamber of Auditors in 2017 of the activities provided for in the "National Action Plan" was prepared and sent to the Cabinet of Ministers of the Republic of Azerbaijan and the Commission of the Republic of Azerbaijan on Combating Corruption.

In connection with the implementation of the measures envisaged in the "National Action Plan for 2017-2019 to combat the legalization of money or other property obtained through criminal means and the financing of terrorism", in 2017 the Chamber of Auditors carried out the following works:

Establishment of a methodological support system for monitoring participants and other persons involved in monitoring (hereinafter referred to as monitoring entities) and envisaged in the Law of the Azerbaijan Republic "On combating the legalization of money or other assets obtained through criminal means and financing
terrorism”- taking measures to prepare and implementation of the training strategy and appropriate training programs for monitoring subjects

In accordance with clause 5.1 "Establishment of a methodological support system for monitoring participants and other persons involved in monitoring and envisaged in the Law of the Azerbaijan Republic" On combating the legalization of money or other property obtained through criminal means and financing terrorism ", taking measures to prepare and implementation of the training strategy and relevant training programs for monitoring subjects "of the National Action Plan and item 3.9.3 "Taking measures to prepare and implement a training strategy and appropriate training programs for auditors to combat the FATP / FT " Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017, "Training strategy and curriculum for combating money laundering or other property laundering and financing of terrorism" were prepared.

These training strategies and the curriculum were approved at the round table of the Chamber of Auditors on May 1, 2017 and coordinated with the Chamber for the Supervision of Financial Markets of the Republic of Azerbaijan and approved by the Decision of the Council of the Chamber No. 288/5 of June 30, 2017. In accordance with the decision of the Council, on July 7, 2017 "The training strategy and curriculum for combating money laundering or other property and financing of terrorism" were submitted to the Anti-Corruption Commission of the Republic of Azerbaijan for reporting, and on July 17, 2017 were submitted the General Directorate for Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, the Chamber for the Supervision of Financial Markets of the Republic of Azerbaijan, the Central Bank of Azerbaijan th Republic, the National Confederation of Entrepreneurs (Employers) of the Azerbaijan Republic for application.

According to the prepared program, on November 30, 2017, in the Park Inn hosted a presentation of the "Training Program for Transparency in Financial Transactions", jointly organized by the Chamber for the Supervision of Financial Markets of the Republic of Azerbaijan, the Chamber of Auditors and the Training Center "Headstart International".

At the event, the "Training program for ensuring transparency in financial transactions" was presented.

Implementation of measures to strengthen the system of internal control of monitoring entities - To provide methodological support to monitoring participants who are legal entities and other persons involved in monitoring, to establish and effectively implement an internal control system to combat FATP / FT in accordance with the requirements of legislation

On the basis of Art. 12 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", 5.2 "National Action Plan" “Provision of methodological support for monitoring participants who are legal entities and other persons involved in monitoring, for the establishment and effective implementation of internal control system to combat FATP / FT in accordance with the requirements of the law” and clause 3.9.4 of the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017 "Providing audit organizations and independent auditors with methodological support for the establishment and effective implementation of the internal control system for combating the FATP / FT in accordance with the requirements of the law", taking into account international experience, a draft "Methodological guidelines for the creation and implementation of an internal control system to combat the legalization of money or other property obtained through criminal means and the financing of terrorism" was prepared.

The project was approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 288/1 of 30 June 2017. In accordance with the Decision of the Council, on July 12, 2017, "Methodological Guidelines for the Creation and Implementation of the Internal Control System for Combating the Legalization of Money or Other Property Produced by Criminal Means and the Financing of Terrorism" were sent to
the Commission of the Republic of Azerbaijan for Combating Corruption, The Ministry of
Economy of the Republic of Azerbaijan, the Ministry of Taxes, the General Directorate for
Combating Corruption under the Prosecutor General of the Republic of Azerbaijan, The
Chamber for Supervision of Financial Markets of the Republic of Azerbaijan, the Central
Bank of the Republic of Azerbaijan, the National Confederation of Organizations of
Entrepreneurs (Employers) of the Republic of Azerbaijan for application.

**Improvement of information technology systems for monitoring participants to
identify suspicious and high-risk transactions provided for in the Law of the Republic
of Azerbaijan "On Combating the Legalization of Money or Other Property Produced
by Criminal Means and Financing Terrorism" - providing methodological support for
identifying customers and beneficial owners for monitoring entities, on creation of
information database on verification and the identification of the risks of an FATP /
FT, on the use of information systems that allow monitoring of operations and risky
clients**

In accordance with clause 3.9.5 of the Work Plan of the Chamber of Auditors of the
Republic of Azerbaijan, Decision of the Council of the Chamber of Auditors of the Republic
of Azerbaijan No. 291/3 of October 19, 2019, "Methodological instructions to auditors for
identification and verification of customers and beneficial owners" were approved. On the
basis of the decision of the Council, on November 22, 2017, the "Guidelines" were sent to
audit organizations and independent auditors for service use.

**Achievement of effective application by the subjects of monitoring of the
legislation in the field of combating the FATP / FT (Legalization of Funds or other
Property and Financing of Terrorism)- Provision of monitoring entities with
methodological support for the formation of a "know your customer" policy, including the policy of admission of clients**


On the basis of the decision of the Council, on September 11, 2017, "Methodological
guidelines for the formation of the policy of the auditors admission of clients and " know your customer" were sent for reporting to the Commission of the Republic of Azerbaijan on fighting corruption, and, for information, to the Chamber for the Supervision of Financial markets of the Republic of Azerbaijan, to the Central Bank of the Republic of Azerbaijan, and on September 28, 2017, were also sent to audit organizations and independent auditors for their application.

**Improvement of the mechanism for compliance with the requirements for
combating FATP / FT - Provision of methodological support for monitoring
participants who are legal entities and other persons involved in monitoring for the
appointment of persons responsible for the implementation of legislation to combat
FATP / FT**

In accordance with clause 3.9.1 of the Work Plan of the Chamber of Auditors for 2017
"Appointment in the Chamber of Auditors of persons responsible for the implementation of legislation to combat the FATP / FT in the field of audit services" and No. 1/4 of January 23, 2017 "On the execution of clause 3.9.1 and clause 3.9.2 of the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017 for the implementation of works recommended for execution by the Chamber Auditors of the Republic of Azerbaijan in the "National Action Plan for 2017-2019. on combating the legalization of money or other property obtained by criminal means and financing of terrorism " of item 1 of the Order of the Chairman of the Chamber of Auditors of the Republic of Azerbaijan the persons
responsible for enforcing the legislation on combating the FMTPFA / FT in the field of audit were appointed in the Chamber of Auditors.

Carrying out of trainings for the personnel of supervising bodies involved for inspections in the sphere of FATP / FT - Implementation of activities for the preparation and implementation of training programs related to the expansion of audits for those responsible for conducting inspections of employees of regulatory bodies

In accordance with clause 3.9.10 of the Work Plan of the Chamber of Auditors for 2017 "Conducting training for the working staff of the Chamber of Auditors involved in audits in the sphere of FATP / FT", the topic "Combating the legalization of money or other assets obtained by criminal means and financing terrorism " was added to the program "Courses for the Advanced Training of Auditors", conducted by the Office for Training, Accreditation and International Relations on September 5-29 and October 2-26, 2017 and taught.

Improving the capacity of controlling bodies in the field of combating the impact of FATP / FT - Appointing structural units within the control bodies that will monitor the control of FATP / FT

On the basis of clause 3.9.2 of the Work Plan of the Chamber of Auditors for 2017 "Appointment of a structural unit within the Chamber of Auditors that will exercise control in the area of combating the FATP / FT " and clause 2 of the Order of the Chairman of the Chamber of Auditors of the Republic of Azerbaijan of "On the execution of clause 3.9.1 and clause 3.9.2 of the Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017 for the implementation of works recommended for execution by the Chamber Auditors of the Republic of Azerbaijan in the "National Action Plan for 2017-2019. on combating the legalization of money or other property obtained by criminal means and financing of terrorism ", Control over the FATP / FT was entrusted to the Office for Legal Support and Standardization of Audit in the Chamber of Auditors.

III. THE ORGANIZATION AND REGULATION OF AUDIT

In accordance with the Regulation "About the Chamber of Auditors of the Republic of Azerbaijan", The Chamber of Auditors, in order to ensure accurate and correct financial and accounting in all business entities regardless of the form of ownership, carrying out activities to organize audit services in the republic, to develop and improve its activities in accordance with the current legislation, continued their implementation in 2017.

For the functions listed in the Regulations:
- the accounting of independent auditors and audit organizations was carried out, the new auditors received the permits were included in the relevant register. As of December 31, 2017, 45 independent auditors and 77 audit organizations operate.
- In 2017, permits were issued to 36 independent auditors and 30 audit organizations, including 18 independent auditors and 10 audit organizations due to expiration.
- The activities of 7 independent auditors and 8 audit organizations were suspended, the permits of 2 organizations and the 1st auditor were canceled.
- In the course of 2017, the Chamber prepared the following instructions, recommendations and guidelines for the organization, improvement and conduct of the audit, regulatory documents on the form and methods of providing audit services: "Signs of unfair competition in the market of audit services" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 285/5 of January 31, 2017).

"Preparation and application of a system of measures to strengthen public confidence in the audit" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 287/4 of May 19, 2017).
"Training strategy and curriculum for combating money laundering or other property laundering and financing of terrorism" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 288/5 of June 30, 2017).
"Methodological instructions in the field of audit according to the competition rules and the choice of the auditor" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 288/2 of June 30, 2017).
"Methodological guidelines for the study of audit agreements concluded by audit firms and independent auditors at a price below the recommended minimum threshold for the cost of audit services" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 289/2 of August 25, 2017).
"Methodical instructions to auditors on identification and verification of clients and beneficial owners" (approved by the Decision of the Council of the Chamber of Auditors of the Republic of Azerbaijan No. 291/3 of October 19, 2019).

Internal audit standards "Confirmations from third-party sources", "Audit evidence - special considerations for individual items", First audit - primary balances ".

- The Chamber took the following steps in the direction of "Improving the regulatory framework of the audit service":

In the reporting year, the Chamber prepared and submitted to the appropriate bodies opinions and proposals on the following documents:


The Law of Azerbaijan Republic No. 635-VQD of April 25, 2017 "On Amendments to
the Civil Code of the Republic of Azerbaijan"

- During the reporting period, related to the organization and improvement of the
audit, a single information register of audits conducted in business entities, the Chamber
prepared information base on the annual reports of independent auditors and audit
organizations, submitted by the end of 2016, "The rating table of auditors" for 2016,
analyzed economic indicators of audit by regions of the country, the system of statistical
indicators of audit and prepared relevant reviews.

"Implementation of measures to prevent evasion from compulsory audit"

In order to ensure the fulfillment of tasks arising from paragraphs 50.2, 52 and 71.4 of
Decree of the President of the Republic of Azerbaijan No. 1361 of May 3, 2017 "On
approval of the list of officials authorized to draw up a protocol on cases of administrative
violations considered by district (city) courts", the "Work with courts and administrative
protocols" was created in the Chamber, a plan of measures was developed and approved.
Based on the relevant paragraphs of this action plan, the following work was carried out:

In accordance with the paragraph "Development of forms of letters of warning,
administrative protocols, appeals to the court and other necessary documents applicable to
subjects of compulsory audit, independent auditors and audit organizations", forms of
warning letters applied to subjects of mandatory audit independent auditors and audit
organizations were prepared.

In accordance with the clause "Determining the timing and procedures for dispatch of
letters of warning, administrative protocols, appeals to the court and other necessary
documents applicable to subjects of mandatory audit, independent auditors and audit
organizations", the relevant work was carried out.

In accordance with the item "Preparation and placement of special announcements,
commercials and related materials on audit studies in the media" special announcements
were prepared and published respectively in the newspapers "Azerbaijan" - June 13, 2017,
"Taxes" - June 14, 2017 year and "Economy" - June 15, 2017. This text was also posted on
the website of the Chamber of Auditors. In addition, the department employees were
provided with the distribution of advertisements in social networks.

According to the clause "Obtaining from the relevant institutions materials on
economic entities by classification groups for detecting evasion from compulsory audit,"
information was received from the Ministry of Taxes on the basis of data from the state
register of taxpayers on subjects of compulsory audit. The Ministry of Taxes, informing
taxpayers who must undergo compulsory audit, notified the dispatch of 2 November 2017
short messages (SMS) to 28,654 taxpayers for the mobile numbers available in the
database through the Call Center of the Ministry of Taxes.

The relevant work was carried out on a regular basis in accordance with "Obtaining
from the relevant institutions the materials on economic entities by classification groups for
detecting evasion from compulsory audit"

The works in accordance with the paragraph "Identification of subjects of mandatory
audit that have not been audited in 2016" have been completed.

According to the clause "Classification by addresses (district or city) of subjects of
compulsory audit that were not audited in 2016", the addresses of compulsory audit
entities that were not audited were classified according to the district and city respectively.

According to the item "Sending letters on preventing auditing organizations that failed
to audit in 2016," a total of 6,577 notifications were sent to various regions and major
cities, such as Baku, Ganja and Sumgait, during the year.

In accordance with the clauses "Identification of subjects that do not have compulsory insurance of professional responsibility of the auditor" and "Sending letters
about prevention to entities that do not have compulsory insurance of professional
responsibility of the auditor", subjects that do not have compulsory insurance of
professional responsibility of the auditor have been identified and sent letters about the prevention.

In connection with the execution of the paragraph "Development and monitoring of information on the audit of economic entities that carried out an audit after a warning", audited business entities were presented 150 opinions in support of the audit of the document. So it's done in general. It should be noted that most of these conclusions were presented for the first time by audited business entities.


In connection with the signing of the Decree of the President of the Republic of Azerbaijan No. 1746 of December 19, 2017 "On Amendments to the List of Officials Authorized to Draw up a Protocol on Administrative Offenses Considered by District (City) Courts," approved by Decree of the President of the Republic of Azerbaijan No. 1361 of 3 May 2017, the execution of the action plan was suspended, but the Chamber continues to carry out its activities related to the prevention of evasion from compulsory audit in the framework of its authority.

IV. INFORMATION ABOUT AUDIT SERVICE IN 2017

In 2017, 45 independent auditors, 67 audits of (including representations and branches of 2 external auditor organizations and 15 auditor organizations that uses a trademark of foreign legal entities) the authority to carry out an audit activity.

By the 45 independent auditors and 77 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, 4826 contracts were signed in the amount of 53,626,060 manat provided with businesses entities. The relative share of concluded contracts as for Big Four number 10,8% and as for the amount 68,2%, as for the number of audit firms that use trademarks of foreign legal entities 10,1% and as for the amount 19,4%, as for number of local auditor firms 55,7% and as for the amount 8,3%, as for the number of independent auditors 23,4%, and as the amount 4,1%.

Compared with 2016 years, in 2017, the number of signed contacts increased from 3540 up to 4826, i.e. by 1286 pcs or 36,3% and the sum increased from 53,626,060,2 manat up to 56,862,165,5, i.e. decrease 3,236,105,3 manat or 5,7% (Chart 1-2)
The number of contracts for the provision of audit services about 2016-2017 years

Chart 1.

The amount of the contracts for the provision of audit services during 2016-2017 years

Chart 2.

Including:
- The number of contracts for Big Four from decreased 575 up to 523, i.e. by 52 pcs or 9,0%, the sum decreased from 40 523 293,1 up to 36 555 480,3 manat, i.e. by 3 967 812,8 manat or 9,8%.
- The number of contracts in according with audit organizations that, are using foreign legal entities’s trademarks increased from 446 up to 485, i.e. 39 pcs or 5,8%, the amount from 10 605 935,3 manat up to 10 393 341,9 manat, i.e. increased 212 593,4 or 2,0%.
- the number of the contracts with local audit institutions, increased from 1531 up to 2688, i.e. by 1157 pcs or 75,6%, and the amount from 3 905 117 manat up to 4 463 225 manat i.e. by 558 108 manat or 14,3%.
- The number of contracts with independent auditors has been increased from 988 up to 1130, i.e. by 142 pcs or 14,4%, the sum increased from 1 827 820 up to 2 214 012 manat, i.e. by 386 192 manat or 21,1% 138 731,1 manat (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 2017 were performed on 3632, amount is about 47 43 866 557 manat

It should be noted that, compared with 2016, in 2017 the number of executed contracts, grew from 2663 up to 3632, i.e. by 969 pcs or 36,4%,
the amount decreased from 47,706,104 manat up to 43,866,557 manat, i.e. by 3,839,547 manat or 8.1%, the average amount from 17,914 up to manat 5,836 manat, i.e. by 12,077 manat or 32.6% (Chart 5-6).

The number of contracts for the provision of audit services performed for 2016-2017 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Contracts</th>
<th>Amount (Manat)</th>
<th>Average Amount (Manat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,663</td>
<td>47,706,104</td>
<td>17,914</td>
</tr>
<tr>
<td>2017</td>
<td>3,632</td>
<td>43,866,557</td>
<td>11,650</td>
</tr>
</tbody>
</table>

Chart 5.

Sum of the contract for the provision of audit services performed for 2016-2017 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Manat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>47,706,104</td>
</tr>
<tr>
<td>2017</td>
<td>43,866,557</td>
</tr>
</tbody>
</table>

Chart 6.

Including:

- The number of the executed contracts with Big Four reduced from 485 to 436, i.e. by 49 pcs or 10.1%, the amount decreased from 36,211,070.0 manat up to 32,451,111.3 manat, i.e. by 3,759,958.7 manat or 10.4%, the average amount has been decreased from 74,662.0 to 74,429.1 manat i.e. by 232.9 manat or 0.3%.

- The number of executed contracts with auditor organizations using trademarks grew from 290 up to 325 azn, i.e. 35 units or 12.1%, the amount from 6,965,275.0 manat up to 6,114,795.3 manat, i.e. by 850,479.7 manat or 12.2%, the average amount dropped from 24,018.2 up to 18,814.7 manat, i.e. by 5,203.5 manat or 21.7%.

- The number of executed contracts with local audit firms increased from 1048 up to 1889, that is, 841 units or 80.2%, the amount from 3,145,370 manat up to 3,430,339 manat,
i.e. by 284,969 manat or 9.1%, the average amount are dropped from 3,001 manat up to the 1,815 manat, i.e. by 9.3 manat or 0.3%.

- The number of executed contracts by independent auditors, increased from 840 up to 982 i.e. by 142 units or 16.9%, the amount from 1,384,389 manat up to 1,870,312 manat, i.e. by 485,923 manat or 35.1%, the average amount decreased from 1,648 manat up to 1,904 manat, i.e. by 256,186 manat or 15.6% 39.5% (Chart 7-8).

Number of contracts executed by auditors and independent auditors

Chart 7.

Amount of contracts executed by auditors and Independent auditors

Chart 8.
2134 (3,2%-i) out of 67 507 mandatory audit entities of had been audited as for 2017 year.

<table>
<thead>
<tr>
<th>The organizational and legal form of mandatory audit entity</th>
<th>The number of mandatory audit entity across the Republic</th>
<th>Number of the mandatorily audited businesses for 2017</th>
<th>Auditing percent</th>
<th>Number of the mandatorily audited businesses for 2017</th>
<th>Auditing percent</th>
<th>In 2016-2017 Increase and (+) decrease (-) (% per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock companies</td>
<td>1546</td>
<td>231</td>
<td>14,9%</td>
<td>250</td>
<td>16,2%</td>
<td>-1,3%</td>
</tr>
<tr>
<td>Limited liability companies</td>
<td>64246</td>
<td>569</td>
<td>0,9%</td>
<td>532</td>
<td>0,8%</td>
<td>0,1%</td>
</tr>
<tr>
<td>The municipalities</td>
<td>1608</td>
<td>1265</td>
<td>78,7%</td>
<td>661</td>
<td>41,1%</td>
<td>37,6%</td>
</tr>
<tr>
<td>Banks</td>
<td>30</td>
<td>30</td>
<td>100,0%</td>
<td>30</td>
<td>100,0%</td>
<td>0,0%</td>
</tr>
<tr>
<td>Insurance organizations</td>
<td>22</td>
<td>22</td>
<td>100,0%</td>
<td>22</td>
<td>100,0%</td>
<td>0,0%</td>
</tr>
<tr>
<td>The political parties</td>
<td>55</td>
<td>17</td>
<td>30,9%</td>
<td>12</td>
<td>21,8%</td>
<td>9,1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>67507</td>
<td>2134</td>
<td>3,2%</td>
<td>1507</td>
<td>2,2%</td>
<td>1,0%</td>
</tr>
</tbody>
</table>

As one can see from the table, during the 2016-2017 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 2016 in the republic out of 67 507 mandatory audit entities 1507 (2,2% ) and in 2017 2134 (3,2%) were audited. While comparing 2016-2017 years, it was observed that, the number of audited business entities reduced by 1,0%.

Thus, comparisons conducted on auditing for 2016-2017 years, revealed the following results:
- As for joint stock companies it reduced from 16,2% to 14,9%;
- As for liability companies it increased from 0,8% to 0,9%;
- As for municipalities it increased from 41,1% to 78,7%;
- As for political parties it increased from21,8% to 30,9%.

In 2017, the Chamber conducted extensive research on the subject "Analysis of the Audit Service Market in Azerbaijan" and the following information was prepared on this subject:
In order to ensure the implementation of the "Dynamics of Indicators of Audit Organizations" section of Part 1 "General development parameters of auditor service in the Republic of Azerbaijan" of the Plan-Program the relevant table reflecting indicators of auditing organizations (including branches and representative offices of external auditors, audit firms using trademarks of foreign legal entities, local audit firms) operating in the country has been prepared. (table 2).

**Table 2.**

<table>
<thead>
<tr>
<th>Conducted contracts</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (in units)</td>
<td>Amount (in thousand manats)</td>
<td>Number (in units)</td>
<td>Amount (in thousand manats)</td>
<td>Number (in units)</td>
</tr>
<tr>
<td>On Branches and representatios of foreign auditing organizations</td>
<td>291</td>
<td>13853,9</td>
<td>572</td>
<td>27047,1</td>
<td>638</td>
</tr>
<tr>
<td>On Audit organizations using trademarks of foreign legal entities</td>
<td>451</td>
<td>10658,2</td>
<td>236</td>
<td>7482,5</td>
<td>280</td>
</tr>
<tr>
<td>On Local Audit Organizations</td>
<td>1258</td>
<td>2817,3</td>
<td>1201</td>
<td>2741,9</td>
<td>933</td>
</tr>
</tbody>
</table>

Note: The 4th section “Regional quality and staffing analysis of the auditor service market” is the same as the implementation of paragraph "Determining the Volume of Audits (Graphs)".
In order to ensure implementation of the item "Audit Service Volume Analysis" of this section, a relevant table reflecting the volume of audit services provided in the last five years (in thousand manats) has been prepared (table 3).
### Table 3.

**Analysis of auditor service volume**  
**Göstərilən auditor xidmətinin həcmi (min manatla)**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2012</th>
<th>2013</th>
<th>Comparison with last year (increase / decrease)</th>
<th>2014</th>
<th>2015</th>
<th>Comparison with last year (increase / decrease)</th>
<th>2016</th>
<th>Comparison with last year (increase / decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Branches and representations of foreign auditing organizations</td>
<td>13853,9</td>
<td>27047,1</td>
<td>↑</td>
<td>27661,7</td>
<td>30580,3</td>
<td>↑</td>
<td>34760,9</td>
<td>↑</td>
</tr>
<tr>
<td>On Audit organizations using trademarks of foreign legal entities</td>
<td>10658,2</td>
<td>7482,5</td>
<td>↓</td>
<td>6399,9</td>
<td>5702,7</td>
<td>↓</td>
<td>8415,4</td>
<td>↑</td>
</tr>
<tr>
<td>On Local Audit Organizations</td>
<td>2817,3</td>
<td>2741,9</td>
<td>↓</td>
<td>2923,5</td>
<td>3013,8</td>
<td>↑</td>
<td>3145,8</td>
<td>↑</td>
</tr>
<tr>
<td>On independent auditors</td>
<td>1573,5</td>
<td>1868,4</td>
<td>↑</td>
<td>1679,0</td>
<td>1304,5</td>
<td>↓</td>
<td>1384,7</td>
<td>↑</td>
</tr>
<tr>
<td>Amount</td>
<td>28902,9</td>
<td>39139,9</td>
<td>↓</td>
<td>38664,1</td>
<td>40601,3</td>
<td>↑</td>
<td>47706,8</td>
<td>↑</td>
</tr>
</tbody>
</table>

**On the number of conducted contracts**

![Graph showing the number of conducted contracts]

- **Branches and representations of foreign auditing organizations**
- **Audit organizations using trademarks of foreign legal entities**
- **Local Audit Organizations**
- **Independent Auditors**
In accordance with paragraph “Percent of the Audit of the Mandatory audit facilities” of section 2 "Comparative Analysis of the Audit Service Market with the Country's Total Economic Indicators" of the Plan-program the table of indicators for the audit percent over the past five years has been prepared.

In accordance with paragraph "Comparison of country with macroeconomic indicator" of that section the table reflecting indicators of the last 5 years and comparative dynamics has been prepared (table 4).

**Comparison of the country with macroeconomic indicators**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited service (in thousand manats)</td>
<td>28903</td>
<td>39140</td>
<td>38664,1</td>
<td>40601,1</td>
<td>47706,8</td>
</tr>
<tr>
<td>Gross Domestic Product GDP (in million manat)</td>
<td>54743,7</td>
<td>58182</td>
<td>59014,1</td>
<td>54352,1</td>
<td>59987,7</td>
</tr>
<tr>
<td>Non-oil GDP (in million manat)</td>
<td>26165,4</td>
<td>29982,8</td>
<td>33038,2</td>
<td>34500,9</td>
<td>35768,0</td>
</tr>
<tr>
<td>Investment in fixed capital (in million manat)</td>
<td>15407,3</td>
<td>17850,8</td>
<td>17618,6</td>
<td>15957,0</td>
<td>14903,4</td>
</tr>
<tr>
<td>Nominal incomes of the population (in million manat)</td>
<td>34723,9</td>
<td>37555,5</td>
<td>39360,7</td>
<td>41738,6</td>
<td>45395,1</td>
</tr>
</tbody>
</table>

In accordance with paragraph "An analysis of the dynamics of the auditor's service in the structure of the global product and paid services" of that section the table reflecting indicators of the last 5 years and comparative dynamics has been prepared (table 6).
In accordance with paragraph "Dynamics of pressure on global product" of that section the table and diagrams reflecting indicators of the last 5 years and comparative dynamics has been prepared.

**Table 5.**

<table>
<thead>
<tr>
<th>Years</th>
<th>Gross Domestic Product GDP (in million manat)</th>
<th>Audited service (in thousand manats)</th>
<th>Part of the audit service in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>54743.7</td>
<td>28903</td>
<td>0.0005</td>
</tr>
<tr>
<td>2013</td>
<td>58182</td>
<td>39140</td>
<td>0.0007</td>
</tr>
<tr>
<td>2014</td>
<td>59014.1</td>
<td>38664.1</td>
<td>0.0006</td>
</tr>
<tr>
<td>2015</td>
<td>54352.1</td>
<td>40601.1</td>
<td>0.0007</td>
</tr>
<tr>
<td>2016</td>
<td>59987.7</td>
<td>47706.8</td>
<td>0.0008</td>
</tr>
</tbody>
</table>

In order to ensure execution of the paragraph "An analysis of the dynamics of the auditor's service in the structure of the global product and paid services" of that section the relevant materials were collected and their translation was provided and tables that contain relevant information about CIS countries have been prepared (attachment).

In accordance with paragraph "Specific weight of various circular auditing organizations" of that section the table reflecting indicators of the last 5 years has been prepared (table 6).

**Table 6.**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Overall (in%)</td>
<td>Total</td>
<td>Overall (in%)</td>
<td>Total</td>
</tr>
<tr>
<td>1000-25000</td>
<td>11</td>
<td>21.1%</td>
<td>14</td>
<td>26.9%</td>
<td>8</td>
</tr>
<tr>
<td>25000-100000</td>
<td>18</td>
<td>34.6%</td>
<td>17</td>
<td>32.7%</td>
<td>24</td>
</tr>
<tr>
<td>100000-250000</td>
<td>11</td>
<td>21.1%</td>
<td>8</td>
<td>15.4%</td>
<td>11</td>
</tr>
<tr>
<td>250000-dan yuxarı</td>
<td>12</td>
<td>23.2%</td>
<td>13</td>
<td>25.0%</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100.0%</td>
<td>52</td>
<td>100.0%</td>
<td>54</td>
</tr>
</tbody>
</table>

In order to ensure execution of the paragraph "An analysis of the auditor's income to an auditor and auditor organization" of that section the table reflecting indicators of the last 5 years has been prepared (table 7).
Table 7.
An analysis of the auditor's income to an auditor and auditor organization

<table>
<thead>
<tr>
<th></th>
<th>Number of auditors (with numbers)</th>
<th>Amount of auditor's service per auditor (in manats)</th>
<th>Share of auditor service per auditor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Branches and representations of foreign auditing organizations</td>
<td>12</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>On Audit organizations using trademarks of foreign legal entities</td>
<td>17</td>
<td>19</td>
<td>26</td>
</tr>
<tr>
<td>On Local Audit Organizations</td>
<td>40</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>On independent auditors</td>
<td>39</td>
<td>42</td>
<td>42</td>
</tr>
</tbody>
</table>

Note: The table also applies paragraph "Determining the number and volume of orders falling to an organization and one freelance auditor (graph)" of section 6.

In accordance with paragraph "(diagram) (number, volume) on region" a comprehensive analysis of the status of the audit over the country's regions over the past two years, a table of information on the number of mandatory audit facilities and auditors has been prepared (Table 8).

Table 8.
Audit Status of Regulatory Auditors for Regions

<table>
<thead>
<tr>
<th>№</th>
<th>Names of Cities (c) and regions (r)</th>
<th>Number of mandatory audit facilities in the Republic</th>
<th>Number of audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>LLC OPEN JOINT STOCK COMPANY Municipality 2015 2016</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Nakhchivan city</td>
<td>418 12 5 4 0</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Babak region</td>
<td>80 6 28 1 0</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Ordubad region</td>
<td>38 2 30 1 0</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Sadarak region</td>
<td>14 1 3 1 0</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Culfa region</td>
<td>51 4 19 1 0</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sharur region</td>
<td>83 3 53 3 1</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Shahbuz region</td>
<td>37 3 22 1 0</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Kangarli region</td>
<td>44 10 1 0</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Baku Binagadi district</td>
<td>4330 75 5 34 25</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Baku Garadag district</td>
<td>749 25 11 26 15</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Baku Khazar district</td>
<td>767 18 8 18 16</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Baku Yasamal district</td>
<td>7031 95 1 101 71</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Baku Nasimi district</td>
<td>6322 105 1 121 89</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Baku Narimanov district</td>
<td>4886 76 1 65 61</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Region</td>
<td>Code</td>
<td>Population</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>15</td>
<td>Baku Nizami district</td>
<td>3250</td>
<td>51</td>
</tr>
<tr>
<td>16</td>
<td>Baku Sabail district</td>
<td>3643</td>
<td>60</td>
</tr>
<tr>
<td>17</td>
<td>Baku Sabunchu district</td>
<td>1705</td>
<td>31</td>
</tr>
<tr>
<td>18</td>
<td>Baku Surakhani district</td>
<td>1600</td>
<td>17</td>
</tr>
<tr>
<td>19</td>
<td>Baku Khatai district</td>
<td>4285</td>
<td>51</td>
</tr>
<tr>
<td>20</td>
<td>Shirvan region</td>
<td>792</td>
<td>22</td>
</tr>
<tr>
<td>21</td>
<td>Yevlakh region</td>
<td>410</td>
<td>33</td>
</tr>
<tr>
<td>22</td>
<td>Ganca region</td>
<td>1241</td>
<td>69</td>
</tr>
<tr>
<td>23</td>
<td>Lankaran region</td>
<td>1330</td>
<td>38</td>
</tr>
<tr>
<td>24</td>
<td>Mingachevir region</td>
<td>735</td>
<td>32</td>
</tr>
<tr>
<td>25</td>
<td>Sabunchu district</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>26</td>
<td>Sumgayit city</td>
<td>2945</td>
<td>66</td>
</tr>
<tr>
<td>27</td>
<td>Shaki city</td>
<td>554</td>
<td>33</td>
</tr>
<tr>
<td>28</td>
<td>Absheron region</td>
<td>1405</td>
<td>21</td>
</tr>
<tr>
<td>29</td>
<td>Agdam region</td>
<td>178</td>
<td>2</td>
</tr>
<tr>
<td>30</td>
<td>Agdash region</td>
<td>216</td>
<td>18</td>
</tr>
<tr>
<td>31</td>
<td>Agcabadi region</td>
<td>325</td>
<td>11</td>
</tr>
<tr>
<td>32</td>
<td>Ağsu region</td>
<td>199</td>
<td>12</td>
</tr>
<tr>
<td>33</td>
<td>Agstafa region</td>
<td>117</td>
<td>17</td>
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<td>34</td>
<td>Astara region</td>
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<td>35</td>
<td>Balakan region</td>
<td>260</td>
<td>11</td>
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<tr>
<td>36</td>
<td>Beylagan region</td>
<td>491</td>
<td>18</td>
</tr>
<tr>
<td>37</td>
<td>Barda region</td>
<td>481</td>
<td>26</td>
</tr>
<tr>
<td>38</td>
<td>Bilasuvar region</td>
<td>262</td>
<td>10</td>
</tr>
<tr>
<td>39</td>
<td>Gazakhvar region</td>
<td>228</td>
<td>13</td>
</tr>
<tr>
<td>40</td>
<td>Gakh r</td>
<td>185</td>
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</tr>
<tr>
<td>41</td>
<td>Gabala r</td>
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<td>10</td>
</tr>
<tr>
<td>42</td>
<td>Guba r</td>
<td>587</td>
<td>12</td>
</tr>
<tr>
<td>43</td>
<td>Sumgayit city</td>
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<td></td>
</tr>
<tr>
<td>44</td>
<td>Gusar r</td>
<td>200</td>
<td>8</td>
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<tr>
<td>45</td>
<td>Gobustan r</td>
<td>161</td>
<td>4</td>
</tr>
<tr>
<td>46</td>
<td>Dashkasan r</td>
<td>83</td>
<td>5</td>
</tr>
<tr>
<td>47</td>
<td>Shabran r</td>
<td>91</td>
<td>5</td>
</tr>
<tr>
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<td>Zagatala r</td>
<td>594</td>
<td>23</td>
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<tr>
<td>49</td>
<td>Zangilan r</td>
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</tr>
<tr>
<td>50</td>
<td>Zardab r</td>
<td>135</td>
<td>9</td>
</tr>
<tr>
<td>51</td>
<td>İsmayilli r</td>
<td>326</td>
<td>16</td>
</tr>
<tr>
<td>52</td>
<td>İmishli r</td>
<td>996</td>
<td>16</td>
</tr>
<tr>
<td>53</td>
<td>Yardimli r</td>
<td>174</td>
<td>5</td>
</tr>
<tr>
<td>54</td>
<td>Kürdamir r</td>
<td>273</td>
<td>19</td>
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<td>55</td>
<td>Kalbacar r</td>
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<td></td>
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<tr>
<td>56</td>
<td>Gadjaboy r</td>
<td>365</td>
<td>4</td>
</tr>
<tr>
<td>57</td>
<td>Goychay r</td>
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<td>15</td>
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<td>58</td>
<td>Goranboy r</td>
<td>228</td>
<td>17</td>
</tr>
<tr>
<td>59</td>
<td>Ağcabadi r</td>
<td>302</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Lerik r</td>
<td>175</td>
<td>4</td>
</tr>
<tr>
<td>61</td>
<td>Masalli r</td>
<td>1079</td>
<td>15</td>
</tr>
</tbody>
</table>
In accordance with paragraph "Conducting and evaluating the types of reviews on the results of the audits" of that section the table reflecting indicators of the last 2 years has been prepared (table 9).

**Table 9.**

An analysis of the types of reviews on the results of the audits

<table>
<thead>
<tr>
<th>Positive feedback (in numbers)</th>
<th>Number of positive reviews (in numbers)</th>
<th>Number of negative reviews (in units)</th>
<th>Refuse to give feedback</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>On Branches and representations of foreign auditing organizations</th>
<th>471</th>
<th>251</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Audit organizations using trademarks of foreign legal entities</td>
<td>181</td>
<td>210</td>
<td>11</td>
</tr>
<tr>
<td>On Local Audit Organizations</td>
<td>745</td>
<td>839</td>
<td>21</td>
</tr>
<tr>
<td>On independent auditors</td>
<td>473</td>
<td>519</td>
<td>131</td>
</tr>
</tbody>
</table>

**TOTAL** 64246 1613 1608 1527 1275
V. Ensuring transparency and combating corruption


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. 5-11).

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

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. Detailed information on the implementation of the measures envisaged in the “The National Action Plan for 2017- 2019 on combating the legalization of money or other property obtained by criminal means and financing of terrorism” is provided in Section II "Participation of the Chamber of Auditors in State Programs" of the report (pp. 45).

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
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.

In accordance with the Decision of the Chamber of the Council No. 206/7 of december 30, 2017, From January 1, 2010 implementation of International Auditing Standards has been started in the Republic, but investigations and audits show that some auditors who are members of the Chamber still do not adhere to these standards and the requirements of international organizations in this area.

With a view to implementing the Concept of Development of the Audit Service in the Republic of Azerbaijan (2012-2020-ci illər) to provide the implementation of the measures envisaged measures, according to paragraph 3.4 "Supervision over the Quality of Audit Services and Preparation of Conclusions Based on a Plan Approved in Accordance with the Eligibility Requirements of Article 1 of the IFAC" of the work plan of the Chamber of Auditors for 2017, Decision of the Chamber of the Council No. 279/2 of september 30, 2016 "Rules on the quality of outside control of audit services in Azerbaijan Republic" and No. 285/2 of january 31, 2017 “Plan-Graph for 2017 on External Audit Quality Assurance by Audit Organizations and Independent Auditors” the quality of the audits carried out by 29 auditors and 17 independent auditors has been tested for compliance with the requirements of the International Auditing Standards, including the activities of 4 auditors and 6 independent auditors have been checked by unscheduled in 2017.

The results of all inspections were discussed at the meetings of the Quality Control Committee, relevant decisions were made and the extracts from the protocols were submitted to the supervisory audit organizations and to the independent auditors.

Prepared summary on “Conducting external control over the quality of auditor services in 2017 and its outcomes” was discussed at the Council of the Chamber of Auditors on December 29, 2017 and approved decision No 296/2 has been sent to all independent auditors and managers of auditing organizations via e-mail.

Based on this decision some audit directors and independent auditors were seriously warned for failing to comply with the requirements of three and more International Auditing Standards while providing services and other shortcomings and deficiencies in their activities and it was brought to attention of that more effective measures will be taken in them if they are going to do so in the future. At the same time, the same judgment was communicated to auditors and audit directors, who did not comply with the requirements of one and two International Auditing Standards.

In accordance with paragraph 3.1 "Preparation of an review- analysis on quality of external control over the audits by audit organizations (independent auditors) in 2017" of the work plan of the Council of Auditors for 2018 the review- analysis prepared by the Quality Control Committee and the Audit Quality Control Department was discussed at the roundtable on 30 January 2018 and on 23 February 2018 at the Chamber of Auditors, and relevant decisions were made.
Based on this decision, the following measures were required in order to improve the quality of audits by audit organizations and independent auditors, as well as to eliminate the deficiencies identified in their activities:

In order to improve the quality of audits by audit organizations and independent auditors, as well as to eliminate the deficiencies implementation of the following measures required by them:

- Strict adherence to the requirements of International Auditing Standards;
- Providing a wider description of audit procedures and auditors' selection in the auditors' work papers;
- Compliance with the requirements of the "Auditing and Documentation Guidelines" approved by the Decision No. 267/7 of 20 October 2015 of the Council of Chamber during the documentation of the audit;
- Detailed description of procedures for determining the importance of audit in the initial documentation;
- To ensure that the auditor's evidence is obtained from more complete and reliable sources to form an auditor's opinion;
- Enhance the use of high technologies during audits;
- Ensuring that the audit is carried out in real time;
- Reflection of initial discussion on the audit results and final notification by management in the work documents;
- To ensure making notes in business documents about whether or not elimination of detected defects and shortcomings in previous audit time;
- Clear view of the auditor in the Auditor's Report which Financial Statement Forms (IFRS, KTMMUS, "Rules for Facilitation of Simplified Accounting for Small Entrepreneurship Subjects" and others) apply by the customer;
- Correctly reflects the risk assessment of auditors and business entities in the work documentation.
- Increase focus on issues arising from “Methodical recommendations on the application of Low "On combating money laundering or other property and other terrorism financing" of Republic of Azerbaijan auditors" approved by the decree No. 10 dated August 1, 2016 the Chairman of the Chamber of Auditors and and provide information on suspicious transactions to the Financial Markets Control Chamber in accordance with the established procedure.

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 2017 and the first quarter of 2018. 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 1st and 2nd stages of the exams from July 22 to July 29, 2017 2 auditors with completed permits and to obtain the name of auditor 17 people of 18 achieved a successful results, including, in accordance with the decision of the Chamber of the Council No. 288/9 of June 30, 2017 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, 5 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 1st and 2nd stages of 2017, from December 16 to 23, 25 people of 26 to obtain the name of auditor of achieved a successful results, including, in accordance with the decision of the Chamber of the Council No. 293/5 of November 22, 2017 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, 8 people were released on the exam and the exam period of validity of their permits formalized in the next 5 years.

In general, 45 people took part in the exams to obtain the name of the auditor and with the expired auditors’ permission. 43 people from them succeeded.

**Conducting Auditors training courses**

Taking into account academic and vocational training program based on international best practice for 2017, 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 September 29, 2017, and for III, IV, V staged groups from October 02 to November 26, were held training courses. On the results of the courses on September 30 and October 28, 2017, exams were held. 161 people took part in the exams, 46 people did not participate, no one have been expelled from examination in violation of the rules, 109 people achieved successful results, 6 did not succeed in exams.

Conducted on the results of auditors training courses of group I, II, III, IV, V in 2017 compared to last year, the results of examination were as follows:

![Bar chart showing the comparison of persons taking part in the exam successfully and persons who have passed the exam between 2016 and 2017.](image)

**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. Ilham Aliyev, for the preparation of internal audit staff by the Chamber of Auditors of Azerbaijan Republic, approved courses were held for overall 29 people on “Internal audit staffs” for 20 people who applied between November 13 and
November 29, 2017, and 9 people applied between December 14 and January 12, 2017. At the end of the courses participants were awarded with certificates.

**Organization of professional development courses for assistants and audit specialists of auditors**

In accordance with the relevant work plan of the Chamber of Auditors, the curriculum of the course "Basis of Audit" has been developed and approved. According to that program, on 26 April, 2017 letters were sent to the heads of all auditing organizations for participation of assistants and specialists of their organizations in a professional development course, the courses were organized from 15 May to 8 June, 2017 for 16 auditors from 15 audit organizations and according to the results of the courses, the participants were given certificates. In addition, on 17 October 2017, the letters were sent to audit organizations, the courses were organized from 20 November to 22 December, 2017 for 19 employees from 7 audit organizations, and according to the results of the courses, the participants were given certificates.

**Work done by the Chamber of Auditors in collaboration with institutions and higher education institutions**

Chamber of Auditors Azerbaijan cooperates closely with State Economic University, Azerbaijan State Agrarian University, Azerbaijan University of Architecture and Construction, Baku Business University, Lankaran State University, Azerbaijan Professional Financial Managers Association, Tourism and Management University, Azerbaijan University, Azerbaijan Bank Training Center, BARATTSON LLC, Association of Accountants and Risk Professionals of Azerbaijan, CBS Language and Business Center LLC in the field of audit and accounting – finance on training.

On 4 May, 2017, the Cooperation Agreement between the Chamber of Auditors of the Republic of Azerbaijan and the International Training and Project Center was signed. The main purpose of the agreement is to expand cooperation between the two institutions, to increase the knowledge of specialists in accounting, taxation, finance and audit, to create favorable conditions for professional staff training and to organize international certification of Azerbaijani specialists as a result of joint activities.

Under the terms of the agreement, Certification Exams and Trainings conducted as a result of the Finance and Accounting, Management Accounting, Tax Accounting, Auditing and International Financial Reporting Standards taught in the International Training and Project Center in Azerbaijani language will be organized jointly with the Chamber of Auditors of the Republic of Azerbaijan and the successful candidates will be awarded with International Certificates and Diplomas on behalf of the Chamber of Auditors of the Republic of Azerbaijan.

On 28 November, 2017 Chamber of Auditors of the Republic of Azerbaijan and the Azerbaijan State Economic University (UNEC) have signed Cooperation Agreement.

The purpose of the Cooperation Agreement signed between the Chamber of Auditors of the Republic of Azerbaijan and the Azerbaijan State Economic University (UNEC) was to achieve the main goals such as staff training, retraining and professional development, conducting research in finance, accounting and auditing, conducting mutual consultations and expertise, establishing information exchange, developing regional and international relations.

We believe that, the Cooperation Agreement signed between the two organizations will contribute to further expansion of relations, as well as contributing to the strengthening of mutual relations in the field of finance, economy, accountancy and audit, as well as scientific and methodological researches.

At the conference, the Chamber of Auditors of the Republic of Azerbaijan has been accepted as a member to the UNEC2B Coordination Council.
On 30 November, 2017, with jointly organization of the Financial Markets Control Chamber of the Republic of Azerbaijan, Chamber of Auditors and Headstart International Training Center, presentation of the "Transparency Training Program in Financial Transactions" was held.

The Chamber of Auditors of the Republic of Azerbaijan in coordination with the Financial Markets Control Chamber was prepared "Training Strategy and its appropriate Training Program for Combating Legalization of Criminal Proceeds or Other Property and Terrorism Financing", agreed with the Financial Markets Control Chamber.

On 30 November, 2017, with jointly organization of the Financial Markets Control Chamber of the Republic of Azerbaijan, Chamber of Auditors and Headstart International Training Center, presentation ceremony of "Training Center Training Program on Transparency in Financial Transactions" was held in "Park Inn" hotel.

The main purpose of the event within this application to promote the fight against corruption and increase the transparency was held training courses for specialists of the relevant government agencies, commercial organizations, public associations, banks, holdings, etc.

Speakers point out that the program will play an important role in the fight against corruption, as well as in increasing transparency.

At the event "Training Center Training Program on Transparency in Financial Transactions" have been presented.

At the event participated representatives of state bodies - Ministry of Economy, Ministry of Finance, Ministry of Taxes, Chamber of Control of Financial Markets, State Oil Fund, Central Bank, Chamber of Accounts, Chamber of Auditors, Head Office for Combating Corruption under the Prosecutor General, National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, including representatives of the Office of the Council of Europe Office in Azerbaijan, the Constitutional Research Fund, commercial organizations, public associations, banks, holdings, educational institutions, local and international auditing companies.

In 2017, lectures on "The Role of Audit in the Financial Control System of the Republic of Azerbaijan" in Azerbaijan Academy of Labor and Social Relations on 4 May, 2017, on "Basis of Audit" at the Azerbaijan Engineering University on December 14, 2017 were read by the employees of the Chamber, with jointly organization of National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan and Chamber of Auditors of the Republic of Azerbaijan on 18-21 December, 2017, Training on "Ensuring the Application of International and National Standards in the Preparation of Financial Statements" was held.

On November 22, 2017, representatives of the Chamber participated in the Seminar of World Bank on Vocational Education in Accounting and Auditing.

VIII. CONFERENCES, SYMPOSIUMS, SEMINARS AND OTHER EVENTS

International events organized by the Chamber of Auditors in 2017

1. On 21-23 September, 2017, an international scientific-practical conference on "Strategic Roadmap of the Azerbaijan's economy: problems of reporting and transparency", jointly organized by the Union of Economists of Azerbaijan and the Chamber of Auditors of Azerbaijan Republic was held in Baku.

At the plenary meeting held at JW Marriott Absheron Baku, a letter of congratulation addressed to the event participants by Ilham Aliyev, President of the Republic of Azerbaijan was highlighted.
In the appeal is emphasized that today Azerbaijan is a country that is socially-politically stable, the economic power is growing rapidly and implementing large-scale projects and discussions and analyzes to be conducted within this conference are important in our country’s future accountability and audit context.
On 22 September, 2017 participants of the event visited the grave of Heydar Aliyev, national leader of our people, architect and founder of the independent Azerbaijan state in the "Honorary Alley".
The main purpose of the Conference was to increase the transparency as an important factor of a democratic society and building accountability in the high level, further strengthening the fight against corruption, the application of new reporting forms, the use of advanced management and control methods, establishing prudential supervision mechanisms and making recommendations for transition to risky surveillance, as well as sharing experiences and making discussions in the field of application directions of best practice in the field of financial reporting, stimulation of applying International Accounting Standards by small and medium business entities, strengthening corporate governance standards, improving the system management and monitoring of off-budget funds,
promoting primary accountancy and improving the statistical infrastructure, awareness and cooperation.

At the plenary session of the conference Natig Amirov Assistant to the President of the Republic of Azerbaijan on Economic Policy and Industry- head of department, Ziyad Samadzadeh Chairman of the Committee on Economic Policy, Industry and Entrepreneurship of the Milli Majlis of the Republic of Azerbaijan, Chairman of the Azerbaijan Union of Economists, Vice-President of the International Union of Economists, academician, Vahid Novruzov Chairman of the Chamber of Auditors, Economist Professor, Horia Neamtu Honorary President of the Chamber of Auditors of Romania, Kamran Aliyev chief of the Anti-Corruption General Directorate of the Prosecutor General, Deputy Prosecutor General of the Republic of Azerbaijan, Cemal Yukselen Vice President of the Union of Chambers of Financial Accountants and Certified Public Accountants of Turkey, Adalat Muradov Rector of the Azerbaijan State Economic University (UNEC), Suleyman Gasimov Vice President of the State Oil Company of the Republic of Azerbaijan for Economic Affairs, Sandra Vilcane Chairman of the Association of Latvian Certified Auditors, Akif Musayev Corresponding Member of AMEA, Vugar Gulmammadov Chairman of the Chamber of Accounts, Saulius Lapsinkas Chairman of the Chamber of Auditors of Lithuania, Lyudmila Kozlova Chairman of the Board of Directors of the Russian Audit Union, Alim Guliyev First Deputy Chairman of the Board of Central Bank, Nodari Ebanoidze Member of the Council of Professional Auditors and Accountants of Georgia made speeches.
the Association of Professional Accountants and Auditors of Moldova, Estonian Auditors Association, the Russian Auditors 'Union, the Georgian Professional Auditors and Accountants' Federation, the Georgian Accountants, Auditors and Consultants Union, Ukrainian National Law University, Ukrayna Milli Hüquq Elmləri Akademiyası, Center for Excellence of Senior Officials and Specialists of the Ministry of Finance of Belarus, Montenegro Accountants and Auditors Institute, Bulgarian Certified Accountants Institute, Moscow State University of Humanities and Economics were attended.

300 delegates from 65 organizations from 15 countries took part in the conference.

Each report at the event was met with great interest by the participants and guests.

Scientists and researchers from the country's science and education institutions attended the sectional sessions of the Azerbaijan State Economic University (UNEC).

The first session was devoted to the theme "Roadmap of National Economy: Economic Perspectives, Financial Mechanisms"
Co-chairmen of the meeting were the head of the Department of Finance and Financial Institutions of the Azerbaijan State Economic University, Professor Avaz Alakbarov and Professor of the Department of Finance and Financial Institutions Nizami Khudiyev, Head of the Office of Auditors of the Republic of Azerbaijan Gasham Bayramov.

Bölme iclaslarında dinlenilen məruzələr və təqdim olunan materiallar ətrafında geniş müzakirələr aparılış və dinləyicilərin sualları cavablandırılmışdır.

The second section was devoted to the topic of "Accountability and Transparency in the Realization of Strategic Objectives".

The co-chairmen of the meeting were the head of the Accounting and Audit Department of the Azerbaijan State Economic University, Professor Sifariz Sabzaliyev and Head of Science Department, Professor Zahid Mammadov, Advisor of chairman on Scientific and Methodological Affairs of the Chamber of Auditors of the Republic of Azerbaijan, Najaf Talibov.

There were extensive debates on the reports and presented materials at the sectional sessions and the questions of the listeners were answered.
The Chamber of Auditors will use analyzes the proposed interesting recommendations in the reports and theses whether in the legislative framework of the audit, or in the preparation of regulatory documents for audit.
Finally, on behalf of conference participants, the appeal was received to the President of the Republic of Azerbaijan Mr. Ilham Aliyev.
Azerbaycan Respublikasının Prezidenti
Zəti-aliyi bənəxalq elmi-praktiki konfransın istiqamətinin MÜRACİƏTİ

Möhtəşəm bənəxalq Prezident!


Sənn illər dənədə baş verməli qlobal böhranın manfi təsərələrinə baxmaması, Azerbaycan öz İqtisadi inkişafın təməlini bərpə etməyə nəzir olmuş, iri həcmli vəfəli əhliyyətlərinə vəsətətdə İqtisadiyyatın yüksək mələyiyyə dayanıqlığını təmin etməyə davam etməyəz.

Bu baxımından mələyiyyə-iqtisadi fealiyyətində şəffəfləyin artırılma və korrupsiyanın qarşılığının məhərablıhi daim dəqiq marqazında saxlanmaq, bu müəssisələrdən toyunat üzən istifadə olunması tərəfindən etmək, xarçların sərəfələrinin yüksəltmək barədə xəlilin təslümə və hərətəfərli təşəbbüslərinin önəmə və xatırlənməsi son derecə böyük aktualidə kəsb edir. Konfransın qərarlarında Sizin 6 dekabr 2016-ci il tarixinədə Fənərçininzə təşəbbüsləri olmamış məsələlərinin dəyərəli və tələblərinin diqqətini, qərərini, əmələ gətirənin geniş qayələnməsi, mütərəkəndi inzibati və ölkədən də qərər etməyə nəzir olmuş, dəvətçilərinin məsələlərini üzən təcrübə mübahiləsi və xatırlənmə müəzərinə avariyyət etdiyimiz.

Konfransın yekunu olaraq gəlmişdir. Ümumi mərkəziki fikir bundan ibarətdir ki, Azerbaycan vəqti işlərə həyat xərəti İqtisadi inkişafın məsələsinin və davamlılığının təmin edə bilişən möhüm bir xətə dəyişdirmək kimi Azerbaycan Respublikasının müəlliflərinin xərətəfərli perspektivini üzən Strateji Yol Xərətində baxın, təşəbbüsləri və şəffəfləyin olmamış komplike tədbirinə baxır və sahənin təkmilləşdirilməsinə və qəbələ olaraq təcrübə üzən mexanizmlərinin qurulmasına imkan verek və xatırlaşdırmışdır.

Möhtəşəm bənəxalq Prezident!
Bizi, "Azerbaycan İqtisadiyyatının strategiyası və xərət-tərəfdarlıq və şəffəfləyin problemləri" mövzusunda bənəxalq elmi-praktiki konfransın istiqaməti, bizi tədbirin keçirilməsinə göstəriyiniz hərətəfərli diqqət və xadima göxə Sizə dərin minnetdərliyini bildirik.
2. "Azerbaijan-Bulgaria Audit Forum" was held in Baku on February 27, 2017 with jointly organization of the Chamber of Auditors of the Republic of Azerbaijan and the Bulgarian Certified Accountants Institute.

Organized events, symposiums and workshops by the Chamber of Auditors in 2017

1. On January 17, 2017 seminar on "Preparation of auditors' reports and opinions in accordance with International Standards on Auditing" was held at the Chamber of Auditors of the Republic of Azerbaijan.
At the seminar Auditors were informed about the International Auditing Standards No 701 "Providing information on key audit issues in an independent auditor's report", was updated No 260 "Contact with responsible persons for management", No 570 "Probability of continuous operation of an enterprise", No 700 "Formulation and Reporting on Financial Statements", No 705 "Amendments to the Independent Auditor's Report", No 706 "Paragraph describing an independent auditor's report and other matters paragraph ", No 720 "Auditor's Responsibility for Other Information in Documents Containing Audited Financial Statements" "Auditor's Responsibility for Other Information in Audits Conducted in Audited Financial Statements" newly established during the audit of the financial statements for 2016 by the International Auditing and Approval Standards Board (IAASB) of the International Federation of Accountants (IFAC).

At that time, the Chamber held a Roundtable on "Demonstration and anti-competitive measures system" with the participation of representatives of a number of audit organizations and independent auditors.

At the round table was discussed methodical document prepared for the purpose of detection of unfair competition and dumping in the auditor service market and supporting the fight against them and intended for application in the time of organizing an auditor's selection and conducting competitions as well as external control quality of audit by the Chamber of Auditors.

2. On March 6, 2017 workshop on "Tax Innovations in 2017" and "Conclusions of audits carried out in 2016 with the requirements of International Auditing Standards and Preparation and submission of quality control work documents" was held. The Auditors were informed about the results of audits carried out in 2016 with the requirements of the International Auditing Standards and preparation and submission of quality control study documents in workshop.

3. On May 4, 2017, the Cooperation Agreement between the Chamber of Auditors of the Republic of Azerbaijan and the International Training and Project Center was signed.

The main purpose of the agreement is to expand cooperation between the two institutions, to increase the knowledge of specialists in accounting, taxation, finance and
audit, to create favorable conditions for professional staff training and to organize international certification of Azerbaijani specialists as a result of joint activities.

Under the terms of the agreement, Certification exams and trainings which are held in the result of Finance and Accounting, Management Accounting, Tax Accounting, Audit, as well as the International Financial Reporting Standards courses taught in Azerbaijani language in International Training and Project Center will be organized jointly with the Chamber of Auditors of the Republic of Azerbaijan and the successful candidates will be awarded with International Certificates and Diplomas on behalf of the Chamber of Auditors of the Republic of Azerbaijan.

4. On 16 May 2017, a roundtable was held at the Chamber of Auditors. In the "Round Table" the Chairman of the Chamber of Auditors Vahid Novruzov discussed works to be carried out in connection with the fulfillment of the tasks arising from the Decree of the President of the Republic of Azerbaijan dated 13 May, 2011 № 1361 confirmation of “To draw up a protocol on cases of administrative offenses by district courts (city) and list of Authorized Officials” and projects on "Tender rules in the field of auditing and Methodical instruction on the selection of auditors ", "Methodological Instructions on the Establishment and Effective Implementation of the Internal Control System to Combat the Legalization of of the proceeds of crime or other property and Terrorist Financing"

5. In the "Round Table" reports have been made on changes to “Research and discipline system in the area of auditor service” approved by the Decision of the Chamber of Auditors No. 269/1 of 25 November 2015 which was prepared in pursuance of 3rd paragraph of Decision 285/5 of the Council of the Chamber of Auditors dated 31 January 2017 “Signs of unfair competition in the auditor service market”, project of “Methodological tool for identification of customers and beneficial owners for auditors, creation of verification database and identifying the risks of money laundering and terrorism financing, the application of an information system that enables monitoring of transactions and risky customers”, project of “Methodological Instructions on Competition Rules and Audit Selection in the field of audit”, project of “Methodological Instructions on “Identify your Clients” of auditors and formation of customer acceptance policy”. There were extensive discussions on the reports and concrete proposals were made by the participants of the roundtable on the projects.
On June 30, 2017, Memorandum of Understanding was signed between the Chamber of Auditors of the Republic of Azerbaijan and the Association of Accountants of Latvia.

In the field of the independent financial control for learning the progressive world experience and taking into account the peculiarities of the national economy, in order to expand its application in our country, to benefit from international experience more efficiently Chamber of Auditors of the Republic of Azerbaijan Established cooperation relations with audit and accounting institutions of about 40 foreign countries.

The discussions were held about current state of the audit of Azerbaijan and Latvia, the ways of resolving the problems facing them, directions of application of the best international practice in the field of financial reporting.

The guests were informed about the measures taken in the field of economic reforms and financial transparency and achieved successes in our country.

At the event attended members of the Chamber of Auditors, members of the Chamber of Auditors and Honorary Members of the Latvian Association of Accountants.
On 25 July, 2017 a Round Table was held at the Chamber of Auditors. In the "Round Table" project on “Rule on inspections by order of authorized state bodies”, project on "Practice of compulsory substitution of auditor" and project on “Methodological instruction on research on Audit contracts by audit organizations and independent auditors that are at a lower price than the recommended minimum cost of auditing services” were reported. Wide discussions were held on the reports and concrete proposals were made by the participants of the roundtable on the projects. Taking into account Each 3 documents have been approved.

8. On 5 October workshop on "Competition rules in the audit area and methodological instruction on auditor selection" was held at the Chamber of Auditors. Reports about preparation and submission of “Methodic instruction on Competition rules in the audit area and and methodological instruction on auditor selection” were made by employees of the Chamber of Auditors in workshop.

9. On 11 October, 2017 a roundtable was set up at the Chamber of Auditors. The issues Methodological materials on creation of database on identification and verification of client and beneficial owners for auditors”, a report on the "Review of the reasons for the decline in auditing services for independent auditors”, “Project on Partnership Agreement, which will be concluded on the inadmissibility of dumping and unfair competition among members of the Chamber of Auditors”, project on "Survey on Current State and Development Trends of Audit in Azerbaijan" and draft decree on amendments to the Law of the Republic of Azerbaijan "On Auditor Service", Amendments to the Regulations on the Chamber of Auditors of the Republic of Azerbaijan and Draft Decree of the Cabinet of Ministers of the Republic of Azerbaijan on Approval of Regulations on Financial and Social Security of Employees of the Chamber of Auditors” were reported in the "Round Table".

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10. On 3 November, 2017 workshop on "Instruction on the audit of agricultural cooperatives" was held at the Chamber of Auditors. Detailed discussions on accounting and tax issues of agricultural co-operatives, on topic "Instruction on the audit of agricultural cooperatives" were held and comments on the Guidelines were given and participants' questions were answered. at the seminar.

11. On 7 November, 2017 workshops on "Methodological Guidelines for Combating Corruption Offenses and Legalization of Criminal Proceeds or Other Property and Terrorism Financing" and “Rule on Requirements for Inspections by Authorized State Agencies” were held at the Chamber of Auditors. In the workshop “Methodological instruction of installation and implementation of internal control system on Combating Legalization of Criminal Proceeds or Other Property and Terrorism Financing and “Rule on Requirements for Inspections by Authorized State Agencies” were presented, discussions were held.
12. On November 28, 2017 a conference on "Demand from employers - proposal UNEC“ organized by the Azerbaijan State Economic University (UNEC) was held. During the conference, the Cooperation Agreement between the Chamber of Auditors of the Republic of Azerbaijan and the Azerbaijan State Economic University (UNEC) was signed.

Representatives of government agencies, including representatives of commercial organizations, public associations, banks, holdings, educational institutions, entrepreneurs, businessmen, international audit companies and others participated at the event.

At the end of the conference, the National Confederation of Entrepreneurs (Employers) of the Republic of Azerbaijan, the Azerbaijan Bank Training Center and the Chamber of Auditors of the Republic of Azerbaijan and the Azerbaijan State Economic University (UNEC) have signed Cooperation Agreements.

The purpose of the Cooperation Agreement signed between the Chamber of Auditors of the Republic of Azerbaijan and the Azerbaijan State Economic University (UNEC) was to achieve the main goals such as staff training, retraining and professional development, conducting research in finance, accounting and auditing, conducting mutual consultations and expertise, establishing information exchange, developing regional and international relations.

The Cooperation Agreement signed between the two organizations will contribute to further expansion of relations, as well as contributing to the strengthening of mutual relations in the field of finance, economy, accountancy and audit, as well as scientific and methodological researches.

At the conference, the Chamber of Auditors of the Republic of Azerbaijan has been accepted as a member to the UNEC2B Coordination Council.


The Chamber of Auditors of the Republic of Azerbaijan in coordination with the Financial Markets Control Chamber was prepared "Training Strategy and its appropriate Training Program for Combating Legalization of Criminal Proceeds or Other Property and Terrorism Financing", agreed with the Financial Markets Control Chamber.

With jointly organization of the Financial Markets Control Chamber of the Republic of Azerbaijan, Chamber of Auditors and Headstart International presentation ceremony of “Training Center Training Program on Transparency in Financial Transactions” was held.
The main purpose of the event within this application to promote the fight against corruption and increase the transparency was to hold training courses for specialists of the relevant government agencies, commercial organizations, public associations, banks, holdings, etc.

Speakers point out that the program will play an important role in the fight against corruption, as well as in increasing transparency.

At the event participated representatives of state bodies - Ministry of Economy, Ministry of Finance, Ministry of Taxes, Chamber of Control of Financial Markets, State Oil Fund, Central Bank, Chamber of Accounts, Chamber of Auditors, Head Office for Combating Corruption under the Prosecutor General, National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, including representatives of the Office of the Council of Europe Office in Azerbaijan, the Constitutional Research Fund, commercial organizations, public associations, banks, holdings, educational institutions, local and international auditing companies.

Local events attended by members of the Chamber of Auditors and their members in 2017:

1. On March 10, 2017, the Delegation of the Chamber of Auditors took part in the Tax Conference on "Towards Transparency" organized by the American Chamber of Commerce (AmCham) and the Ministry of Taxes in Azerbaijan.

Performing at the event, responsible persons of the Milli Mejlis and Ministry of Taxes emphasized the creation of stable and flexible tax system in Azerbaijan and noted that the reforms in this area have already given positive results and The Ministry of Taxes are paying great attention to holding various discussions with public organizations of entrepreneurs on improvement of tax policy and tax administration, introducing new services to taxpayers, in the direction of further improving the overall business environment. At the event, emphasized that the tax consultations held with AmCham have already become a tradition, this meetings play an effective role in the development of partnership relations between tax authorities and business structures and further raising the level of taxpayers’ compliance with tax liabilities and noted that the relations between the AmCham and Ministry of Taxes based on the principles of effective partnership.

The motive of the tax conference organized under the name "Towards Transparency" is based on contemporary challenges and intentions of the Ministry of Taxes of establishing transparent and partnership relations with entrepreneurship subjects in the process of
improving tax legislation and business environment in our country were brought to the attention of the conference participants.

AmCham representative expressed satisfaction with the level of cooperation with the Ministry of Taxes, noting that AmCham is interested in the development of perfect tax legislation improving the business environment in the country, as a result of cooperation with the Ministry of Taxes, 6th Tax Partnership Conferences were held, discussions were held on issues relevant to taxation, concrete proposals were put forward by the institution.

At the conference, Presentations on various topics of representatives of the Ministry of Taxes, Azersun Holding, Deloitte & Touche, Mastercard, EY, BP, PwC, Rabitabank, KPMG Azerbaijan, Baker Tilly Azerbaijan, BDO Azerbaijan were listened.

At the end of the conference, a Memorandum of Understanding was signed among the Ministry of Taxes, the Chamber of Auditors of the Republic of Azerbaijan, Deloitte & Touche, EY Azerbaijan, PwC Azerbaijan and KPMG Azerbaijan.

AmCham members, representatives of the diplomatic corps, senior officials of the Ministry of Taxes and media representatives attended at the event.

Representatives of the Chamber participated in the "Forum of Azerbaijani Accountants - 2017" held on 8 April in the Training Center of the Ministry of Taxes. Local and international audit and consulting companies, international financial institutions, local government agencies and financial institutions, regional professional accounting organizations, accountants of local and private companies, as well as university and media representatives were attended at the forum organized by the Ministry of Taxes and National Confederation of Entrepreneurs (Employers’) Organizations of the Republic of Azerbaijan.

On November 22, 2017, representatives of the Chamber participated in the Seminar of World Bank on Vocational Education in Accounting and Auditing, on 14 December, 2017 at the next meeting of the organizers of the National Accountants Forum. Issues related to the perspectives of development of accounting and audit profession and organizational issues were discussed at the forum.

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

1. The representative of the Chamber of Auditors of the Republic of Azerbaijan was on a visit to the Belgium Republic on 28-29 March, 2017 and participated at EFAA Board meeting and a roundtable, held on the topic "The Trickle Down Effect: (IFRS) and Accounting Methods for Small and Medium Enterprises".
At the meeting a report on "The Trickle Down Effect: (IFRS) and Accounting Methods for Small and Medium Enterprises" prepared by the ACCA Corporate Reporting Leader and members of the EFAA Accounting Expert Group was discussed. In the report discussions with representatives of Germany, the Netherlands, Portugal, Spain, and England the expert group represented by representatives of the European Commission also attended.

The "Trickle Down Effect " report contained issues that need to be addressed in areas where standards are not covered. More detailed discussions were held on topic on non-standard standards for small and medium-sized enterprises as well as more the methods needed to be used by small and medium-sized enterprises.

Small and medium-sized businesses are of strategic importance, forming the basis of the European economy. The European Commission's annual report on SMEs for 2015-2016 states that, small and medium entrepreneurship subjects provide two-thirds of EU 28, adds slightly less than 60% of the employment to the non-financial sector. Although the European International Accounting and Auditing Standards and Regulations focus on the needs and circumstances of major campaigns. Accounting requirements for small and medium-sized businesses in Europe are based on the European Accounting Directives. This Directive complies with the requirements of the national (GAAP). While the Directive does not deal with specific situations, national requirements (GAAP) are constantly evolving and complies with IFRS (International Financial Reporting Standards) declarations and thus EFFA's Accounting Expert Group analyzes the impact of IFRS on accounting requirements for small and medium-sized businesses.

At the meeting of the EFAA Board of Directors the discussions were held on issues on financial statements, taxes, implementation of the action plan for 2016-2017, reforms in EFAA, membership fee and topics on EFAA's new draft Regulations, future events and so on.

2. The representatives of the Chamber of Auditors of the Republic of Azerbaijan was on a visit to the Kiev on 26-27 April, 2017. Delegation participated in the Seminar on “Ensuring the importance of financial statements: focusing on micro, small and medium enterprises” organized by the Centre for Financial Reporting Reform of World Bank held in Kiev, capital of the Ukrainian Republic on 26-27 April, 2017.
Representatives of the Chamber of Auditors as well as representatives of the Ministry of Finance and Azerbaijan Risk Professionals Association also participated at the event.

At the event attended by about 50 representatives within the Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP) program issues on determination and adoption of accounting standards in other subjects, except Public Important Organizations (PIO), financial reporting requirements for micro, small and medium-sized enterprises, and disclosure requirements, alternative basis of valuation of fixed assets and financial instruments of other subjects, except Public Important Organizations (PIO) requirements for consolidated financial statements and their practical application of other subjects, except Public Important Organizations (PIO), ensuring the relationship between corporate financial reporting and tax reporting, application problems of International Financial Reporting Standards and International Auditing Standards to financial statements of micro, small and medium-sized enterprises except Public Important Organizations (PIO) were discussed.

Our delegation informed the seminar participants about the economic reforms in the Republic of Azerbaijan, the development of financial accountability and audit, as well as the achievements in the field of accounting and audit and the reforms to be carried out.

The results achieved during the visit, first of all, taking into account Learning the progressive world experience in the field of strengthening the Audit and Accountability in the Eastern Partnership countries and the characteristics of the national economy will play an important role in the need to expand the use of innovations in our country and in the implementation of the tasks set by Mr. Ilham Aliyev President of the Republic of Azerbaijan.

3. The representative of the Chamber of Auditors of the Republic of Azerbaijan visited Berlin, the city of the Federal Republic of Germany, on 7-9 June, 2017 and participated at meeting of EFAA Board of Directors, Annual International Conference and Annual General Meeting.

At the EFAA International Conference on "Digital Business Development" the lectures of EFAA, ACCA Technology Department, European Union, Vienna University, Certified Accountants Institute and other experts were listened and further discussions were held.

At the conference thoughts covering topics on " Relevant Digital Developments", "Business and Society in Digital Time", "Digital Profession" were listened and further discussions were held.

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The meeting was dedicated to the implementation of the measures envisaged by the Agreement between the Chamber of Auditors and the Center of qualification of senior officials and specialists of the Ministry of Finance of the Republic of Belarus signed on 4 February, 2013. At the meeting, the importance of closer cooperation between the two organizations in the future was emphasized and concrete tasks were defined.

5. The representatives of the Chamber of Auditors of the Republic of Azerbaijan was on a visit to the Vienna on 24-25 October, 2017.

The representatives of the Chamber of Auditors of the Republic of Azerbaijan participated in the Seminar on “Ensuring the importance of financial statements: focusing on micro, small and medium enterprises” organized by the Centre for Financial Reporting Reform of World within the (STAREP) program Bank held in Austria, capital of the Ukrainian Republic on 24-25 April, 2017.
At the event attended by about 60 representatives from more than 10 countries, Chairman of the Chamber of Auditors Vahid Novruzov made a presentation on "Accountability of Audit Supervision Authorities in Azerbaijan" and extensive discussions were held around the presentation.

At the event topics on The goals and objectives of joint meetings of STAREP and REPARIS programs, "Compliance with Auditing Field Requirements and Related Expectations: Comparison of Accountability Practices", "Promoting coordination in the field of control: effective and consistent implementation of new legislation on audit in the EU", "Increasing benefits through non-financial reporting", "Interaction of financial sector supervisory authorities with other supervisory authorities", "Ways to Strengthen Public Oversight", "Quality control: experience of Germany on the verification of audit program" speeches were made and extensive discussions were held.

During the visit the business meetings were held with representatives of the international financial institution, as well as representatives of a number of countries, including Germany, Belarus, Ukraine, Georgia, Serbia and Albania, they were given extensive information about conducting economic reforms, development of financial accountability and audit, as well as about the successes and measures taken in the field of accounting and auditing in the Republic of Azerbaijan and relevant materials have been brought to our country for use in our country.

Speeches were listened and wide discussions were held on future of accounting and audit in modern conditions, application forms of technology and innovation in accounting and auditing, ways to eliminate the accountability problems in the modern era of technological change and innovation in the world economy.

In accordance with the program of the symposium, Professor Vahid Novruzov, Chairman of the Chamber of Auditors, made a opening speech, gave detailed information to the event participants about the role of accounting audit in innovation and IT expansion in the economy and in the whole society and the need for innovation and application of IT in accounting audit. At the same time, speaker talked about a very ambitious plan of Turkey - Vision 2023: "Join the 100th Anniversary of the Republic of Turkey, The 10 Most Powerful Economy in the World!". Naturally, to achieve such a magnificent goal, he first of all, the strengthening of the economy and the society's innovation orientation stressed the need for
strengthening the innovation orientation of economy and the society as a whole and providing broad application of advanced technologies.

Besides, during the event participants were provided with extensive information about implementation of economic reforms in the Republic of Azerbaijan, the development of financial accountability and audit, as well as the achievements in the field of accounting and audit and the reforms to be carried out under the leadership of President of the Republic of Azerbaijan Mr. Ilham Aliyev.

Finally, he highly appreciated the dedication of the XII International Symposium on Technology and Innovation and wished success to the Symposium.

The event was broadcast by AzTV and Ictimai TV.

IX. 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.

Professional membership of a Chamber of Auditors:
- 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.

An action plan was presented to IFAC in February 2016, and this plan covered the period up to 2020. The current plan is available on the IFAC website.

Correspondence and negotiations were conducted to cooperate with Association of Accountants of Latvia, Estonian Auditors Association and "Russian Auditors Association" (Association) Self-regulatory Auditing Authority (RAB SAA) and Memorandum of Understanding signed with the Association of Accountants of Latvia on 30 June, 2017, with the Association of Auditors of Estonia and "Russian Auditors Association" (Association) Self-regulatory Auditing Authority (RAB SAA) on 22 September, 2017.
During the year 38 information requests from IFAC and EFAA were accepted for service use and 7 queries were answered. Detailed information on Chamber's international relations is provided in the relevant sections of the report.

X. ACTIVITIES OF THE SPECIAL COMMISSIONS AND COMMITTEES

The following committees headed by professional auditors operated under the Council of the Chamber of Auditors in 2017:

I. Quality control committee – Vali Karimov, independent auditor;
II. Professional ethics and membership committee of auditors – Ibish Aliyev, independent auditor;
III. Staff training and youth committee – Abbasali Qurbanov, Director-auditor of “RR-VAM International Audit Consulting” Ltd;
IV. Legislation and legal affairs committee – Elnur Ibrahimov, independent auditor;
V. International standards and methodical security committee – Namig Abbasli, Director-auditor of “ANR Audit” Ltd;
VI. International relations and foreign organizations committee – Bayramova Lamiya, Director-auditor of “LB Audit service” Ltd;
VII. National audit support and mandatory audit committee – Zamin Huseynov, Director-auditor of “MAK Azerbaijan LTD” Ltd;
VIII. Committee on the combat against dumping and unfair competition – Uzeir Fatiyev, independent auditor.

The committees have established their activities in conjunction with the Chamber's structural units in accordance with the work plan and have fulfilled their obligations under their authority. The activities of the committees are reflected in the relevant sections of the report.
XI. MEETINGS HELD BY THE COUNCIL OF THE CHAMBER OF THE AUDITORS OF THE REPUBLIC OF AZERBAIJAN ON

In 2017 the Chamber held 12 meeting of the Council (two hundred and ninety six meetings since inception till the end of the reporting year). For this purpose, relevant draft decisions and additions to them prepared by the speakers in advance have been collected reviews have been received by reviewers and prepared for the Board meetings. Decisions on the discussion of normative legal acts, guidelines, standards and regulations regulating auditing activities have been made.

The following issues were discussed at the two hundred and eighty fifth meeting of the Chamber of the Council on January 31, 2017:
1. Analysis of external quality assurance audit by the auditing organizations and independent auditors in 2016 and preparation of the relevant review;
2. Approval of Plan-graph for 2017 on implementing external quality assurance audit by the auditing organizations and independent auditors;
3. Preparation and submission of a report on quality control;
4. Appointment of the heads of Committees under the Council of the Chamber of Auditors;
5. Determination of signs of unfair competition on the auditor service market;
7. Approval of the list of inspectors of the Quality Control Committee under the Council of Auditors of the Republic of Azerbaijan.

The following issues were discussed at the two hundred and eighty sixth meeting of the Chamber of the Council on March 31, 2017:
1. Discussion of the report on the results of the Chamber of Auditors for the year 2016;
2. The minimum recommended limits for the value of the audit services provided in the territory of the Republic of Azerbaijan;
3. Approval of the Statutes of the committees under the Council of the Chamber of Auditors of the Republic of Azerbaijan, work plans and content for 2017;
4. Instruction on the application of international audit standards in the audit of small and medium enterprises.

The following issues were discussed at the two hundred and eighty seventh meeting of the Chamber of the Council on May 19, 2017:
1. Preparation and audit of the report of the results of financial and economic work of Chamber of Auditors for 2016;
2. On determining the auditor's rating for 2016;
3. Preparation of auditors' qualification courses, curriculum and graphics for 2017;
4. Preparation and implementation of a system of measures Developing and implementing a system of measures to strengthen public confidence in the audit and promotion of audit;
5. Analysis of annual reports and preparation of recommendations issued by independent auditors and auditing organizations for the year 2016;

The following issues were discussed at the two hundred and eighty eighth meeting of the Chamber of the Council on June 30, 2017:
1. About Methodological instruction on establishment and implementation of the internal control system on financing of fight against terrorism against Legalization of proceeds of crime or other property;
2. About Methodical instruction on competition rules and audit selection in the field of audit;
3. About Instruction on audit of agricultural cooperatives;
4. About changes to be made to "Research and Discipline Measure System in the field of Audit Service" approved by the Decision No 269/1 dated 25 November, 2015 of the Council of Auditors of the Republic of Azerbaijan and posted on the web-site of the Chamber;
5. About training strategy on financing of fight against terrorism against Legalization of proceeds of crime or other property and appropriate training program

The following issues were discussed at the two hundred and eighty ninth meeting of the Chamber of the Council on August 25, 2017:
1. About “Rule on inspections by order of authorized state bodies"
2. About «Methodological instruction on research on Audit contracts by audit organizations and independent auditors that are at a lower price than the recommended minimum cost of auditing services»
3. About methodological instruction on formulating of policy of customer acceptance and “Identify Your Client” for auditors;
5. About changes to the Regulations on the Council of Auditors of the Republic of Azerbaijan;
6. Appointment of Director of VXA Audit LLC, auditor Elchin Gurbanov as Inspector of Quality Control Committee at the Council of the Chamber of Auditors;
7. About organization of investigations on disciplinary violations committed by independent auditors and audit organizations by the 1st half of 2017 and taking appropriate disciplinary measures.

The following issues were discussed at the two hundred and ninetieth meeting of the Chamber of the Council on September 5, 2017:
1. About restoration of permission to provide auditor services of “Audit Grup” LTD

The following issues were discussed at the two hundred and ninty first meeting of the Chamber of the Council on October 19, 2017:
2. Analysis of the reports submitted by independent auditors and audit organization for the first half of 2017 and preparation of recommendations;
3. About Methodological materials on identification and verification of client and beneficial owners for auditors;
4. About report on the implementation of paragraph 1.19 "Study and Implementation of International Experience on Auditing" of the work plan for 2017;
5. Establishment of the Press Service at the Chamber of Auditors and establishment of an online public newspaper "Economy and audit" (internet newspaper);
6. About Adoption of the "Honorary Member" of the Chamber of Auditors.

The following issues were discussed at the two hundred and ninth second meeting of the Chamber of the Council on November 8, 2017:
1. Preparation of the Work Plan for the Chamber of Auditors for 2018;
2. An analysis of the statistical system of the audit and preparation of the relevant review;
3. About discussion of the draft partnership agreement to be concluded between members of the Chamber of Auditors on inadmissibility of unfair competition and dumping;
4. About publication of audit books, textbooks, information and propaganda materials on audit;
5. On draft amendments to the legislation.

The following issues were discussed at the two hundred and ninty third meeting of the Chamber of the Council on November 22, 2017:
1. About Preparation of the Work Plan for the Chamber of Auditors for 2018;
2. About work plan of the Council of Auditors for 2018;
3. About establishment of an analytical information system in the field of audit on economic areas and regions of the country;
4. About translation, editing and publication of rules for the application of IAS in small and medium enterprises;
5. About the exams that will take place on expiration of validity of permissions to engage audit service in the territory of the Republic of Azerbaijan.

The following issues were discussed at the two hundred and ninty fourth meeting of the Chamber of the Council on December 1, 2017:
1. About Discussion of the auditor's report submitted by "JPA International Azerbaijan" LLC on "Alliance Concrete" LLC activity According to information provided to the Chamber of Auditors.

The following issues were discussed at the two hundred and ninty fifth meeting of the Chamber of the Council on December 20, 2017:
1. About partnership agreement to be concluded among members of the Chamber of Auditors on inadmissibility of unfair competition and dumping;
2. About organization of conferences, symposia, roundtables and seminars on topical issues of audit;
3. About control over compliance with ethical conduct by members of the Chamber of Auditors and preparation of an annual report on this issue;
4. About exchange of experience of auditors and employees of the Chamber in foreign and international organizations.

The following issues were discussed at the two hundred and ninty sixth meeting of the Chamber of the Council on December 29, 2017:
1. About status of payment of membership fees by members of the Chamber of Auditors by 2017;
2. Carrying out external control over the quality of auditor services according to a plan approved in accordance with the Commitment Requirements of IFAC Member No. 1 (SMO) and preparation of the review on its outcomes;
3. About improving the regulatory framework of the audit service;
4. About implementation of measures related to the prevention the forced evasion of audit;
5. About analysis of the auditor service market in Azerbaijan.
XII. 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;
- correspondent dues;
- fees for participation in the exam, to obtain license issuing the right to engage in auditing activities;
- the fees charged for courses;

In accordance with these sources of financing of the Chamber of Auditors in 2017, the revenues were as follows:

<table>
<thead>
<tr>
<th>Source of income</th>
<th>The amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership fee</td>
<td>613 959,0</td>
</tr>
<tr>
<td>Income from courses</td>
<td>39 246,0</td>
</tr>
<tr>
<td>Grant and donations</td>
<td>36 850,0</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>690 055,0</strong></td>
</tr>
</tbody>
</table>

Thus, income received in 2017 amounted to 690 005,0 AZN, which is 9.3% increase in comparison with 2016 (625 691,0 AZN).

The Chamber of Auditors paid 24 436,0 AZN to the Budget of Republic, and 63 950,0 AZN to the State Social Protection Fund during 2017. The list of the average number of employees in the Chamber in 2017 was 58, and they were paid salaries and bonuses in amount of 350 299,0 AZN.

Thus in 2017, with the expenditures in the amount of 881 554,0 AZN, the Chamber finished financial and economic activity with a loss of 191 021,0 AZN.

The following table reflects the results of financial and economic activity in 2017 as compared to 2016:

<table>
<thead>
<tr>
<th>Years</th>
<th>Income</th>
<th>Expenditures</th>
<th>Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>625 691,0</td>
<td>630 119,0</td>
<td>-4 428,0</td>
</tr>
<tr>
<td>2017</td>
<td>690 055,0</td>
<td>881 554,0</td>
<td>-191 021,0</td>
</tr>
</tbody>
</table>

XIII. INFORMATION, PROPAGANDA AND BROADCASTING ACTIVITIES

"Extensive information about results of the conferences, symposia, roundtables, seminars and other events on actual issues of audit which held with the organization and participation of the Chamber of Auditors of the Republic of Azerbaijan was regularly posted on the Chamber's websit".
Information about auditors and independent auditors, members of the Chamber of Auditors is regularly updated and posted on the Chamber's website.

An article "Azerbaijan Audit-2016" head of the Office of Chamber by Gasham Bayramov has been published in "Economy" newspaper on 13-19 April, 2017.

Detailed information Along with the execution of the work plan of the Chamber of Auditors of the Republic of Azerbaijan for 2016, duties and functions stipulated in the Statute of the Chamber of Auditors the participation in the implementation of some important state programs was provided in the article.

In the September, 2017 issue of the magazine "ФИНАНСЫ. УЧЕТ. АУДИТ", press body of the Ministry of Finance of the Republic of Belarus the article "ЗАЧЕМ НУЖНА АУДИТОРСКАЯ ПАЛАТА" by chairman of the Chamber of Auditors Vahid Novruzov was published. The article provides information about the role, importance of audit and functions of the regulatory body and other matters.

In the 12-18 October, 2017 issue of the newspaper "Economics" the article "Today, Azerbaijan is a socially-politically stable economy with a rapidly growing economy and is a country that carries out large-scale projects" by Chief of Staff Training, Accreditation and International Relations Department of the Chamber of Auditors Sabuhi Gulmammadov was published. The article contains opinions, suggestions, recommendations, etc., which were presented at the scientific-practical conference "Strategic road map of Azerbaijan's economy: problems of accountability and transparency" held on September 21-23, 2017.

Publication of audit books, textbooks, information and propaganda materials the following activities have been undertaken to ensure the implementation of measures in the Chamber's Work Plan, “The National Action Plan for the promotion of the Open Government for 2016-2018”, "The Development Concept of the Audit Service in the Republic of Azerbaijan" (2012-2020):


- The metodical material on the theme "Minimum recommended limits for the value of audit services provided in the territory of the Republic of Azerbaijan" was approved by the Decree No 286/2 dated 31 March, 2017 of the Council of Auditors of the Republic of Azerbaijan and posted on the web-site of the Chamber: http://audit.gov.az/uploads/Shura_286_2_min_hedd.pdf


- "IX chapters of Collection of Audit, Legislation and Regulatory Documents " were prepared

- "Training Strategy and Training Program on fight against financing of terrorism and legalization of proceeds of crime or other property" was approved by the Decision No 288/5 dated 30 June, 2017 of the Council of Auditors of the Republic of Azerbaijan and posted on the web-site of the Chamber: http://audit.gov.az/uploads/Shura_288_5_program.pdf

- The material on the theme "Research and Discipline Measure System in the Field of Audit Service" was approved by Decision No. 269/1 of 25 November 2015 the Council of in I edition, approved by Decision 288/4 of 30 June 2017 in II edition and posted on the Chamber's website: http://audit.gov.az/uploads/Shura_288_4_elave.pdf


"Methodical instructions on the establishment and implementation of the internal control system to fight against financing of terrorism and legalization of proceeds of crime" was approved by the Decision No 288/1 dated 30 June, 2017 of the Council of Auditors of the Republic of Azerbaijan and posted on the web-site of the Chamber: http://audit.gov.az/uploads/Shura_288_1_metodik_gosterish.pdf


"Methodological instruction on research on Audit contracts by audit organizations and independent auditors that are at a lower price than the recommended minimum cost of auditing services" was approved by the Decision No 289/2 dated 25 August, 2017 of the Council of Auditors of the Republic of Azerbaijan and posted on the web-site of the Chamber: http://audit.gov.az/uploads/Shura_289_2_metodik_gosteris.pdf


The Chamber's “Audit.gov.az” website has been upgraded, existing “About us”, "Members", "Legislation", "Standards", "International Relations", "Partners", "Auditors' Committees of the Chamber of Auditors", "Publications", "Books and Guides", "Thesis and Articles", "E-Service", "Participation in State Programs", "Ethics Reports", "Public Relations", "Quality Control", "Survey" and other sections have been revised and completed. In connection with the execution of the paragraphs “Posting of news of IFAC, EFAA and other international organizations on the Chamber's website "162 information, news and other materials were posted on the Chamber's web-site.

The following important documents related to the decisions of the Board of Auditors and the development of the audit have been posted on the website of the Chamber in English and Russian:

"Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2017";
Document on "Signs of Unfair Competition in the Audit Service Market";
Report on “Practical Assistance to Auditors and Independent Auditors for Application of International Auditing Standards”;
Document on "Strengthening public confidence in audit and promotion of audit";
"Work Plan of the Chamber of Auditors of the Republic of Azerbaijan for 2018";
"The Partnership Agreement, which will be concluded on the inadmissibility of dumping and unfair competition among members of the Chamber of Auditors" and so on.

On the regular public awareness of the activities of the Chamber of Auditors in AzTV and other television channels have been provided with articles about the "Azerbaijan-
Bulgaria Audit Forum" Jointly organized by the Chamber of Auditors of the Republic of Azerbaijan and the Bulgarian Certified Accountant Institute In Baku city at the Hilton Hotel on 27 February, international scientific-practical conference on "Strategic road map of Azerbaijan's economy: problems of accountability and transparency", jointly organized by Azerbaijan Economists' Union and Chamber of Auditors of the Republic of Azerbaijan on 21-23 September, 2017 in Baku, presentation ceremony of "Training Program on Transparency in Financial Transactions" Jointly organized by the Financial Markets Control Chamber of the Republic of Azerbaijan, Chamber of Auditors and Headstart International Training Center on 3 May, 2017 and other events and in AzerTAC and in the following web pages numerous audit-related information has been posted:

- [http://www.bizimyol.info/az/](http://www.bizimyol.info/az/)
- [https://report.az/](https://report.az/)
- [https://apa.az/](https://apa.az/)
- [http://www.interpress.az](http://www.interpress.az)
- [https://az.trend.az/](https://az.trend.az/)
- [http://www.exams.az/cnaa/az](http://www.exams.az/cnaa/az)
- [http://unec.edu.az/](http://unec.edu.az/)
- [https://metbuat.az/](https://metbuat.az/)
- [http://btlm.az](http://btlm.az)
- [http://transparency.az](http://transparency.az)
- [https://www.muhasib.az/](https://www.muhasib.az/)
- [http://renkinq.az/](http://renkinq.az/)
- [http://marja.az](http://marja.az)
- [http://headstart-international.com](http://headstart-international.com)
- [http://banker.az/](http://banker.az/)
- [http://lib.bbu.edu.az](http://lib.bbu.edu.az)
- [http://millibyte.az/](http://millibyte.az/)
- [https://www.finansist.az/](https://www.finansist.az/)
- [http://www.biznesinfo.az/](http://www.biznesinfo.az/)
- [https://www.cbar.az/](https://www.cbar.az/)
- [http://fins.az/](http://fins.az/)
- [http://www.au.edu.az](http://www.au.edu.az)
- [http://www.ser.az/](http://www.ser.az/)
- [http://www.infosystem-link.az/](http://www.infosystem-link.az/)
- other links.

Publication of the report on the results of the Chamber of Auditors for the year 2016, submission of it to the Administration of the President of the Republic of Azerbaijan and related organizations has been provided.

To disclose publicly the report reflecting the results of the Chamber of Auditors for the year 2016, the report was posted on the Chamber's website, a short summary of that report was published in the "Economy" newspaper and other media within a month, translated into English and Russian, and sent to the member organizations of the Chamber The International Federation of Accountants (IFAC) and the European Federation of Accountants and Auditors (EFAA) and posted on the Web site of the Chamber (http://audit.gov.az/uploads/Maliyye%20_hesabati_2016_az.pdf).
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STRATEGİK ROADMAP OF THE AZERBAİJAN’S ECONOMY: PROBLEMS OF REPORTING AND TRANSPARENCY (INTERNATIONAL SCIENTIFIC-PRACTICAL CONFERENCE) 
BAKU, SEPTEMBER 21-23, 2017