

### III. Professional Infrastructure

**T**his chapter describes Azerbaijan’s nascent professional accountancy infrastructure. It is structured as follows:

- 1 – Introduction—provides an overview of Azerbaijan’s accountancy profession.
- 2 – Chamber of Auditors of Azerbaijan (COAA)—describes the legal status and activities of the COAA—Azerbaijan’s national professional accountancy body.
- 3 – Azerbaijan Audit Licenses—identifies the requirements for attaining an audit license.
- 4 – Association of Certified Accountants of Azerbaijan (ACAAz)—describes the establishment and objectives of the ACAAz.
- 5 – Institute of Internal Auditors (IIA)—discusses the establishment of the Azerbaijan chapter of the US-based IIA.
- 6 – IRFAA Eurasia—describes the objectives and activities of the International Regional Federation of Accountants and Auditors Eurasia (IRFAA Eurasia).
- 7 – Issue Synopsis: Professional Infrastructure—summarizes the issues identified in this chapter.

#### 1. Introduction

The Soviet accounting system required neither professional accountants nor an accountancy profession—in the western sense. This changed with Azerbaijan’s transition to a market economy, following independence in 1991.

However, it wasn’t until 1996 that the Chamber of Auditors of Azerbaijan (COAA) was established in accordance with the *Auditing Services Law 1995*. By mid-2001, the Chamber had issued licenses to 160 individuals and 32 firms. The COAA has also established a local chapter of the US-based Institute of Internal Auditors (IIA).

More recently, the Association of Certified Accountants of Azerbaijan (ACAAz) was formally created as a nongovernment organization in 2000. It currently has 18 active members.

The International Federation of Accountants (IFAC) oversees the professional arrangements and procedures of its member bodies. These

include: (i) membership requirements; (ii) continuing professional education; and (iii) quality control arrangements. Although Azeri professional accountancy bodies have yet to join IFAC, the international standards and guidance regarding professional arrangements that Appendix 7 provides are of relevance.

The Azeri accountancy profession is in its infancy—not surprisingly, the COAA has noted that fees charged by foreign auditors are around 23 times higher than those charged by domestic auditors. The profession can narrow this gap over time by tirelessly pushing accountants to higher certification standards.

## **2. Chamber of Auditors of Azerbaijan (COAA)**

### **Introduction**

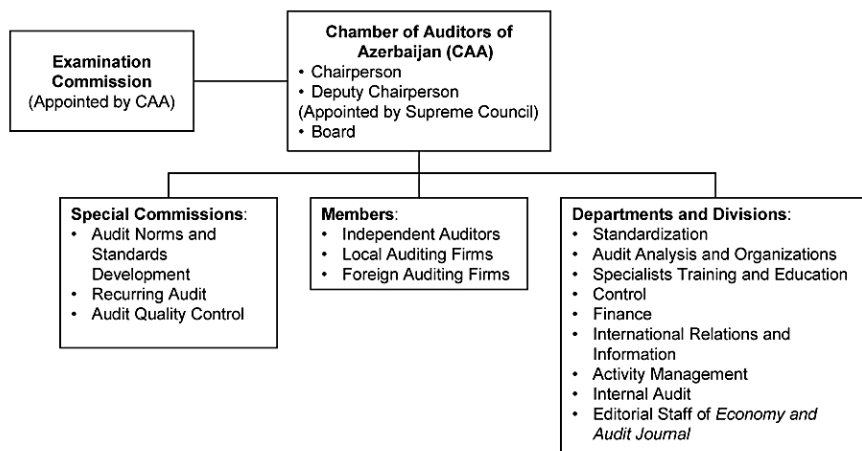
The Chamber began operations in 1996 in accordance with the provisions of the *Auditing Services Law 1995* (see Appendix 12 and Appendix 13). Under these provisions, it is responsible for: (i) overseeing auditing activities in Azerbaijan; (ii) issuing auditing instructions, standards and guidance; (iii) licensing individual auditors and auditing firms; (iv) considering complaints against individuals and auditing firms; (v) consulting the profession on relevant legislative issues; and (vi) reviewing the compliance of foreign individuals and foreign audit firms with the *Auditing Services Law 1995*.

The Supreme Council of the Azerbaijan Republic appoints the Chamber's Chairperson and Deputy Chairperson. Individual auditors and auditing firms are required to pay membership fees to the Chamber. Moreover, they are required to provide statistical information (for instance, fee income), which the Chamber summarizes and provides to tax and statistical bodies. Until January 2001, the Chamber conducted fee-paying audits on its own behalf, and in competition with auditing firms.

### **Memberships and Affiliations**

COAA is a member of the Asian Organization of Supreme Audit Institutions (ASOSAI), the Council of Heads of CIS Countries of Supreme Financial Control Units, Economic Organization of Supreme Audit Institutions (EOSAI), European Organization of Supreme Audit Institutions (EUROSAI), International Regional Federation of Accountants and Auditors Eurasia (IFRAA Eurasia), and International Organization of Supreme Audit Institutions (INTOSAI).

Figure 1: Structure of the Chamber of Auditors (COAA)



In June 2001, it was announced that these memberships and affiliations would be passed from the COAA to the Azerbaijan Accounting Chamber (AAC).

## Licensing

As of April 2001, the Chamber had issued audit licenses to 160 individuals, 27 local firms and five foreign firms.

## 3. Azerbaijan Audit Licenses

### Introduction

COAA issues renewable five-year licenses to individuals and firms. Auditing firms must comprise at least three qualified individuals. Individuals must be Azerbaijan citizens, although the Chamber may accept the qualifications of foreigners, who are licensed to practice in their own countries. These licenses are issued in accordance with the *Auditing Services Law 1995* (see Appendix 12).

### Educational Requirement

Auditors must have completed higher education in accounting, finance, economics or law.

## Examination

License examinations are prepared and supervised by a COAA-appointed Commission in accordance with the *Auditing Services Law 1995*. The Commission comprises representatives from the COAA (three), MOF, Ministry of Taxation, NBA, academia, and practitioners. Each member must have at least 10 years experience in accounting, finance, economics or law.

## Practical Experience Requirement

Licensees must have at least three years practical experience related to their field of education.

## Continuing Professional Education (CPE)

There is no CPE requirement.

Table 3: Azerbaijan Accountant Qualifications<sup>14</sup>

Requirement	International	Azerbaijan (COAA licensed auditor)	Sri Lanka (ICASL: Chartered Accountant)	California, US (Certified Public Accountant, CPA)
Education	Recognized education program (IFAC: IEG 9, Para 26).	✓ Higher education in accounting, finance, economics or law.	✓ A range of entry qualifications are accepted—a university degree is not necessarily required.	✓ Core course comprising 45 semester units of accounting, auditing or business-related subjects (a variety of other qualifications are accepted).
Examination	A significant portion of responses must be written (IFAC: IEG 9, Para 44).	✓ Set by COAA-appointed Commission	✓ Yes.	✓ Yes.

<sup>14</sup> Table adapted from: Favere-Marchesi, Michael. 2000. Audit Quality in ASEAN. *The International Journal of Accounting*. Vol 35(1). pp. 121-149.

Table 3: Azerbaijan Accountant Qualifications (continued)

Requirement	International	Azerbaijan (COAA licensed auditor)	Sri Lanka (ICASL: Chartered Accountant)	California, US (Certified Public Accountant, CPA)
Experience	Minimum of three years practical experience in an appropriate, supervised environment (IFAC: IEG 9, Para 49).	<input checked="" type="checkbox"/> Minimum of three years practical experience in the area in which higher education was received.	<input checked="" type="checkbox"/> At least three years for university degree holders and four years for others.	<input checked="" type="checkbox"/> / <input checked="" type="checkbox"/> Two, three, or four years prescribed experience; depending on education level.
Continuing professional education	Annual minimum of 30 hours, or 90 hours over each three-year period, of structured learning activities (IFAC, ISAR).	<input checked="" type="checkbox"/> No mandatory requirement.	<input checked="" type="checkbox"/> Recommended but not mandatory. Follows the practice of ICAEW.	<input checked="" type="checkbox"/> 80 hours for each two-year license renewal period (following first license renewal).

#### 4. Association of Certified Accountants of Azerbaijan (ACAAz)<sup>15</sup>

The Association of Certified Accountants of Azerbaijan (ACAAz) was established in 2000. It is a nongovernment, not-for-profit organization. It has 18 active members practitioners, all of whom have completed training in International accounting standards and practices. Nineteen other specialists are currently undergoing certification and around 80 others are undertaking courses.

The Association’s development is being supported as part of a \$125,000 Eurasia Foundation grant to introduce IASs and to develop qualified Azerbaijan financial experts. The project includes: (i) training specialists and producing printed training materials; (ii) introducing a system of accounting certification; (iii) organizing ongoing courses for accounting certification; and (iv) expanding the ACAAz’s activities into the four regions of Azerbaijan.

<sup>15</sup> Primary source: URL: [www.ACAAz.org](http://www.ACAAz.org)

## 5. Institute of Internal Auditors (IIA)

The Azerbaijan Chapter of the International Institute of Internal Auditors (IIA) is a suborganization of the COAA. The US-based IIA is a semi-commercial organization—membership is open to individuals. The IIA administers the International Certified Internal Auditor (CIA) exam. Azerbaijan was the first FSU country to establish an IIA chapter in 1999 with 60 founder members.<sup>16</sup>

## 6. IRFAA Eurasia<sup>17</sup>

### Introduction

Although the International Regional Federation of Accountants and Auditors Eurasia (IRFAA Eurasia) is not an Azerbaijan-based professional accountancy body, it influences accountancy developments within the FSU and within Azerbaijan.

IRFAA Eurasia was established in June 1999—its members include 20 professional accountancy organizations from 10 FSU countries. The Federation's mission is to develop and strengthen the accounting and audit profession, and promote the implementation of international professional standards and professional standards on ethics as promulgated by IFAC and IASB, through its member bodies.

The Federation provides support and assistance to national organizations of accountants and auditors in the following areas: (i) developing national organizations in preparation for IFAC recognition; (ii) ensuring high quality accounting and audit services; (iii) developing the theory and practice of accounting and audit based on international standards; (iv) preserving the professional independence of accountants and auditors; and (v) developing and strengthening professional contacts at the regional and international levels.

IRFAA Eurasia was established with, and continues to receive, support from the Organisation for Economic Cooperation and Development (OECD), the European Union (EU) and the United States Agency for International Development (USAID).

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<sup>16</sup> *Azeri Business News*. 2001 August 29. Interview with the Chairman of Chamber of Auditors of Azerbaijan. Newspaper Article.

<sup>17</sup> Primary source: [www.irfaa-eurasia.org](http://www.irfaa-eurasia.org)

Azerbaijan is represented on each of the Federation's five standing committees: accounting standards, auditing standards, legal reform, membership and ethics, and professional education and certification.

### **Accounting Standards Committee**

The Accounting Standards Committee aims to promote the harmonization of accounting practices in Eurasia through the adoption of International Accounting Standards (IAS). It also works to build public awareness, understanding and demand for IAS in the region. Its work program includes: (i) preparing a comparative analysis of national accounting standards in the Eurasian region with IAS; (ii) developing recommendations on how to implement and apply IAS; (iii) helping the translation of IAS into Russian and the distribution of these translations to the Eurasian accountancy profession; and (iv) promoting the implementation and use of IAS by public-sector organizations and educational institutions.

### **Auditing Standards Committee**

The aim of the Auditing Standards Committee is to support IRFAA Eurasia's Member Bodies in the area of audit reform, specifically in promoting the acceptance, understanding and implementation of International Standards on Auditing (ISA), as developed by IFAC. Its work program includes: (i) coordinating the translation of ISA into Russian; (ii) establishing and maintaining contacts with IFAC's International Auditing Practices Committee (IAPC); (iii) coordinating expert examinations where requested by a Federation member; (iv) developing recommendations on the implementation and use of ISA and organize conferences on this topic; (v) publishing a guide on auditing-related matters; (vi) developing a website on audit issues; and (vi) translating IFAC's *Code of Professional Ethics*.

### **Legal Reform Committee**

The Legal Reform Committee seeks to develop and promote model accounting and audit laws in the Eurasian region. Its work program includes: (i) creating a database on national accounting and auditing in the Eurasian region; (ii) preparing a comparative analysis between the existing national laws on accounting and auditing with international best practice; (iii) developing model laws on accounting and auditing and draft

recommendations on their implementation; (iv) establishing contacts and working relationships with respective international experts; and (v) organizing conferences and meetings with IRFAA Eurasia's Member Bodies, relevant public sector officials and international experts to discuss the implementation of the model laws on accounting and auditing in Eurasia.

### **Membership and Ethics Committee**

The Membership and Ethics Committee aims to develop guidance on professional ethics, based on IFAC's *Code of Professional Ethics*, and to promote its acceptance, understanding and enforcement by IRFAA Eurasia's Member Bodies. In addition, it reviews applications for IRFAA Eurasia membership and monitors compliance with the Articles of Constitution. Its work program includes: (i) drafting a model Code of Professional Ethics, based on IFAC's code; (ii) preparing recommendations for IRFAA Eurasia's Member Bodies on how to implement the new ethics code; (iii) creating a computerized register of Member Bodies, including official documents, staff, membership, work program and laws; (iv) defining rules of procedure for the admittance of new Member Bodies into IRFAA Eurasia; (v) helping IRFAA Eurasia's current associate Member Bodies to become full Member Bodies, and attract new Member Bodies; (vi) visiting IRFAA Eurasia's Member Bodies to study their professional activities and monitor their compliance with membership criteria; (vii) establishing and maintaining contacts with public sector officials, international organizations and professional associations of accountants and auditors; and (viii) organizing meetings to facilitate the exchange of experience and expertise between international organizations and the professional associations of accountants and auditors situated in the Eurasia region.

### **Professional Education and Certification Committee**

The Education Committee promotes the harmonization of professional education, training and certification programs in the Eurasia region. Based on international standards and guidelines, the Committee is developing a concept paper that will serve as a reference point for Member Body programs. Its work program includes: (i) studying and appraising current professional education and certification programs in Eurasia; (ii) drafting a model professional education and certification program, based on the relevant international education guidelines; (iii) establishing and maintaining contacts with international organizations and education in-

stitutions; (iv) drafting a strategic plan and develop recommendations on harmonization of certification and licensing programs in the Eurasian region; (v) preparing commentaries on legislative and normative acts that touch upon professional education, training, certification and licensing; (vi) assisting in the exchange of information and experience on professional education and training between IRFAA Eurasia's Member Bodies; (vii) establishing and maintaining relations with international and national organizations, and professional associations of accountants and auditors; and (viii) organizing conferences, congresses and seminars on relevant topics.

## **7. Issue Synopsis: Professional Infrastructure**

Chapter IX—*Issues and Recommendations*—identifies and describes constraints and proposes corrective actions. These include the following issues regarding Azerbaijan's professional accountancy infrastructure:

- Licensing requirements differ from international guidelines and norms:
  - Practical experience must be relevant to licensee studies (i.e., law, finance and economics), but is not necessarily related to accounting and auditing, nor is suitable supervision required.
  - Continuing profession education (CPE) is not mandated.
- No professional stepping stones, such as the Accounting Technician qualification, exist for aspiring accountants.
- Sectoral memberships, such as for government accountants, have not yet been established.