

## **V. Accounting and Auditing Training**

This chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction—provides an introduction to Azerbaijan accountancy education.
- 2 – Educational Legislation and Coordination—describes the coordination of Azerbaijan education and the role of legislation in setting directions for development of the education system.
- 3 – Education and Training Institutions—discusses the structure and activities of higher educational institutions in relation to accountancy education and training.
- 4 – Language of Instruction—identifies and discusses issues relating to the language of instruction.
- 5 – Professional Training Activities—describes the training activities of professional accountancy bodies.
- 6 – Other Externally-Supported Training Initiatives—describes other recent and ongoing externally-supported training initiatives.
- 7 – Issue Synopsis: Accounting and Auditing Education and Training—summarizes the issues identified in this chapter.

### **1. Introduction**

Together with other FSU states, Azerbaijan has a high literacy rate and comparatively high educational standards. Indeed, Azerbaijan education was renowned within the Soviet Union and more widely—particularly that related to the oil and gas sectors.

However today, most higher education institutions suffer from resource constraints. This relates to teacher remuneration and the attractiveness of teaching as a career for bright graduates (the average teacher is paid \$20 per month). Infrastructures have also deteriorated considerably, due to constrained budget funding and the accommodation of refugees and internally-displaced persons in many facilities. Moreover, post-independence difficulties have constrained the development of quality academic materials including textbooks. Furthermore, computer hardware and software are lacking and high Internet fees exclude most academics and students from accessing web-based information resources.

Private education is now common in Azerbaijan. But in contrast to some other FSU countries, the quality of instruction in state education institutions is generally stronger than in private institutions. For instance, (i) nearly all of the top scorers on the state admission exam study at state institutions, and (ii) Baku State University and Foreign Language Institute students outperform their private university counterparts in the Teaching of English as a Foreign Language (TOEFL) exams.

With regards to accounting and auditing education, a significant component of accounting skills are developed through on-the-job practical training and work experience. That aside, educational standards, particularly at the undergraduate level determine the basic level of knowledge that new entrants to the accounting profession have. The higher this level is, the faster those skills will be developed. Appendix II provides details of international standards and guidelines on accountancy education.

One state institution—the State University of Economics—offers undergraduate and postgraduate accountancy programs. As of November 2001, 1,100 students were enrolled in accountancy-based bachelor programs and 90 were undertaking masters programs. The specialist schools, for instance the Oil and Gas Academy, also teach specialist accountancy studies. Eight private tertiary institutions also offer accountancy programs, two of these teach predominantly in English. Furthermore, practical accountancy training is given by 26 vocational schools.

## **2. Educational Legislation and Coordination**

Shortly following independence, the Government recognized that the education system was largely unsuited to meet the needs of a mixed market economy; the *Law on Education* was subsequently enacted to support education reform.

The Education Ministry coordinates education activities in accordance with the *Law on Education* and with other subsidiary regulations. It directly oversees 20 of the higher educational institutions. Other ministries and committees oversee the remainder, which are predominantly specialist education institutions.<sup>21</sup> The State Student Admission Committee plans and controls student-admission levels to both public and private tertiary institutes.

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<sup>21</sup> Ministry of Education. 2001. Higher Educational Institutions in Azerbaijan. URL: <http://edu.gov.az>

Since 1999, the Ministry of Education has reemphasized educational reform, with support from the World Bank, UNICEF and EU-TACIS. However, the system remains highly centralized.

### 3. Education and Training Institutions

#### Introduction

As of January 2001, Azerbaijan had 48 higher educational institutions (30 state and 18 private), including 26 universities, 10 academies and 12 other higher educational institutions.<sup>22</sup>

#### Universities and Academies

Students generally start tertiary education after 11 years of study. Entry to degree programs is through tests administered by the State Student Admission Commission. Both public and private institutions offer four-year bachelor degree programs. Most of the state, and some of the private tertiary institutions also offer two-year masters programs and doctoral programs.

Furthermore, and although there is room for debate, many Azeris feel that the best and brightest students (i.e., those with the highest scores on the exams) end up attending the more prestigious public tertiary institutions

The *State Standards of Higher Professional Education* apply to bachelor and masters programs. The *Standards* prescribe: (i) minimum curriculum requirements; (ii) organizational structure; (iii) staff-student ratios; and (iv) protections for independence and academic freedom.

Historically, the basic education curriculum followed the FSU model, which differed substantially from a western curriculum. The curriculum must cover: general humanitarian and socioeconomic studies (20 percent); natural and applied sciences (10 percent); preparation for specialty subjects (major)(42 percent); specialty subjects (16 percent); and elective (12 percent).

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<sup>22</sup> *Ibid.*

<sup>23</sup> Ministry of Education. November 2001.

Eight private tertiary institutions also offer accountancy programs, two of these teach predominantly in English. Furthermore, practical accountancy training is given by 26 vocational schools.<sup>24</sup>

The quality of higher education is constrained by ad hoc curriculum development and a general absence of continuing education for accountancy lecturers and professors—the latter is critical in the dynamic environment of transitional Azerbaijan.

### Vocational and Technical Education

The first Azerbaijan technical school was established in 1843 and technical education continued to develop up until transition. The facilities of technical institutions were subsequently used as accommodation for refugees and internally-displaced persons. However, since 1996, the Government has prioritized the development of technical education in order to meet the skill needs of the transition economy.<sup>25</sup>

Technical education comprises: (i) one to two-year courses at the 36 vocational schools; and (ii) three-year courses at the 21 technical schools (lyceums). Twenty-four new specialties have been approved, including bookkeeper and computer operators. Practical accountancy (including bookkeeping) is taught at 26 vocational schools.<sup>26</sup>

### Azerbaijan Banking Training Center (ABTC)

The Baku-based Azerbaijan Banking Training Center was established, and is being developed, with EU-TACIS assistance of ●1.5 million. The Center is intended to train banking specialists in accordance with international demands. Its courses cover risk management, internal control systems and auditing, bank accounting standards and specialist auditing.

## 4. Language of Instruction

Russian-language education was previously the mark of excellence. Azeri-language education now dominates in accordance with Azerbaijan's move away from Russian, which includes abandonment of the Cyrillic alphabet

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<sup>24</sup> *Ibid.*

<sup>25</sup> Ministry of Education. 2001. Technical and Vocational Education. URL: <http://edu.gov.az>

<sup>26</sup> Source: Ministry of Education. November 2001.

in favor of the Latin script, and the decreed use of Azeri in official and private business.

English is the new foreign language of choice. Two private universities (Khazar University and Western) use English as the language of instruction.

For accountancy in particular, there is a chronic lack of textbooks and other teaching materials. Moreover, those that are available are either outdated or unsuitable in the Azeri context. Furthermore, the ongoing transition from Russian to Azeri will limit access to textbooks and specialized materials developed in other FSU countries, or translated from other languages by FSU publishing houses.

## 5. Professional Training Activities

The Association of Certified Accountants of Azerbaijan (ACAAz) and the Azerbaijan Association of Entrepreneurs also conduct accounting training. Courses are based upon those of the UK Association of Certified Chartered Accountants (ACCA) and are conducted by practitioners holding ACCA trainer certificates. The Chamber of Auditors (COAA) also conducts accounting and auditing training, however some interviewees questioned the quality of these activities.

## 6. Other Externally-Supported Training Initiatives

Chapter VII describes donor activities.

Table 4 details particular external support to accounting and auditing education and training.

Table 4: Externally-Supported Training Activities

Reference	Description	Timing
EU-TACIS	The specialist Azerbaijan Banking and Training Center (ABTC) was established, and is being developed, with support from EU-TACIS (€1.5 million). EU-TACIS has also supported training for accountants and auditors through the COAA. For instance, over 100 accountants and auditors were trained in 1997 on international accounting standards and practices.	1999–

Table 4: Externally-Supported Training Activities (continued)

Reference	Description	Timing
UNDP MAS/97/002	Support to Human Resources Development through the National Training Council: This project, for \$21,000, helped the National Training Council to fulfill its mandated role of coordinating training in Azerbaijan. It also assisted in finalizing the design of the project and will provide initial training to Azerbaijan personnel responsible for managing the training programs.	1997–98
USAID	USAID supported accounting reform through the Chartered Association of Certified Accountants (ACCA) Training-of-Trainers and Accounting Reform Scholarship programs. Intensive training took place to convert a broad spectrum of enterprises to IAS. Due to the training, a core group of 18 Azerbaijani accountants, with USAID support, established an independent Association of Certified Accountants of Azerbaijan (ACAAz) whose goals are to promote conversion to IAS throughout the country and to develop a national certification system based on the ACAAz program. The FY 2000 program focused on further developing the Association's capacity to deliver ACAAz courses and put a certification program into place.	2000–01
World Bank	The World Bank has supported accounting training for banks and financial institutions.	1995–

## 7. Issue Synopsis: Accounting and Auditing Education and Training

Chapter IX—*Issues and Recommendations*—identifies and describes constraints and proposes corrective actions. These include the following issues regarding Azerbaijan accounting and auditing education and training:

- The ongoing transition from Russian to Azeri as the emphasized teaching language is a significant challenge for educational institutions. For accountancy in particular, there is a chronic lack of textbooks and other teaching materials. Moreover, those that are available are either outdated or unsuitable in the Azeri context.
- Computer hardware and software are lacking and high Internet fees exclude most academics and students from accessing web-based information resources.
- The quality of higher education is constrained by ad hoc curriculum development.
- There is a general absence of continuing education for accountancy lecturers and professors—the latter is critical in the dynamic environment of transitional Azerbaijan.