

A.R.Mammadov
master student, Azerbaijan State Economic University
mammadovalibaku@gmail.com

Məqalə redaksiyaya daxil olub 10.04.2025

The article was received by editorial board on 10.04.2025

Статья принята к печати 10.04.2025

REGULATION AND AUDIT PROFESSION: CASE OF AZERBAIJAN

Abstract

This article will analyze the regulation and development of the audit profession in Azerbaijan, the existing legal framework and organizations, as well as compliance with international auditing standards. The aim is to improve the legal and professional structures of the audit profession in Azerbaijan, as well as examine the compliance of auditing with global regulatory systems. In addition, proposals will be put forward on the future development of the audit profession in the country, the challenges it faces, and the reforms that need to be implemented in this area.

Key words: regulation, audit profession, audit in Azerbaijan, international auditing standards, audit ethics.

INTRODUCTION

The auditing profession is an important field that ensures the accuracy and transparency of financial statements, as well as creating confidence in the activities of enterprises. As in many countries of the world, in Azerbaijan, audit regulation and professional standards are important for protecting the health of the economy and ensuring control over the financial sector. In modern times, auditing is not limited to checking financial statements, but also acts as a tool to ensure that the activities of enterprises comply with the legislation and adhere to ethical principles. In addition, the importance of auditing has increased in terms of combating transparency and corruption, protecting financial stability, and increasing investor confidence.

In the modern economy of Azerbaijan, the development and regulation of the audit sector has made significant progress in recent years. In particular, the country has implemented various reforms to adapt to modern international auditing standards and prepare financial statements in accordance with internationally accepted principles. These changes have also increased confidence in the country's economic system and created a more transparent and reliable environment for foreign investors. Important measures have been taken in Azerbaijan to regulate auditing, improve the quality of financial statements, and ensure compliance with professional responsibilities and ethical rules of auditors.

Regulation of the Audit Profession

Audit regulation is a process aimed at ensuring the accuracy and transparency of financial statements, as well as ensuring that auditors comply with professional ethical rules and operate within the framework of relevant legislation. Proper regulation of the audit profession not only verifies the reliability of financial statements, but also increases the reliability of the country's financial system, facilitates the decision-making process of investors and stakeholders. In addition, audit regulation

prevents professional bias, ensures that auditors and accountants operate in accordance with ethical standards, and also defines their responsibilities.

Audit regulation in Azerbaijan has undergone significant reforms in recent years. The regulation of the auditing profession in the legislative framework of Azerbaijan is determined, in particular, by the Law of the Republic of Azerbaijan "On Audit". This law establishes the basic principles of auditing regulation, requirements for the activities of auditors and the legal framework in this area. The Azerbaijan Chamber of Auditors (ACA) also plays an important role in regulating the auditing profession. The Chamber registers auditors, monitors their professional activities, ensures the application of ethical rules and establishes requirements for the certification of auditors.

The regulation of auditing in the Azerbaijani financial system has also been harmonized with international standards. International auditing standards set by the International Auditing and Assurance Standards Board (IAASB), as well as International Financial Reporting Standards (IFRS) for accounting and financial reporting, have begun to be applied in Azerbaijan. This harmonization increases Azerbaijan's credibility in international financial markets and creates a more transparent and modern environment for foreign investors.

Audit regulations in Azerbaijan are not limited to legal acts, but are also supported by appropriate control and administrative mechanisms. Control mechanisms, which operate in coordination between the Ministry of Finance, the Chamber of Auditors and other state institutions, effectively organize the processes of inspection and regulation of auditors' activities. These institutions play an important role in ensuring high-quality audit performance and transparency of financial statements.

The regulation of the auditing profession also includes the application of professional ethical rules. It is important for auditors to adhere to ethical principles in their activities, as the objectivity and independence of the audit are based on these principles. Azerbaijani legislation and regulatory bodies have developed various guidelines and standards to guide the professional conduct of auditors and ensure their compliance with relevant ethical rules.

Thus, audit regulation plays an important role in Azerbaijan in terms of economic transparency, accuracy of financial statements, and fulfillment of professional responsibilities of auditors. This regulation also ensures that the Azerbaijani audit profession operates in a reliable and professional manner at the international level, by being aligned with international standards.

The Audit profession in Azerbaijan: Structure and Organizations

The structure and organizations of the auditing profession in Azerbaijan consist of several important institutions established to ensure the transparency and accuracy of financial statements. These institutions play an important role in both the regulation of auditing and the monitoring and development of the professional activities of auditors. Various state and independent organizations operate in the regulation and development of the auditing sector in Azerbaijan. These organizations also perform important tasks in the areas of training, certification and compliance with ethical rules of auditors.

The Ministry of Finance of the Republic of Azerbaijan is one of the main state institutions regulating the audit sector. The Ministry develops and implements various regulatory and legal acts to ensure the transparency and accuracy of financial statements. The Ministry of Finance also acts as a body that monitors and regulates the activities of auditors. The Ministry plays a key role in the development of rules governing the activities of auditors and accountants and their implementation.

The Ministry of Finance has also taken appropriate steps to ensure Azerbaijan's compliance with International Financial Reporting Standards (IFRS). The Ministry is working to ensure compliance with international auditing standards in order to improve audit quality and ensure international recognition of auditing.

One of the most important organizations in the field of regulation and development of the auditing profession in Azerbaijan is the Chamber of Auditors of the Republic of Azerbaijan. The Chamber of Auditors is the body that regulates and supervises the professional activities of independent auditors in Azerbaijan. Operating since 2000, this organization oversees the certification, compliance with ethical rules, and professional development of auditors.

The Chamber of Auditors organizes various certification programs and trainings to ensure the activities of auditors and their appropriate levels of expertise. The Chamber also ensures that auditors operate in accordance with the legislation and develops rules regarding their professional responsibilities. The Chamber of Auditors also monitors the activities of auditors and provides their certification, which ensures that the audit is carried out in accordance with professional standards.

The Azerbaijan Association of Accountants and Auditors (AAAA) is also an organization that plays an important role in the development of the auditing profession. AAAA was established to promote the professional development of accountants and auditors and support their activities. This organization provides certification and training for auditors and accountants, as well as organizes various professional seminars, conferences and trainings.

AAAA also promotes the application of international standards in the field of accounting and auditing and ensures compliance with local legislation. This organization works to strengthen professional relations between accountants and auditors and introduce innovative approaches in the field.

Certification and training standards for auditors working in the auditing profession in Azerbaijan are set by the relevant regulatory bodies, in particular the Chamber of Auditors. The certification of auditors aims to ensure their professional level and adherence to ethical principles. These certifications ensure the quality of the activities performed by auditors and increase the independence and objectivity of the audit.

Azerbaijani auditors are also certified based on international auditing standards. This ensures that auditors operate professionally in both the local and international environment. The certification process is carried out in accordance with relevant guidelines and assesses the professional skills of specialists. After obtaining this certification, auditors must undergo periodic updates and continue their professional development.

Training and certification programs for auditors in Azerbaijan are also developed in accordance with international accounting and auditing standards. These programs provide auditors with relevant theoretical and practical knowledge, equip them with the ability to properly analyze financial statements and identify risks. Training programs also ensure that auditors adhere to ethical principles, maintain their independence and objectivity.

Compliance with international practice plays an important role in the process of auditing regulation and auditor certification in Azerbaijan. Auditors operating in Azerbaijan are constantly involved in training and certification processes to operate in accordance with international auditing standards and ethical rules.

Compliance with international Audit Regulations.

International auditing regulations are rules that ensure high quality and reliability in the activities of auditors, establishing appropriate standards and procedures. These regulations also increase the reliability of auditing at the international level, facilitate the exchange of experience between different countries, and ensure transparency and independence in the global economy. The issue of compliance with international auditing regulations in the field of auditing in Azerbaijan is particularly important, since the country is a country that participates in international financial markets, seeks to attract investors, and aims to increase transparency in the economy.

The basis of international auditing regulations is formed by the IAASB (International Auditing and Assurance Standards Board) and IFAC (International Federation of Accountants). These organizations develop and improve international auditing and assurance standards (International Standards on Auditing - ISA) in order to improve the quality of auditing and accounting services.

IAASB (International Auditing and Assurance Standards Board): IAASB is a global organization that ensures the development of International Auditing and Assurance Standards (ISA). These standards are developed to ensure the independence, objectivity and integrity of auditors and the audit process. The standards established by the IAASB are accepted and applied by auditors worldwide. The ISA standards developed by the IAASB are aimed at increasing the independence of financial statements, transparency and reliability of the audit.

IFAC (International Federation of Accountants): IFAC is an organization that supports the development of the international accounting and auditing profession. IFAC ensures the development of professional ethical rules and quality standards in the field of accounting and auditing. This organization also sets international requirements for accounting and auditing training and education. IFAC member countries agree to operate in accordance with international accounting and auditing standards.

The audit sector in Azerbaijan is aligned with international regulations. Compliance with international auditing standards in Azerbaijan is ensured by both local legislation and the activities of relevant organizations. Azerbaijan has implemented various reforms to ensure that independent auditing and financial reporting comply with international requirements. The main goal is to increase transparency in international financial markets and to provide local auditors with credibility in the international environment.

In Azerbaijan, international auditing standards and practices established by the IAASB and IFAC have been adopted by the Chamber of Auditors of Azerbaijan and the Ministry of Finance. The legislative framework of Azerbaijan provides for the application of international auditing standards and the relevant certification of auditors.

The application of international auditing standards in the auditing field of Azerbaijan is manifested in the following areas:

Auditing Standards Compliance: Auditors in Azerbaijan operate within the framework of International Standards on Auditing (ISA). Auditors use international standards to ensure the accuracy of financial statements and verify their compliance with the relevant legal framework. In addition, relevant regulatory authorities monitor the implementation of these standards and operate in accordance with these principles to improve the quality of audits.

Compliance with International Accounting and Financial Reporting Standards: Azerbaijan prepares its financial statements in accordance with internationally accepted standards by complying with International Financial Reporting Standards (IFRS). This increases transparency in Azerbaijan's financial system and strengthens its credibility in international markets.

Professional Certification and Training: Auditors are certified based on international auditing standards. The Azerbaijan Chamber of Auditors and other relevant organizations organize internationally recognized training and certification programs for auditors. These trainings develop the skills of auditors in accordance with relevant international standards and strengthen their professional activities.

The application of international auditing regulations in Azerbaijan is carried out by following the practices of various developed countries around the world and adapting these practices to local conditions. The application of international practices in Azerbaijan is aimed at protecting the

independence and objectivity of auditors, ensuring the accuracy of financial statements, and generally increasing the health of the country's economy.

Implementation of International Auditing Standards: The implementation of international practices in the field of accounting and auditing in Azerbaijan is carried out under the guidance of relevant international organizations (IAASB and IFAC). Azerbaijan has adopted the relevant legal frameworks and regulations in accordance with the requirements of international auditing regulations. This creates a safe environment for both local professionals and international investors.

Developing International Practices: Azerbaijan is developing in the audit field by following international practices. The country offers training and certification programs for both local auditors and accountants in accordance with international auditing and accounting standards. These practices support the professional development of auditors and accountants and ensure that the Azerbaijani audit field operates in accordance with world standards.

Ethics and responsibilities of auditors

Auditors are professionals who have a great responsibility to ensure the accuracy, transparency and compliance of financial statements. Their activities are not limited to the verification of reports, but also constitute a fundamental control mechanism for enterprises to manage their financial transactions correctly and transparently. Compliance with ethical principles in the activities of auditors not only protects their independence and objectivity, but also ensures the soundness of the financial and economic environment. For this reason, it is very important for auditors to comply with ethical rules and properly fulfill their professional responsibilities.

When basing auditors on their ethics and responsibilities, the most important principles and values in their activities are as follows:

Independence and Objectivity: The independence and objectivity of auditors are one of the most fundamental ethical principles. Auditors should work independently and objectively and should not be influenced in any way during the audit process. They should avoid personal interests that could influence the conclusions to be drawn and the recommendations to be made during the audit process. The independence of auditors is very important not only for their personal but also for their professional identity, because only an independent and objective auditor can analyze financial statements correctly and transparently.

Ethical Conduct: Auditors should act properly in the course of their professional activities, complying with ethical principles and local legislation. Ethical conduct of auditors helps to maintain their professional credibility, as well as to gain the trust of their clients and the public. Auditors should strive to increase transparency in financial transactions, while protecting the rights of clients and other stakeholders.

Professional Responsibility: Auditors have a professional responsibility to ensure the accuracy and integrity of financial statements, to protect client information, and to be impartial. The responsibility at the heart of auditors' work is to protect the rights of those who rely on their reports (investors, government agencies, clients, etc.).

Confidentiality: Auditors must keep confidential the information of clients and other related parties. Auditors must use the information they obtain only for the purpose of the audit and must not share it with third parties, that is, all information they obtain must remain confidential. Violation of this principle can seriously damage the auditor's professional reputation and the reputation of his clients.

Professional Competence and Due Care: Auditors must continually develop their professional skills and keep abreast of developments in their field. They must maintain the highest professional standards in their work and apply their best abilities. Auditors must provide their clients with fair,

accurate and objective assessments and opinions, and must adhere to high professional standards in the audit process.

The responsibilities of auditors are defined in both a legal and professional framework. These responsibilities include the following:

Financial Statement Accuracy: One of the primary responsibilities of auditors is to verify the accuracy and transparency of financial statements. Auditors must analyze clients' financial information to ensure its compliance with International Financial Reporting Standards (IFRS) and local legislation. This is necessary both to ensure the accuracy of the company's internal management and to provide information to external investors, government agencies, and other stakeholders.

Information Security and Confidentiality: Auditors must keep client information confidential and not share it with third parties. Because financial information is very sensitive, auditors can only disclose this information with appropriate and legal authorization. Confidentiality is one of the basic requirements for protecting the auditor's professional reputation.

Safety and Compliance with Laws and Regulations: Auditors must comply with local and international laws and operate in accordance with relevant regulations. This helps to protect their legal liability and professional reputation. Auditors must operate only within the framework of relevant legislation and prevent any illegal transactions.

Client Interests and Transparency: Auditors must protect the interests of their clients and ensure transparency in their activities. To maintain the credibility of auditors, they must provide only correct information and act in accordance with the client's interests. This ensures that they build long-term relationships with their clients and increase their professional credibility.

Compliance with the ethical and professional responsibilities of auditors is not only the responsibility of the auditors themselves, but also of the relevant regulatory bodies and other oversight bodies. In Azerbaijan, these responsibilities are managed through the following structures:

In Azerbaijan, various institutions operate to ensure that auditors comply with ethical rules and properly regulate their professional activities. The most important of these institutions is the Chamber of Auditors of the Republic of Azerbaijan. The Chamber of Auditors is the main body that ensures that auditors comply with ethical rules and regulates their professional activities. The Chamber certifies auditors, monitors their activities, and ensures that auditors comply with ethical rules. This helps to maintain the credibility and independence of auditors' work. In addition, auditors must operate in accordance with international standards of IAASB (International Auditing and Assurance Standards Board) and IFAC (International Federation of Accountants) and must fulfill the ethical and professional requirements set forth in those standards. These international regulations require auditors to apply globally accepted ethical and professional values to their activities. These principles ensure the independence, objectivity and transparency of auditors' activities, as well as increase their international credibility.

Another important institution is the Ministry of Finance. The Ministry is the main state body that supervises the activities of auditors and applies relevant laws and regulations to ensure the transparency and accuracy of audits. The Ministry of Finance seeks to increase the health and transparency of the country's economy by regulating the activities of auditors and ensuring the accuracy of financial statements.

Problems and Development Prospects of the Audit Profession in Azerbaijan

Although the audit profession in Azerbaijan has developed in recent years, there are a number of key challenges. These challenges include insufficient professional skills, weak independence and objectivity of auditors, shortcomings in the regulatory framework, and lagging behind technological development. These issues can reduce the quality and transparency of audits.

The development prospects of the audit field in Azerbaijan are related to the full implementation of international audit standards, strengthening professional education and certification programs, the introduction of modern technologies, and improving the regulatory framework. Appropriate control mechanisms should be established to protect the independence of auditors and compliance with ethical rules. International exchange of experience and cooperation can also contribute to the international recognition and development of the country's audit profession.

The implementation of these reforms in Azerbaijan will increase the quality of the audit profession and ensure transparency in financial markets.

CONCLUSION

The auditing profession in Azerbaijan plays a very important role in the country's economic development and ensuring the transparency of the financial system. The audit field is not limited to verifying the accuracy of financial statements, but also contributes to increasing reliability and transparency in the economy as a whole. However, a number of challenges encountered in the development of the auditing profession prevent this field from realizing its full potential. These challenges mainly include factors such as the lack of professional education and certification programs, difficulties in ensuring the independence of auditors, existing gaps in improving the regulatory framework, and insufficient acceleration of technological development.

The main steps to be taken to develop this field should be to bring auditing into line with international standards, strengthen professional education and training, introduce modern auditing tools and develop technology. It is important to strengthen control mechanisms and relevant legislation to ensure that auditors adhere to ethical principles and protect their independence. Azerbaijan can raise the country's economy to a more transparent and reliable level by following international practices and modern developments in the field of auditing.

The further development of the auditing profession in Azerbaijan will increase its credibility not only locally but also internationally and will enable Azerbaijan to have a stronger position in the financial markets. With the development of professional education and certification programs, the application of international auditing standards, the use of modern technologies and the improvement of the regulatory framework, Azerbaijan has the potential to establish a market that provides high-quality services in the field of auditing and operates in accordance with international standards.

Thus, by implementing these reforms, Azerbaijan can make the auditing profession an internationally reliable, independent and transparent field. Professional implementation of audit activities will increase the accuracy of financial statements, as well as ensure a healthier and more sustainable development of the country's economy.

References:

1. A.C.M. (Tony) Munro "International Auditing and Assurance Standards: A Guide to the ISAs".
2. ACCA (Audit and Assurance) BPP.
3. Accounting, Organizations, and Society [ScienceDirect].
4. Alvin A. Arens, Randal J. Elder, Mark S. Beasley - "Auditing and Assurance Services: An Integrated Approach".
5. Association of Chartered Certified Accountants.
6. Association of Chartered Certified Accountants (ACCA) - "The International Standards on Auditing (ISA) - A Handbook".
7. Audit Sampling: An introduction by Ray Whittington, Douglas R Carmichael.

8. Auditing: A Journal of Practice and Theory [Business Source Premier].
9. Beasley, M.S., Carcello, J.V., & Hermanson, D.R. (2017). "Fraudulent Financial.
10. David O'Regan - "Audit and Assurance Services: An Applied Approach".
11. Deloitte, "Audit Quality Insights" (2021).
12. Documents of the Ministry of Finance and Audit Institution of the Republic of Azerbaijan.
13. Horngren, C.T., & Harrison, W.T. (2018). Financial Accounting. Pearson.
14. International Auditing and Assurance Standards Board.
15. International Federation of Accountants (IFAC) - "The Handbook of International Auditing, Assurance, and Ethics Pronouncements".
16. International Standards on Auditing.
17. Karla M. Johnstone, Audrey A.J. Gramling, Larry E. Rittenberg - "Auditing: A Risk-Based Approach".
18. . O'Reilly, P. (2019). "Audit Regulation in Emerging Markets." Journal of International Accounting Research.
19. Peter C. van der Kloot - "Audit Risk and Materiality in Conducting an Audit".
20. Public Company Accounting Oversight Board.
21. PwC, "The Future of Audit. (2022).
22. Raymond N. Johnson, James F. Ruhl - "Principles of Auditing & Other Assurance Services".
23. Steven M. Bragg - "Financial Statement Audits: A Practitioner's Guide".
24. Wiley - "Wiley CPAexcel Exam Review 2024 Study Guide: Auditing and Attestation".
25. World Audit Report," IFAC. (2022).

A.R.Məmmədov
Azərbaycan Dövlət İqtisad Universiteti

Tənzimləmə və audit peşəsi: Azərbaycan nümunəsi **Xülasə**

Məqalədə Azərbaycanda audit peşəsinin tənzimlənməsi və inkişafı, mövcud qanunvericilik bazası və təşkilatları, habelə beynəlxalq audit standartlarına uyğunluğu təhlil edilir. Məqsəd Azərbaycanda audit peşəsinin hüquqi və peşəkar strukturlarını təkmilləşdirmək, o cümlədən auditin qlobal tənzimləmə sistemlərinə uyğunluğunu yoxlamaqdır. Bundan əlavə, ölkədə auditor peşəsinin gələcək inkişafı, onun qarşısında duran vəzifələr, bu sahədə həyata keçirilməsi zəruri olan islahatlarla bağlı təkliflər irəli sürülür.

Açar sözlər: *tənzimləmə, audit peşəsi, Azərbaycanda audit, beynəlxalq audit standartları, audit etikası.*