



# IFRS-driven accounting reforms in Azerbaijan: Training and Education

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- **Following the process of Azerbaijan's dynamic integration into the world economy and stronger economic role of foreign investors on the domestic market, and consequently stronger ties of national businesses with foreign companies, primarily from EU member states, Azerbaijan needed to develop uniform financial accounting rules which would be clear to external users, most of whom are investors from developed economies.**
- **To achieve this, a new national accounting concept needed to be developed in line with the International Financial Reporting Standards (IFRS).**
  - **Key goals of reforms:**
  - **ensure a full shift of the public and corporate sector to the IFRS;**
  - **ensure full transparency of companies' operations and facilitate their access to international markets;**
  - **create a new institutional accounting and reporting framework, while ensuring that the government fulfills respective regulatory functions.**



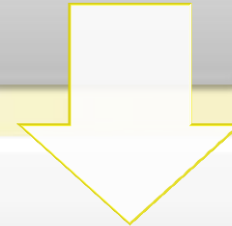
# Accounting reform in Azerbaijan include the following stages:



**First stage** - Pass a package of laws to regulate the accounting and financial reporting sector in line with international standards



**Second stage** - Draft and implement a range of measures, incorporated into corresponding laws, to make sure that companies and institutions submit new financial reports as prescribed by Azerbaijani laws

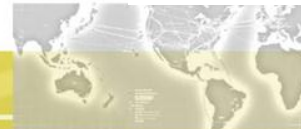


**Third stage** – Ensure continued education of companies and institutions' accounting staff in order to acquire knowledge and skills in preparing new financial reports; carry out external and internal audit over timely submission of quality reports under the new standards





- **Starting from 2004, when the law on accounting (drafted with WB's direct involvement) was adopted and ordered a mandatory shift to IFRS-based accounting and financial reporting, accounting reforms in Azerbaijan have proceeded at a very robust pace.**
- **Shift to the IFRS was directed by the MoF of Azerbaijan with active involvement and financial support on the part of the WB. Today, to take one example, a «Corporate and Public Sector Accountability Project» is underway. It is financed by the Government of Azerbaijan together with WB, Swiss Secretariat and the Government of Japan.**





**The first stage of reforms has created a fully-fledged legislative and methodological framework that enables companies and institutions to compile IFRS and IPSAS-based reports, laying the ground for the second stage of reforms.**

**Also, conditions and framework have been established to quickly translate and adopt new standards, IFRS и IPSAS, and change the existing standards respectively. Work has been finalized to adopt IFRS and IPSAS 2012.**



# Key actions at the second stage of reforms

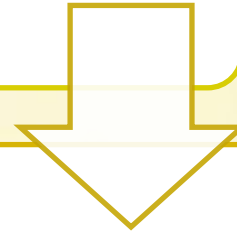


- Under the law “on accounting” annual reports were compiled in 2009 by commercial companies (except for small businesses) and in 2010 by non-commercial organizations (public institutions, NGOs and extra-budgetary funds). Today all credit organizations, insurance companies, commercial companies of public significance, public institutions, NGOs and municipal institutions provide their reports on the basis of IFRS, IPSAS and National standards.
- Laws envisage penalties for those organizations that fail to provide their reports within the specified time frame or fail to compile their reports in line with the new standards, which has become an effective measure to ensure compliance.
- Software has been prepared to ensure that accounting is based on the National Accounting Standards. Software has been made available for free to all public institutions. Therefore, the shift to new financial reporting system has been completed at the level of public institutions.

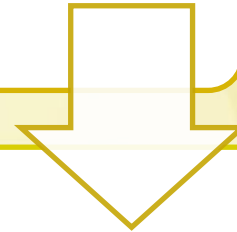




**At the second stage of reforms, conditions and an institutional framework have been created for companies and institutions to submit their financial reports in line with international standards.**



**At the same time, the implementation of standards has led to a range of problems that required immediate solutions. The key problem is the lack of qualified accounting and audit personnel, which impacts the quality of reports and the pace and outcomes of reforms.**



**During a massive shift to IFRS, training and education are the key preconditions to success. Because of this, in 2009-2010 a range of measures were launched to address this issue.**



# Key tasks for the current stage of reforms



- **Strengthening the training and education component of reforms and creating a comprehensive training and re-training system for accountants and auditors.**
- **The core education will include:**
  - **general education (specializing secondary education and university level education) ;**
  - **professional training of auditors and accountants (who will compile reports) ;**
  - **train-the-trainers and teachers;**
  - **training of junior accountants (bookkeepers);**
  - **targeted education in specialized areas, such as accounting, audit, public sector accounting, internal control and the disclosure of data on financial instruments, companies, effective management and requirements that quoted companies must meet;**
  - **education of other players in the system, including employees of regulatory agencies and analytical centers.**





# Key actions at the third stage of reforms



- Training programs on reporting have been organized for accountants in the public sector and NGOs
- In collaboration with the Ministry for Education, all educational institutions in Azerbaijan which train accountants and auditors have provided re-training for teachers, MA and BA levels.
- Starting from 2010, education in accounting and audit in Azerbaijan is provided on the basis on international and national accounting standards.
- Together with the WB, a financial training and science centre has been established, and will provide further non-stop training and re-training course for all accountants and auditors, with mandatory certification.
- A certification model has been created along two major directions:
  - Professional qualifications
  - Certification for public sector accountants
- Training materials and manuals have been prepared (translated into the Azerbaijani language and adapted) on the basis of materials from key certification centers (ACCA, CIMA, CPA, CIPFA etc). Intellectual property rights for the translation and publishing of these materials have been acquired.
- The curriculum in the certification center and universities is based on a national accounting and audit curriculum, which was developed on the basis of similar programs offered by the leading international training and certification centers.

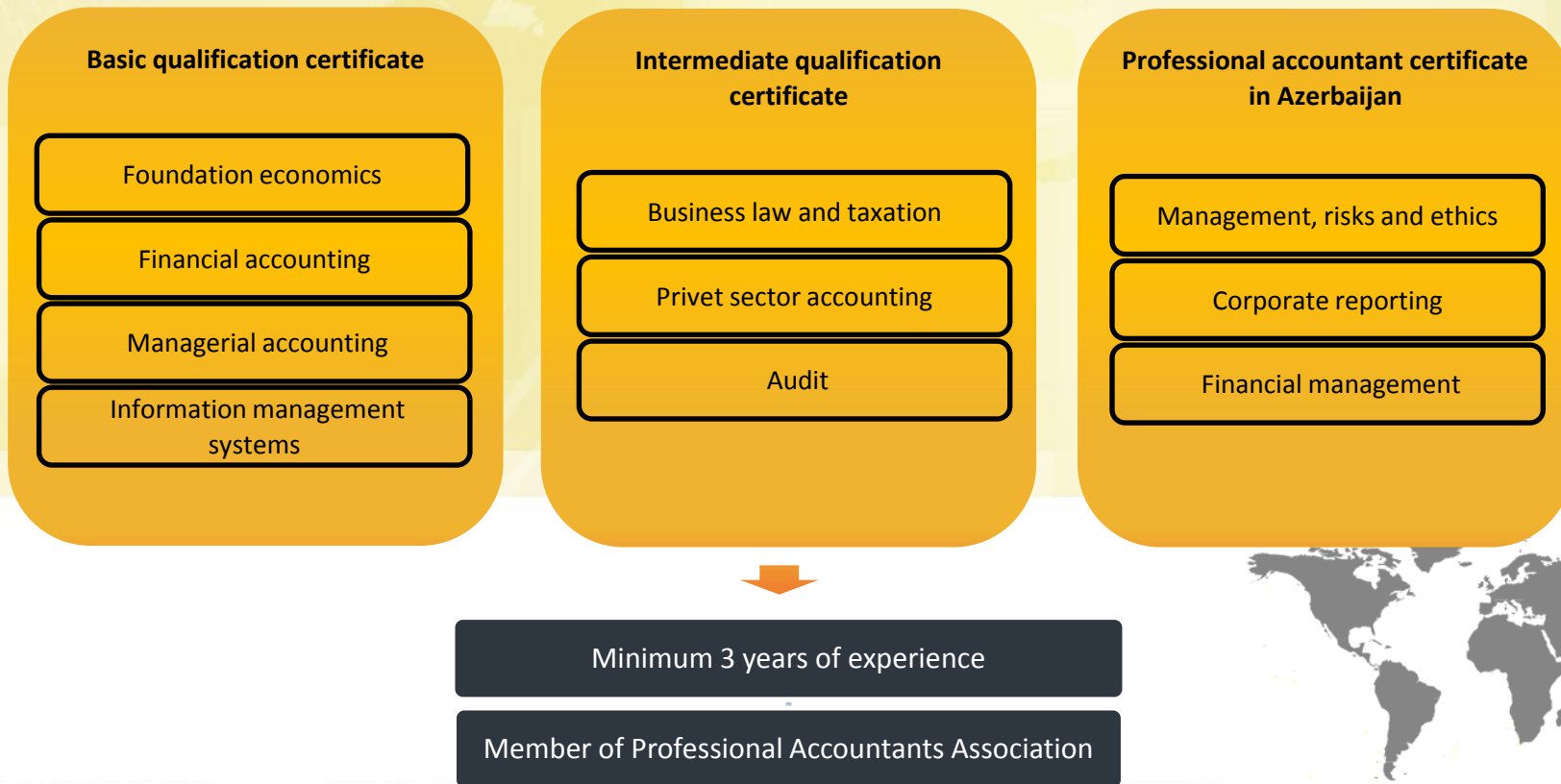
Therefore, the system of continuous learning and certification in Azerbaijan has been fully adapted to and built on the same core principles as the leading world training and certification technologies for accountants and auditors.



# Stages in Professional Qualifications

In order to become a qualified Member of Professional Accountants Association, a student must meet the following requirements:

- Pass all qualification exams (students who already have international qualifications can transfer credits, exams must only be passed on subject matters related to the national accounting standards, as well as local laws and taxation).
- Have minimum 3 years of experience





## Mandatory certification for public sector accountant

- **Certification for public sector accountant is designed for those who work as financial specialists in public institutions and have not been abreast on IPSAS and National Public Sector Accounting Standards (NPSAS)**

**Certification process will include three separate exams:**

- **Financial accounting**
- **Taxation in the public sector**
- **Financial reporting for the public sector**





**THANK YOU FOR YOUR  
ATTENTION!**

