

BACKGROUND NOTE ON ACTION PLANS

The SMO Action Plan is intended to provide a summary of:

- The legal and regulatory environment for the profession.
- The status of adoption of international standards and best practices in the jurisdiction; and
- The level of a Member's or Associate's fulfillment of IFAC membership requirements.

IFAC [Statements of Membership Obligations](#) (SMOs) require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a quality assurance (QA) review and investigation and disciplinary (I&D) systems. IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where and if any improvements are needed. Members and Associates should develop an Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs (revised in 2012), and (b) where some requirements are not yet addressed, to present plans towards their fulfillment. Action Plans are designed to be **ever-green** documents that take into consideration IFAC recommendations. Depending on the PAO's level of fulfillment (see [IFAC's Summary Assessment](#) – page 2), an Action Plan may not be necessary for each SMO section and instead PAOs sign an '[Attestation of SMO Compliance](#)'. However, PAOs may wish to utilize the Action Plan section to demonstrate how they are using 'best endeavors' and going beyond their mandate with innovative approaches to fulfilling the SMOs and strengthening the national profession.

The specific details of each organization's actions will vary even where two PAOs are in the same jurisdiction. Each PAO operates in its own unique regulatory and standard-setting framework and has different operating, technical, and resource capacities. Moreover, in deciding when and how a particular SMO requirement is to be addressed, one PAO may seek to achieve a short-term goal while requiring a longer time for full implementation whereas another PAO may be able to fully implement the activity within a shorter time frame. Notwithstanding these inevitable differences, seeking the advice and assistance of other PAOs who have already faced and dealt with similar challenges can save significant time and resources and prevent false starts. IFAC staff will also offer assistance as needed.

Regular updates of the SMO Action Plans are required as part of the [IFAC Member Compliance Program](#).

Use of Information

Please refer to the [Disclaimer](#) published on the IFAC website.

¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to affect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop, or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

ACTION PLAN

IFAC Associate:	Association of Professional Financial Managers (APFM)
Approved by Governing Body:	Board of Directors
Original Publish Date:	November 15, 2022
Last Updated:	November 15, 2022
Next Update:	November 15, 2024

GLOSSARY

IAASB	International Assurance and Auditing Standards Board
I&D	Investigation and Discipline
IES	International Education Standards
IESBA	International Ethics Standards for Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISQC 1	International Standard on Quality Control 1
ISA	International Standards on Auditing
QA	Quality Assurance
PIEs	Public interest entities
SMEs	Small and Medium Sized Entities
SMOs	Statement of Membership Obligations
SMPs	Small and Medium Practitioners
APFM	Association of Professional Financial Managers
MoF	Ministry of Finance
AF	Accounting firms
IFAC	International Federation of Accountants

Action Plan Subject: General Description of Organization, Environment and Goals of the Action Plan
Action Plan Objective: Describe Regulatory and Standard-Setting Framework, Governance, Challenges and Success Factors

General Information on the PAO

Association of Professional Financial Managers (APFM) was established in 2007, registered at Ministry of Justice on 25.05.2007

APFM is a non-for-profit legal entity carrying out professional self-governance of accountants and financial managers.

In accordance with the Resolution of the Ministry of Finance of the Republic of Azerbaijan dated August 26, 2019, q-01, following the requirements of paragraph 2.2 of the Rules of Accreditation of Professional Accountants, approved by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan # 204 of May 2, 2019, APFM is accredited as a Professional Accountancy Organization, which provides membership and trainings for mandatory certification of chief accountants. In addition, candidates with certificate of Institute of Certified Financial Managers (ICFM) - Diploma in IFRS (APFM is the ICFM's official representative in Azerbaijan) are exempt from the first phase of the examination for a Professional Accountant Certificate on IFRS or IFRS for SME.

According to the **Resolution # 204 (2019)**, to be accredited as a **professional accountancy organization**, a non-profit organization must have been operating in the field of accounting for at least five years in providing services for the implementation or translation of international standards; conducting relevant training and (or) examinations according to international standards, with a license for additional education. The main criteria: the presence of at least 500 members (individuals and legal entities) or 200 members with a certificate of professional accountants, the presence of the following structural units; structural unit for professional development of accountants; a structural unit or relevant position for the settlement of disputes arising in connection with membership; a plan of conduction trainings related to professional development of members. There are 3 accredited professional accountancy organization in Azerbaijan: Association of Professional Financial Managers of Azerbaijan (APFM), Azerbaijan Accountants and Risk Professionals Association (ARPA), Union of Young Accountants (GMB)

The purpose of professional self-governance of accountants and financial managers is to combine, on a professional basis, the efforts of accountants and financial managers to perform their duties and to enforce their rights, to represent the professional interests of accountants and financial managers in state and local authorities, to protect professional interests and social rights of accountants and financial managers, improving the professional level of accountants and financial managers and providing them with methodological assistance, protecting the interests of individuals and legal entities.

Main functions of the APFM: are defined by the Company charter. These are:

- 1) regulation of the relations between the members in the process of conducting the professional activity.
- 2) control over the continuous professional development of accountants and financial managers.
- 3) participation in expert assessment of legislative drafts relate to the accounting activities.
- 4) summing up of the practice of application of the International Financial Reporting standards and providing recommendations upon request of the AFs on controversial and complex issues.
- 5) to represent Azerbaijanian accountants in relations with the state authorities, local authorities, their officials and officers, enterprises, institutions, organizations irrespective of the form of ownership, public associations, and international organizations.
- 6) to advocate professional rights of accountants and financial managers.
- 7) providing with access and transparency of information regarding accountants and financial managers of Republic of Azerbaijan.
- 8) assisting accountants and financial managers in developing their financial-economic thinking

Members of the APFM are accountants and financial managers 800 members. Under the law membership in the APFM is mandatory for chief accountants or who would be Professional accountants. Full members of the organization may be legal entities and individuals, associate members may be students.

- Associates- novice accountants or 3-year practice in these area/ or last course students
- Full members- high education (university) diploma in finance, accounting, economics, 3-year practice in this area, certificate of APFM (current situation). In the future after passing exam of Professional accountant, which required by Law, will be full member as well.
- Corporate- this is a special membership designed only for partner organizations, juridical entities, companies, there is no special requirements and membership procedure is agreed by two sides.

APFM's members provide professional services in accordance with International Financial Reporting standards, Code of Ethics and other. The majority of APFM's members provide the accountancy-related services and financial consulting.

The governing bodies of the APFM are Chairman and General Assembly Supreme Body. The Board of the APFM represents the interests of members. The Board consists of 3 persons, Chairman and members of Board elected by the General Meetings and makes decisions on behalf of the APFM at its meetings that shall be held every month. The term of office of the Board's members is two years. The Chairman performs representative functions on behalf of the APFM chairs the meetings of the Board. APFM established Committees for the International Financial Reporting Standards, Accounting and Legislation, Professional Education, Membership and Ethics, International Relations and Events. Current operations of the APFM are managed by the Deputy chairman and provide activities in Administration, Finance and accounting, Supply and Logistics, Risk management and PR.

APFM is a Member of European Federation Accountants and Auditors (EFAA).

Regulatory and Standard-Setting Framework

Preparation of financial statements in Azerbaijan is regulated by the Law of the Republic of Azerbaijan on "Accounting" entered into force in 2018. Under the Law standards to be applied the commercial organizations that are public interest entities (PIEs), large – sized, medium-sized entities, and SME are required to apply International Financial Reporting Standards:

- Public entities prepare financial statements required by this Law in accordance with International Financial Reporting Standards.
- SMO entities ensure the maintenance of accounting records in accordance with the rules for keeping records in micro and small businesses established by the relevant executive authority, or at its option, could draw up financial statements in accordance with the International Financial Reporting Standards for Small and Medium Enterprises or the International Financial Reporting Standards.
- Large business entities must prepare their financial statements in accordance with International Financial Reporting Standards for SME. In this case, large business entities maintain accounting records in accordance with accounting rules approved by the relevant executive authority in accordance with International Financial Reporting Standards for SME, or at its option, could prepare financial statements in a form that complies with International Financial Reporting Standards.
- Medium-sized businesses must prepare their financial statements in accordance with the International Financial Reporting Standards for SME.

- Budgetary organizations and municipalities prepare the financial statements required by this Law in accordance with International Public Sector Accounting Standards. (IPSAS)

The new Law also introduced the concept of Professional Accountant - a person who has successfully passed an examination conducted by State Examination Centre, has received a certificate of a professional accountant and is a member of the Professional Accountancy Organization.

The Certificate of a professional accountant is a document that confirms that a person has successfully passed the exam organized by the State Examination Centre and that it corresponds to the degree "Professional accountant".

The Professional Accountancy Organization is a non-profit organization accredited by the Ministry of Finance; whose members are composed of professional accountants. APFM is accredited as a Professional Accountancy Organization as well.

The standard-setting body in Azerbaijan is the Ministry of Finance. The Ministry of Finance is responsible for the translation of IFRS and has signed the necessary agreements with the IFRS Foundation. The MoF approves accounting rules, to improve the National Accounting System, cooperates with professional accounting organizations; ensures the maintenance of the state register of persons who have received a certificate of a professional accountant; conducts accreditation of the organization of professional accountants.

Regulation of the Accountancy Profession

Entry into the profession is regulated by PAO. At the Law of Accounting mentions those who pass the exam held by the State Examination Centre shall receive a certificate which certifies his (her) qualification as "a qualified accountant". The qualified accountant certificate, form of which is to be drawn up by the State Examination Centre, shall be valid for five years.

APFM has following requirements for members: As a qualified accountant may be recognized an individual who has higher economic education, has undergone practical training in conducting accounting activities.

The educational requirements are prescribed in "Rules for the organization of the process of issuing Professional Accountant Certification, conduction of exams and state registration of persons having received the professional accountant certificate" approved by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan (No. 237 dated May 22, 2019). According to these rules:

for obtain a qualification of Professional accountants the participants must confirmed the high level of theoretical knowledge and professional competence by successfully passing the qualification exams in State Examination center, based on high education or professional college and 5 years of practical experience. State Examination center responsible for verifying practical experience requirement.

In Azerbaijan does not directly require application of the IESBA Code of Ethics by Law.

According to Law, chief accountants of entities of public importance, large-scale business entities, government-financed organizations and public legal entities which annually publish its financial reports or consolidated financial reports, except legal entities with state-owned controlling interest (stock), legal entities which have outstanding securities in stock exchange, must be professional accountants.

Any legal entity which renders accounting services to accounting entities mentioned in article 3.4 of this Law should have labor contracts at least with two, but in case of an individual, which does business without founding a legal entity and is not a qualified accountant himself (herself), he (she) should have a labor contract at least with one qualified accountant"

Law determines: A professional accountant –a person who has received a qualified accountant certificate upon passing the exam held by the State Examination Centre and is a member of Professional Accountancy Organization.

Professional Accountancy Organizations- are non-profit organizations, accredited by Ministry of Finance and composed of professional accountants. In accordance with the Resolution of the Ministry of Finance of the Republic of Azerbaijan dated August 26, 2019, q-01, following the requirements of paragraph 2.2 of the Rules of Accreditation of Professional Accountants, approved by the Resolution of the Cabinet of Ministers of

the Republic of Azerbaijan # 204 of May 2, 2019, APFM is accredited as a Professional Accountancy Organization, which provides trainings for mandatory membership of chief accountants.

Enforcement of Law of the Republic of Azerbaijan (nr.1140-VQD, dated by 4 May 2018) “On Amendments to the Law of the Republic of Azerbaijan “On Accounting” and ensuring of implementation of some provisions of the relevant law under the Decree issued by the President of the Republic of Azerbaijan on 1 June 2018, has been entrusted to the State Examination Centre.

Rules IPD approved by the Ministry of Finance, but CPD are being developed by the APFM.

The “Professional accountant” conception is recently introduced by changes in Accounting Law, and from point of legal requirements, there is no professional accountant so far. The process is still in progress. More clearances of this issue mostly will depend on further implementation of recent changes in Accounting Law.

Audit Oversight Arrangements

There is no audit oversight in jurisdiction, not required legally

Projects

As major legal and regulatory framework is implementation of recent changes in Accounting Law and Taxes Legislation. Previously, APFM involved in projects related to the transition to International Financial Reporting Standards. Currently it is the leading organization of the country with international accreditations and a wide range of experience, has been cooperating with the main governmental structures of Azerbaijan. Based on the assignment of the Ministry of Finance (on CAPSAP project, 2009), within this project special training programs have been developed for the final year students, accountants for governmental entities. During last 10 years APFM was mainly engaged in preparation of qualified financial specialist on IFRS, conduction of training, seminars, educational courses, supporting the entities of public interest with implementation of IFRS on preparation of financial statements.

APFM is the official coordinator of Eurasia Forum of Accountants and Auditors in Azerbaijan, which is already become traditional and has achieved the status of event of republic importance. The increase of number of countries participating in the forum proves that forum has already become very important event for accountants and auditors of Eurasia. In 2019 October, APFM conducted 6th Eurasian Forum of Accountants and Auditors. This event gathered a couple of European and Asian countries’ members of authoritative organizations. In this regard, foreign representatives from 20 various countries, professional experts and members of local bodies attended the forum.

As a result of the support given by institutions of public importance, ministries, state and commercial organizations, this amazing event got wider and have become an effective, powerful and internationally important event throughout Azerbaijan.

Challenges and Key Success Factors

As stated above, big challenges for accountant is the implementation of new changes in Accounting Law.

Receipt of a qualified accountant certificate by chief accountants mentioned in article 3.4 of this Law, shall be carried out step-by-step in compliance with terms and order established by Decision of the Cabinet of Ministers

Decision of the Cabinet of Ministers defines the terms and sequence of obtaining a professional accountant certificate by Chief Accountants as follows:

- Chief accountants of Public legal entities that publish annual financial statements or consolidated financial statements-By 30 December 2021
- Chief accountants of large-scale business entities - By 30 December 2022
- Chief accountants of legal entities, except ones with state-owned controlling interest (stock)- By 30 December 2022
- Chief accountants of entities of public interest, except legal entities which have outstanding securities in stock exchange- By 30 December 2022
- Chief accountants of budgetary organizations funded by local expenditures- By 30 December 2022
- Chief accountants of budget organizations financed from centralized expenditures By 30 December 2021

Priorities for 2019-2021

Main priorities for APFM are to extend the activities on supporting its members on fulfilment of obligations arising from the requirements of the new changes in Law;

Enhancing the awareness process.

Cooperation with relevant governmental authority i.e., with State Exam Centre in the development of a professional certification module (participate in preparatory classes for exam candidates).

Increase international co-operation with ICB/ICFM Global as well as with professional accounting organizations of Russia, Ukraine, Kazakhstan, Belorussia, Uzbekistan, Georgia, Moldova for exchange of related experience, implementation of international practice in Azerbaijan

Action Plan Subject: SMO 1–Quality Assurance

Action Plan Objective: Further Development and Implementation of Quality Assurance Review System

The Quality assurance (QA) review of audits of financial statements in Republic of Azerbaijan was assigned by the Decision 279/2 dated 30 September 2016 by the Chamber of Auditors of the Republic of Azerbaijan (CAAR) and set up legal foundation for the QA review system.

Pursuant to the Decision, the audit must be conducted in accordance with Code of Ethics and ISAs and observance of other professional and legal/regulatory requirements. Audit firms are responsible for establishing, implementing, and maintaining quality control system that comply with ISQC1.

A mandatory quality control of audit services is carried out in relation to entities providing services of the statutory audit of the financial statements of large enterprises, banks, professional participants in the stock market and issuers whose securities are admitted to trading on the stock exchanges or for securities of which a public offering is made.

According to the Decision the quality control of audit services is carried through the review on whether an AE complies the ISAs, the principle of independence, and the effectiveness of the internal QA system, as well as compliance with the requirements of the Decision.

The procedure for carrying out QA reviews is approved by the MoF.

Since 2012, APFM welcomes highly qualified chief accountants, financial managers, accounting consultants, bookkeepers as members.

Despite on fact, that, APFM doesn't have any specific QA program for accountants, financial managers etc., it carries out reviews of the engagements of preparing financial accounts performed by its members.

In 2021, the APFM began to develop a project to introduce a quality control system for its members - namely, the Regulation on mandatory hours of CPD (at least 20 hours per year) is being negotiated, as well as the creation of a Quality Control Committee to conduct inspections of the organization's members at intervals of 3 of the year.

In addition, APFM is providing different seminars and trainings, joint forums and conferences with CAAR within the framework of the Memorandum of Cooperation.

APFM currently carries out awareness-raising activities for members within the framework of the action plan developed and approved by the IFRS and Legislation committee, which includes internal control, quality control, and support in proper formulation and preparation of financial statements.

APFM continually provides guidance in establishing and maintaining quality control systems for its members, in form of seminars as well as publishing explanatory articles in its own magazine- Finances.

Self-Assessment against the Main Requirements of SMO 1 (managed by CAAR)

Requirements	Y	N	Partially	Comments
Scope of the system 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	X			Under the Law mandatory QA reviews are required for all statutory audits of financial statements. QA reviews of audits are undertaken by CAAR.
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	X			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	X			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	X			During recent years the APFM providing technical support (implementation guidelines for selecting firms)
Review cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	X			A mixed approach is used for selecting firms for QA which partially combines elements of the cycle and the risk-based approach.
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).				Inspections are carried out by professional auditors with at least 10 years of audit experience.
QA Review Team 7. Independence of the QA Team is assessed and documented.	X			Each inspector (inspectors included in the group of inspectors) must declare no conflict of interest between him and the audit firm

Requirements	Y	N	Partially	Comments
8. QA Team possesses appropriate levels of expertise.	X			Inspectors are required to take professional development courses as well as specialized annual trainings.
Reporting 9. Documentation of evidence supporting the quality control review report is required.	X			General documentation in the form of standard questionnaires, inquiries and checklists is used when conducting QA review.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	X			Based on the results of the QA review, a report should be prepared, which should contain the main conclusions and recommendations.
Corrective and disciplinary actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	X			
12. QA review system is linked to the Investigation and Discipline system.	X			Results of inspections may be forwarded to CAAR's Ethics Committee for disciplinary proceedings, where necessary.
Consideration of Public Oversight 13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	X			
Regular review of implementation and effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed.	X			

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Establishing/Supporting the Establishment of QA review system</i>					
1	2021	Within the framework of the Memorandum of Understanding with CAAR, carry out joint round table discussions on promoting Rules on Audit Service's Quality Control in Azerbaijan for delivery of this quality assurance review program to accountants and financial managers as well	Ongoing	APFM President	Technical staff and members of working group
2	2021	International online conference "Issues and perspectives of functioning of common markets of audit and accounting services, round table discussions on quality of audit and accounting services in cooperation with CAAR	October Ongoing	IFRS and audit Committees' Chairman	Technical staff and members of working group
3	2021	Preparation for Introduce a mandatory QA review system regarding to range of professional services, including other assurance engagements (supporting materials, consultation) in cooperation with CAAR was introduce in 2021.	Ongoing	APFM Deputy Chairman	Technical staff and members of working group
4	2021	Continue regular enlightening works dedicated to replacement of shadow economy with transparent economy, through implementation of recent changes in Tax and Accounting legislations	Ongoing	APFM Deputy Chairman	Accounting and Legislation Committee
5	2021	Continue to deliver programs and conduct events on internal control, transparent accountancy, control over compliance with ethical conduct rules based on Code of Ethics for professional accountants and to educate Members about their responsibilities on quality assurance	Ongoing	APFM Deputy Chairman	Membership and Ethics Committee
6	2021	Continue to develop the framework of support for those Members in Practice who have just set up their businesses to help them to meet the challenges of starting out in business, and to understand and address the expectations of their clients.	ongoing	APFM Deputy Chairman	Membership and Ethics Committee
7	2019	Work with the APFM international partners on the areas of collaboration to monitor accounting practice, financial services provided by APFM members by means of international forums and conferences, implementation of international practice in Azerbaijan	Forum Oct 10-12	APFM Chairman	Committee International Relations and Events

8	2021	Working within international group under Eurasian Confederation of professional organizations of auditors and accountants. Agreement was signed at the Chamber of Commerce and Industry of the Russian Federation as a result of International Conference “Code of Ethics – the basis of the profession of an accountant and auditor” Round Table “Strengthening the role of professional organizations of accountants of Eurasian region”.	May Ongoing	APFM Chairman	Committee International Relations and Events
<i>Support Implementation of Quality and Assurance review system</i>					
9	2020	Based on Rules on Audit Service’s Quality Control and the standards issued by the International Assurance and Auditing Standards Board (IAASB) to develop APFM’s guideline on QA for Members in practice in line with the best practice needs of accountants and financial managers	2020 November	APFM Deputy Chairman	Membership and Ethics Committee Technical staff and members of working group
10	2020	Prepare the first draft version of the Quality Assurance training material (reference book)	2020 December	APFM Deputy Chairman	Professional Education Committee
11	2019	Hold seminar together with The Association of Professional Accountants and Auditors of the Republic of Moldova (ACAP) within mutual Memorandum on “Diagnostics, monitoring, analyzes of financial statements, QA reviews of preparations of financial statements.	2019 June completed	APFM President	International Financial Reporting Standards Committee
12	2021	Update of APFM Membership program for 2020, considering support of Members on QA reviews in preparations of financial statements - develop and publish recommendations for implementation of the quality assurance system through: - comprehensive professional development programs with recommendations on planning and assessment of internal training adequacy. - providing recommendations for establishing effective internal inspection systems	2020 December	APFM Deputy Chairman	Membership and Ethics Committee
13	2021	Together with Association of Certified Accountants and Auditors of Moldova held a webinar under the title of “Diagnosis of financial situation of the company”	May	IFRS Committee Deputy Chairman	IFRS Committee

14	2021	Perform periodic review of the revised SMO's and APFM's SMO Action Plan and update sections relevant to SMO 1, as necessary.	Ongoing	APFM Secretariat	Technical staff and members of working group
----	------	--	---------	------------------	--

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Pronouncements Issued by IAESB
Action Plan Objective: To ensure that all IES requirements are incorporated into APFM education requirements

In Azerbaijan IPD requirements for professional accountants are defined by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan (No. 237 dated May 22, 2019). Attestation of accountants is carried out by the State Examination Center of the Republic of Azerbaijan. Theoretical knowledge tests are conducted by the State Examination Center.

APFM integrated the IESs into the education programs, certification requirements, and continuous professional development of its members. The IPD and CPD requirements for professional accountants partly comply with IES.

Initial Professional Development (IPD)

Rules for the organization of the process of issuing Professional Accountant Certification, conduction of exams and state registration of persons having received the professional accountant certificate” was approved by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan (No. 237 dated May 22, 2019). Based on resolution, organization of the process of issuance of professional accountant certification and conduction of exams will be carried out by the State Examination Center of the Republic of Azerbaijan. According to article 2.8 of this resolution, the candidates who has applied for a Professional Accountant Certificate on IFRS or IFRS for SME are exempt from the first stage of the examination (Accounting) if he/she has related international certificates. ICFM- IFRS module is also included in this list, as described in article 2.8.5, candidates with certificate of Institute of Certified Financial Managers (ICFM) - Diploma in IFRS are exempt from the first phase of the examination for a Professional Accountant Certificate on IFRS or IFRS for SME.

Preparation for the examination in accordance with the programs approved by the State Examination Center may conduct professional organizations of accountants and other institutions. Candidates for an auditor can prepare for examinations themselves.

Examinations are organized for the issuance of the following types of certificates.

- Professional Accounting certification (PAC) on International Financial Reporting Standards for Small and Medium Business Entities; PAC on International Financial Reporting Standards.
- International Public Sector Accounting Standards - Level I PAC; International Public Sector Accounting Standards - Level II PAC;

Certification is carried out through a two-stage examination. The first stage of the exam covers accounting, and the second stage covers questions on budget, tax, civil and labor legislation, depending on the type of certificate.

So, theoretical exams are covered the following topics:

- International Financial Reporting Standards.
- International Public Sector Accounting Standards (IPSAS).
- International Financial Reporting Standards for SME.
- budget, tax law and legislation on resumption of the debtor's solvency or bankruptcy.

- civil and labor legislation.

Professional competence is confirmed by passing a qualification exam, which should certify the ability of a person to apply theoretical knowledge in practice. Auditors must complete CAAR's program for professional accountancy education, which comprises three-year practical experience and a final assessment.

Due to the recent changes in the Law of the Republic of Azerbaijan "On Accounting" and following the requirements of the Law, the need to increase the professional level of accountants emphasizes the importance of APFM's activities in this area. The Association organizes appropriate trainings for the preparation for the Professional Accountant Certification exams. APFM offers to its members special membership program reflecting benefits like recognition, international certification status, information exchange, free seminars and trainings, career prospects.

Individuals who would like to be a chief accountant should have high education, have practical experience and pass exams confirming their theoretical knowledge of Azerbaijan legislation in areas such as accounting, tax legislation, and the legislation on social security contributions, labor, civil, economic legislation, including corporate law, and legislation on restoration of the debtor's solvency or recognition of bankruptcy.

Continuous Professional Development (CPD)

Continuous professional development, the life-long learning program and continuous development of professional competencies serve bases for creating competent members of the APFM able to provide high-quality services.

In line with this, a chief accountant must comply with the continuing professional training requirements. The annual plan of CPD events is approved by the MoF. All professional accountants are obliged to attend CPD training seminars for duration of 120 hours in a period of three years (which is 40 hours per year) by internal rules of APFM. The APFM maintains a system which monitors those obligations concerning the CPD are met. Each member of the APFM is obliged to provide evidence that he/she has met the obligations.

CPD of auditors may conduct legal entities that meet the requirements established by the MOF; Accounting firms that have developed their own CPD programs that are recognized by professional organizations that are IFAC members; professional organizations of auditors and / or accountants.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
Adoption/Supporting Adoption of IES					
1	November 2020	Implementation of the IES issued by the International Accounting Education Standards Board (IAESB), in the training and Continuous Professional Development programs	Ongoing	APFM Deputy Chairman	IPD Committee Staff
2	Ongoing	Development of the Guide about educational entry requirements for professional accountants (chief accountants) – IES 1	Ongoing	IPD Committee	IPD Committee Expert group
3	Ongoing	Reviewing and updating the professional accounting education programs that are designed to achieve the learning outcomes in IES 2 (once a year)	Ongoing	IPD Committee	IPD Committee Expert group
4	Ongoing	Creation of the self – assessment questionnaire about learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD are prescribed (IES 3).	Ongoing	IPD Committee	IPD Committee Expert group
5	Ongoing	Designing the assessment activities that have high levels of reliability, validity, equity, transparency, and sufficiency within professional accounting education.	Ongoing	IPD Committee	IPD Committee Expert group
6	Ongoing	Developing the online course in Professional Ethics for checking the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD are prescribed.	Ongoing	IPD Committee	IPD Committee Expert group
7	Ongoing	Continuous reviewing of IPD and CPD requirements in order for these to be in Accordance with the IFAC-issued IES requirements.	Ongoing	APFM Deputy Chairman	IPD Committee Staff

Action Plan Developed by Association of Professional Financial Managers of Azerbaijan-APFM

8	Ongoing	Continue to promote the importance of IESs for the accounting profession through formal communication and publications, training and education programs.	Ongoing	IPD Committee	IPD Committee Expert group
9	Ongoing	Continue cooperation with different relevant bodies in order to raise awareness of the IESs and their application in the profession and academia	Ongoing	IPD Committee	IPD Committee Expert group
10	Ongoing	Promoting the accounting profession by supporting university students of accounting and auditing department (participate in student conferences, career days).	Ongoing	APFM Deputy Chairman	IPD Committee Expert group
Support Implementation of Educational Standards					
11	December 2020	Cooperate with The State Examination Center of the Republic of Azerbaijan, the Ministry of Finance, in the development of regulations on procedures of attestation, CPD of auditors that complies with IES.	December 2020	Members of APFM	IPD Committee Staff Expert group
Contributing to International Standard-Setting					
12	Ongoing	Strengthening collaboration with regional PAOs that are Members of IFAC to exchange experiences and best practices with a view to full implementation of IESs.	Ongoing	APFM Deputy Chairman	IPD Committee
13	Ongoing	APFM IFRS and Professional Education Committees members meet with State Examination Centre expert group monthly basis. They discuss examination tests, assessment, syllabus, give their recommendations, which includes the application of international educational standards	Ongoing	APFM IFRS Committee	IPD Committee

Action Plan Subject: SMO 3—International Standards and other Pronouncements Issued by the IAASB

Action Plan Objective: Promotion of ISAs standards through inclusion in certification, developing and promotion education programs on ISA.

The Law requires auditors and audit firms conduct their audit activities in accordance with the International Standards on Auditing without modifications and state that the auditing standards and principles of the ethics of professional accountants and auditors that are applied across Azerbaijan:

1. International Accounting Standards (ISA);
2. Code of Ethics for professional accountants adopted by IFAC.
3. Related instructions, explanations and guidelines adopted by IFAC.

In Azerbaijan, by the state-level law stipulates that the CAAR shall translate and publish the standards, related instructions, explanations and guidelines and principles of professional ethics.

In accordance with IFAC Policy on Translations, the CAAR published the 2016-17 version of the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements for use in the jurisdiction. To support its members providing services for SMEs, CAAR translated and made publicly available the Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities, Third Edition

In Azerbaijan CAAR organizes and delivers courses on ISA to enhance members' understanding and implementation of the IAS standards.

APFM supporting CAAR in implementation of ISA and organize manual events for its members.

<i>Support Implementation of Auditing Standards</i>					
1	Ongoing	Publishing a series of articles and case studies on the APFM website, holding seminars for members regarding new applicable standards.	Ongoing	APFM management	APFM, CAAR, employees, practitioners
2	Ongoing	Developing forms of cooperation with higher education institutions and international projects for developing the profession	Ongoing	APFM management	APFM management
3	Ongoing	Exchange of experience and information with national, European, and non-European professional bodies for supporting the ISAs, the IESBA Code of Ethics and the IAASB Pronouncements	Ongoing	APFM management	APFM management
4	Ongoing	To hold regular discussions for members on the ISAs matters with CAAR	Monthly	APFM management, CAAR	APFM management

Action Plan Developed by Association of Professional Financial Managers of Azerbaijan-APFM

5	Ongoing	Developing training programs and increasing activities for effective ISAs implementation in practice. in 2019 we delivered practical trainings on the application of: ISA 300, 315, 320	Ongoing	APFM management, CAAR	APFM management
<i>Contributing to International Standard-Setting</i>					
6	Ongoing	Strengthening collaboration with regional PAOs that are Members of IFAC in order to exchange experiences and best practices.	Ongoing	APFM management, CAAR	APFM management
7	Ongoing	APFM with collaboration with CAAR monitors ISAs modifications and informs its members and other stakeholders through the website and professional journals.	Ongoing	APFM management, CAAR	APFM management

SMO 4–IESBA Code of Ethics for Professional Accountants

In Azerbaijan, application of the IESBA Code of Ethics is not directly required, so the application of ethical requirements laid down by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) is not mandatory for professional accountants and auditors. But professional accountants are required to comply with norm of professional conduct, respect for the priority of the public interest, common standards of morality, principles of independence and objectivity, professional competence, confidentiality professional secrecy by APFM.

APFM encourages to adopt the last version of the International Code of Ethics (2018) as well. Working with CAAR on this direction APFM conducts a dialog with the Ministry of Finance about accelerating the translation of the new version of Code.

The new Law on Accounting and Auditing is in developing stage and APFM is actively involving in consultative dialogue. One of the priorities in the process of implementation of the IESBA Code of Ethics will apply the IESBA Code of Ethics without modifications for auditors and accountants.

The APFM organizes seminars and roundtable events, some of continuing professional development courses on the topic of ethical requirements such as amendments introduced to the Code by the IESBA. APFM encourages publication of supporting materials which cover topics from Code of Ethics and its implementation in practice. The APFM had organized Professional Membership and Ethics Committee to address on key aspects of IESBA Code of Ethics and provide member support and communication. This Committee closely cooperates with QA Committee on developing documents and provides information via its website and journal “Financier” about the IESBA new materials and exposure drafts. Beginning from January 2021, a new section has been opened in the magazine dedicated to Ethics for Professional Accountants, which covers explanations and key points of Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). As a member of EFAA, APFM specialists and experts participate in international events, in the exchange of experience and obtain useful information to share with our members.

Updating Ethical Requirements by Translating, Adopting and Implementing the of the IESBA Code of Ethics including NOCLAR					
1	2019	Participated in presentation of translated IESBA Code of Ethics	completed	Professional Membership and Ethics Committee and CAAR	APFM and CAAR employees
2	Ongoing	Raising awareness of the importance of NOCLAR application.	Ongoing	Professional Membership and Ethics Committee	APFM management, Practitioners

Action Plan Developed by Association of Professional Financial Managers of Azerbaijan-APFM

3	2020 October	Participation in webinar dedicated to presentation of the book "Auditor Independence Rules" The application of Code of Ethics also highlights the independence of auditors, and generally reflects the importance of independence rules in conducting transparent, accurate audits of financial statements.	completed	Professional Membership and Ethics Committee and CAAR	APFM and CAAR members
Supporting Implementation of the Code					
4	Ongoing	Informing APFM members on the latest version (translation) of the Code of Ethics and other IESBA pronouncements	Ongoing	Professional Membership and Ethics Committee	APFM employees
5	2020	Participate in joint events with CAAR for auditors and accountants explaining information about the new version of the Code and its application	Ongoing	Professional Membership and Ethics Committee, CAAR	Practitioners
6	Ongoing	Strengthen collaboration with regional PAOs that are Members of IFAC to exchange experiences and best practices with a view to more efficient application of the Code of Ethics.	Ongoing	Professional Membership and Ethics Committee	PAO's
7	Ongoing	To hold regular discussions for members on the Code of Ethics including student of last year classes	Monthly	Professional Membership and Ethics Committee	APFM management, Practitioners, universities
8	Ongoing	Publication of collaborative articles and interviews on the study of international experience in the application of ethical rules	Regular basis	Finance editorial board EFAA Expert group	APFM experts, members of EFAA EQ
9	Ongoing	Implementation of the system of mentoring opportunities with senior members in different ethical situations for providing support and counseling	Ongoing	Professional Membership and Ethics Committee	APFM management, Practitioners

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Promoting the use of IPSASs in Azerbaijan

State regulation of IPSAS and accounting activities in Azerbaijan is regulated by the Law of the Republic of Azerbaijan on “Accounting” entered into force in 2018.

In Azerbaijan state regulation in the field of accounting exist and the main purpose of state regulation in the field of accounting

The Republic of Azerbaijan provides for the preparation of financial statements and Department of Accounting in the country on the basis of International Financial Reporting Standards, International Financial Reporting Standards for entities small and medium business, International Accounting Standards accounting for the public sector and accounting rules.

MoF organizes the translation of International Accounting Standards for the Public Sector to the Azerbaijani language.

Budgetary organizations and municipal bodies compile financial statements required in accordance with the present Law, in accordance with International Accounting Standards for the Public Sector.

The Certificate of professional accountants in Public Sector is a document that confirms that a person has successfully passed the exam organized by the State Examination Centre and that it corresponds to the degree "Professional accountant". Examinations are organized for the issuance of the following types of certificates.

International Public Sector Accounting Standards - Level I PAC (Professional Accounting Certificate).

International Public Sector Accounting Standards - Level II PAC.

Certification is carried out through a two-stage examination. The first stage of the exam covers accounting, and the second stage covers questions on budget, tax, civil and labor legislation

Based on rules, the certificate of professional accountant should be obtained as below:

- Chief accountants of budgetary organizations funded by local budget - by 30 December 2022
- Chief accountants of budget organizations financed from centralized budget by 30 December 2021

While APFM has no direct responsibility for adoption or implementation of IPSAS, it continues to devote resources to support and promote the standards by (i) recruiting staff with relevant expertise; (ii) providing a technical advisor to a Board member; (iii) producing relevant educational material; and (iv) holding and speaking at relevant events. For example, APFM is now preparing educational materials and trainers for conduction of preparatory courses for chief accountants who should pass exam in State Examination Centre for obtain the certificate of professional accountant.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IPSAS (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
1	Ongoing	Perform policy dialogues and create awareness, promote the use of the IPSASs among the members and Government institutions through presentations and meetings with the MoF.	Ongoing	APFM Board	APFM Committee members
2	Ongoing	Provide for APFM members preparation for the Professional Accountant Certification exams, including Certificate on IPSAS	Ongoing	APFM Board	Education Committee
<i>Support Implementation of International Public Sector Accounting Standards (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
3	Ongoing	Continue to identify opportunities to further assist in implementation of IPSASs. This includes review of the existing activities and preparation of the Action Plan for future activities where necessary, this includes future consideration for including IPSASs in the education programs (IPD and CPD).	Ongoing	APFM Board	
<i>Contributing to International Standard-Setting (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
4	Ongoing	APFM with collaboration with MoF monitors IPSAS modifications and informs its members and other stakeholders through the website and professional journals, roundtables.	Ongoing	APFM Board	

Action Plan Subject: SMO 6—Investigation and Discipline

Action Plan Objective: Continue to use best efforts and further improve APFM investigation and disciplinary system

APFM conducts disciplinary proceedings for professional accountants (chief accountants).

The reason for bringing a professional accountant to professional responsibility is their professional misconduct. The professional misconduct of professional accountants is the failure or improper performance of their professional duties; violation of international financial reporting standards and the requirements stipulated by Law.

Everyone who is aware of the facts of such actions that could be a marker of professional misconduct has the right to apply to the Board with a statement (complaint) regarding the actions of the professional accountants, which may be a reason for professional responsibility.

Sanctions are ranked from warning, suspension of the right to provide their contract to fine.

The I&D system in general comply with the requirements of SMO

Self-Assessment against the Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
Scope of the system				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.			X	
2. Information about the types of misconduct which may bring about investigative actions is publicly available.			X	
Initiation of Proceedings	X			
3. Both a “complaints-based” and an “information-based” approach are adopted.				
4. Link with the results of QA reviews has been established.			X	
Investigative process	X			

Requirements	Y	N	Partially	Comments
5. A committee or similar body exists for performing investigations.				
6. Members of a committee are independent of the subject of the investigation and other related parties.	X			
Disciplinary process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.			X	
8. Members of the committee/entity include professional accountants as well as non-accountants.	X			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.			X	
Sanctions				
10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.		X		When committing a professional misconduct, one of the following charges may apply: 1) a warning requiring professional accountant responsible for the breach, terminate inappropriate conduct or remove the breach and refrain from any such repeated action; 2) suspension of the right to provide services for a period of one month to three years;
Rights of representation and appeal				
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.		X		Professional accountant or the person who has raised the issue of professional responsibility has the right to appeal the decision in a disciplinary case to court. The decision of the APFM I&D Committee may be appealed to the Board.

Requirements	Y	N	Partially	Comments
Administrative Processes 12. Timeframe targets for disposal of all cases are set.	X			Timeframe for disposal of all cases according to the Law on audit is within 60 calendar days after start of proceeding.
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	X			Regular reports are given to the Board.
14. Records of investigations and disciplinary processes are established.	X			The Secretariat registers and records all complaints and appeals, as well as disciplinary cases.
Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	X			
16. A process for the independent review of complaints on which there was no follow-up is established.	X			
17. The results of the investigative and disciplinary proceedings are made available to the public.			X	
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.			X	As a result of disciplinary proceedings, the Board of the APFM decides to bring the chief accountants to professional responsibility for committing a professional misconduct and/or notifying law enforcement agencies, or to close disciplinary proceedings.
Regular review of implementation and effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	X			

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Establishing/Supporting the Establishment of I&D (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
1	Ongoing	Introduction of I&D mechanism to APFM members and building members' awareness of the existing I&D process.	Ongoing	APFM Board	
2	Ongoing	Commence I&D process.	Ongoing	APFM Board	
<i>Support Implementation of I&D (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
3	Ongoing	Hold regular meeting-discussions with members on compliance and professional responsibility	Ongoing	APFM Board	APFM Board

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Continue to use best efforts to maintain and continuously improve an ongoing program for adoption and Implementation of IFRS

Association of Professional Financial Managers (APFM) since its inception has been actively involved in projects related to the transition to International Financial Reporting Standards. By law, the MoF is the official standard-setting body.

Preparation of financial statements in Azerbaijan is regulated by the Law of the Republic of Azerbaijan on “Accounting” entered into force in 2018. Under the Law standards to be applied the commercial organizations that are public interest entities (PIEs), large – sized, medium-sized entities, and SME are required to apply International Financial Reporting Standards:

- Public entities prepare financial statements required by this Law in accordance with International Financial Reporting Standards.
- SME entities ensure the maintenance of accounting records in accordance with the rules for keeping records in micro and small businesses established by the relevant executive authority,

or; at its option, could draw up financial statements in accordance with the International Financial Reporting Standards for Small and Medium Enterprises or the International Financial Reporting Standards.

- Large business entities must prepare their financial statements in accordance with International Financial Reporting Standards for SME. In this case, large business entities maintain accounting records in accordance with accounting rules approved by the relevant executive authority in accordance with International Financial Reporting Standards for SME,

or; at its option, could prepare financial statements in a form that complies with International Financial Reporting Standards.

- Medium-sized businesses must prepare their financial statements in accordance with the International Financial Reporting Standards for SME.
- Budgetary organizations and municipalities prepare the financial statements required by this Law in accordance with International Public Sector Accounting Standards. (IPSAS)

Rules for the organization of the process of issuing Professional Accountant Certification, conduction of exams and state registration of persons having received the professional accountant certificate” was approved by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan (No. 237 dated May 22, 2019). Based on resolution, organization of the process of issuance of professional accountant certification and conduction of exams will be carried out by the State Examination Center of the Republic of Azerbaijan. According to article 2.8 of this resolution, the candidates who has applied for a Professional Accountant Certificate on IFRS or IFRS for SME are exempt from the first stage of the examination (Accounting) if he/she has related international certificates. ICFM- IFRS module which is offered by APFM (APFM is regional representative of ICFM) is also included in this list, as described in article 2.8.5, candidates with certificate of Institute of Certified Financial Managers (ICFM) - Diploma in IFRS are exempt from the first phase of the examination for a Professional Accountant Certificate on IFRS or IFRS for SME.

Due to the recent changes in the Law of the Republic of Azerbaijan "On Accounting" and following the requirements of the Law, the need to increase the professional level of accountants emphasizes the importance of APFM's activities in this area. The Association organizes appropriate trainings for the preparation for the Professional Accountant Certification exams. APFM offers to its members special membership program reflecting benefits like recognition, international certification status, information exchange, free seminars and trainings, career prospects. Also, APFM recently start cooperation with Universities (UNEC-State Economy University, Sumgayit State University, Western-Caspian University) for preparation of students studying economics, finance, and accounting on IFRS.

APFM has regular meetings with MoF and Training Center of the State Tax Service under the Ministry of Economy, where the sides exchanges views on the tasks arising from the entry into force of the Law on Amendments to the Law of the Republic of Azerbaijan "On Accounting", the development of professional activity of accountants, obtaining a certificate of professional accountant and membership in professional accountant organization, the importance of awareness-raising activities. The parties also focus on identifying areas of mutually beneficial cooperation, exchange of experience, consultations on amendments to the legislation, the organization of coordination in solving problems arising in the process of action and the application of the principles of a unified approach.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IFRS</i>					
1	Ongoing	Provide for APFM members preparation for the Professional Accountant Certification exams, including Certificate on IFRS	Ongoing	APFM Board	
2	Ongoing	Cooperation with the MoF, CAAR and PAOs in inclusion the IFRS in the curricula for the CPD	Ongoing	APFM Board	
3	Ongoing	Provide regular updates to the members about new and revised standards issued by the IASB. Organize regular meetings.	Ongoing	APFM Board	
<i>Support Implementation of IFRS</i>					
4	Ongoing	Hold regular meetings-discussions for members on the IFRS and financial statements under IFRS	Ongoing	APFM Board	
5	Ongoing	Coordinates the participation of its members in International Conference- ICFM LUCA Annual Awards Dinner	Ongoing	APFM Board	

