

**REPUBLIC OF AZERBAIJAN**

*On the rights of the manuscript*

**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**STRENGTHENING THE ROLE OF AUDIT IN  
ACCOUNTABILITY AND TRANSPARENCY INCREASE IN  
THE REPUBLIC OF AZERBAIJAN**

Speciality: **5303.01 – "Accounting"**

Field of science: **Economic sciences**

Applicant: **Kamran Maarif Abbasov**

**GANJA – 2022**

**The work was performed at Azerbaijan Cooperation University.**

**Scientific supervisor:** Doctor sciences of Economics, Professor  
honored scientist  
**Bayalı Khanalı Atashov**

**Official opponents:** Doctor sciences of Economics, Professor  
**Niyazi Musa Ismayilov**

Doctor sciences of Economics, Professor  
**Vahid Tapdıg Novruzov**

Phd. on Economics, Ass. Professor  
**Rovshan Kamil Mammadov**

Dissertation council ED 2.42 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State Agrarian University and Azerbaijan Cooperation University.

Chairman of the  
Dissertation council:

Doctor of Economics, Professor, active  
member of ANAS

**Ziyad Aliabbas Samadzade**

Scientific secretary of the  
Dissertation council:

Phd. on Economics, Ass. Professor

**Parvin Elman Muxtarova**

Chairman of the  
scientific seminar:

Doctor of Economics, Professor

**Ibad Musa Abbasov**

## GENERAL CHARACTERISTICS OF THE WORK

**Timeliness and processing degree of the topic.** In modern times global threats and risks in the world economic and financial systems keep growing. The negative effects of the global financial crisis, which began in late 2008, are still manifesting themselves. Besides, the adverse effects of the Covid-19 pandemic also exacerbated this complication. In general, the problems of maximum efficient use of financial resources, increasing the productivity of economic activities, expansion of the tax base, intensifying investment flows exist, and all these brought accountability and transparency to the fore. Auditing activities and, in particular, audits have an exceptional role in the directions mentioned in the world practice such as in development and implementation of the control mechanisms, ensuring the objectivity and accuracy of accounting and financial statements, detection of deficiencies and violations of the law in the processes of economic activity, identification of reserve sources. The role of audit is quite crucial in strengthening of accountability in public and private structures and in increasing transparency in the economics and society. Audit does not only perform the function of control, but at the same time acts as a business entity, contributes to increase of economic activity, creates added value and is characterized as a field of economic activity. In addition to all these, as we mentioned, one of the main services of audit expresses itself in accountability strengthening and increase of transparency.

In modern times, economic processes and economic mechanisms that have been operating for many years pass a period of severe deformation. The growing global threats and the issues of demand for the improvement of traditional mechanisms came to the fore. Thus, under the conditions of economic transformation and in the period of renovation of the economic system, the additional opportunities are formed through the effective use of audit in order to increase the attractiveness and efficiency of economic development processes and the economic environment. At the same time, it is possible to solve the problems of increasing the transparency and

accountability of the economy by virtue of effective activity of the audit institute. Transparency assurance can also be assessed as the factor increasing the responsibility of legal entities as well as individuals and government agencies. Ensuring transparency and accuracy of reporting also allows for an objective analysis of economic development processes and forecasts.

Since the mid 1993 under the leadership of National Leader Heydar Aliyev the special attention was paid to the establishment of the audit institute of independent Azerbaijan and taking the necessary measures in this regard.

Thus, the principles of accountability and transparency came to the fore in the processes of formation and development of the national economy, in this regard, the legislative framework was formed. Moreover, on September 16, 1994 the Law 'About Auditor Service' was accepted, and the strict legal grounds were established to expand auditing activities in the country. By order of the Great Leader real works were executed to organize the audit service, and on September 19, 1995 the regulations of the Chamber of Auditors of the Republic of Azerbaijan were approved by the decision of the Milli Majlis. On the other hand, on June 17, 1996 the Presidential Decree 'About regulation of state control over production, services, financial and credit activities and prohibition of unfounded inspections' was signed, and it caused reducing the number of inappropriate inspections in the field of entrepreneurship, the process of creating an environment of transparency was accelerated. Practical measures and legislative work was raised to a priority level in the direction of increasing accountability in the economic sphere and transparency assurance. The law of Republic of Azerbaijan 'About Unfairly competition' was put in force on June 2, 1995. We also would like to mention the significance of the law 'About Freedom of Information' implemented on June 19, 1998 in the post-independence period, which is important for ensuring transparency. The order 'About some measures in the field of combating economic crime in the Republic of Azerbaijan' issued by Haydar Aliyev on January 27, 1998 was of great importance and gave additional impetus to economic development processes, systematic measures

and mechanisms were formed to prevent economic crimes. The role of audit in these processes came to the fore, and the importance of the audit service was increased significantly in strengthening the state control system, in increasing the efficiency of the use of public funds, financial and investment resources in general. The Decree of the Great Leader ‘About removal of artificial barriers in the field of improving the state control system and entrepreneurship development’ dated after January 7, 1999 allowed to intensify the systemic struggle in increasing accountability in our country and ensuring transparency.

Under the initiative and leadership of President Ilham Aliyev in order to strengthen accountability and increase transparency in our country, to further expand of the role of audit in these processes, state policy was improved in accordance with the requirements of the time, existing legal framework was strengthened, national programs and strategies were developed and implemented. First of all, in connection with the application of International Accounting Standards, the measures on raising of approaches to accounting and financial reporting in general in all areas to a new level, and on strengthening of financial discipline in economic entities were implemented. ‘Targeted State Anti-Corruption Program for 2004-2006’ was implemented. ‘National Strategy for Transparency Increase and Combatting Corruption’ was approved by the Order of the AR Prezident dated after June 28, 2007. The issues of strengthening the role of audit in these processes, development of audit service, regulation of auditor activity have been also constantly improved. A better legal framework for the expansion of audit services in the economic entities in the country were formed. ‘Strategic Road Map on the national economy and main sectors of the economy’ approved by the Decree of AR Prezident dated after December 6, 2016 covers creation of the accountability and transparency environment, which allows to the efficient operation of the economic entities in the country, and priorities for expanding the role of the audit service in these matters.

One of the main and important step in strengthening of the financial accountability in our country is improvement of the

‘International Accounting Rules of Financial Statements’ by the Ministry of Finance in January 30, 2017.

In order for the audit of the financial statements and financial situation, which is the essence of the audit, to be based on international experience, it was necessary, first of all, to keep records and report on international experience. After approval of the above mentioned rules the next important issue is adoption of this experience by the national economy subjects and achievement of its correct implementation, and this appears to be one of the most important goals in accountability strengthening and transparency increase.

We would like to mention one important point; as the result of the war started on September 27, 2020 and ended with the Great Garabagh Victory our lands, which had been under enemy occupation for almost 30 years, were liberated from occupation. Within these territories there is strong national wealth of our country - natural resources and economic resources. At present, large-scale construction and revival processes are conducted in the newly established Garabagh and East Zangazur economic regions. We consider that, accountability strengthening and transparency maintainance allows projects implemented in this direction to be more effective. In these processes the audit services can perform important functions; audit assessments and audit reports are important for substantiation of the large cost-effective investment and innovation projects, and for effective use of financial and investment resources directed to the region. In addition, ‘Azerbaijan 2030: National Priorities on social economic development’ were approved by the order of country Prezident dated after February 2, 2021, and there is a special need for audit activities in the implementation of the tasks arising from this important document. In the mentioned modern period they condition the strengthening of the audit role in accountability strengthening and transparency increase in our country, and development and implmentation of the more effective operation mechanisms in connection with them, these factors, in turn, indicate the relevance of the topic of the dissertation.

On the development level of the topic, it can be noted that, there are scientific works on theoretical, methodological and practical issues by scientists of our republic and foreign countries in connection with strengthening of the audit role, importance of the accountability insurance in the economy and transparency increase, the effectiveness of the audit services role in these processes in strengthening of accountability and transparency increase. Among the Azerbaijani economists and scientists we can mention the academic Samedzadeh Z.A., Musayev A.F., Muradov A.J., Guliyev E.A., Atashov B.Kh., Abbasov I.M., Novruzov V.T., Abbasov G.A., Alekberov A.A., Mammadov Z.F., Gasimov S.M., Kelbiyev Y.A., Sebzeliyev S.M., Namazova J.B., Hajiyev F.Sh. and others. The scientific works of such foreign scientists and researches as Samuelson P.E., Foqarti T.J., Alkins S., Azarskaya M.A., Amelina Y.S., Getman V.Q., Kim N.V., Kojevnikova S.I., Makarenko Y.N., Malinovskaya N.V., Miroshnichenko T.A., Nikiforova Y.E., Popova A.Kh., Solovyeva O.V., Statkevich D.A. and others cover the review of the issues of effective organization of economics, preparation of accounting and financial reports in these processes in accordance with the legislation, strengthening of the audit role in proper organization of accounting in increasing accountability and transparency, improvement of the audit services features and current mechanisms in these sectors. In addition with this, as we mentioned before, under conditions of the increasing global risks, the need for fundamental research on audit role strengthening, determination of the more optimal solution ways for the problems related to this, improvement of the current operation mechanisms, and identification of areas of activity adequate to new challenges in the processes of increasing accountability and transparency in the economy.

**The object of the research** is audit activity, audit institute, audit services, all spheres of activity, economic entities and organizations in the republic regardless of the form of ownership in the direction of increasing accountability and transparency in the Republic of Azerbaijan

**The subject of the research** is the issues of audit use improvement, methods and tools of strengthening of the audit role in

the direction of increasing accountability and transparency in the Republic of Azerbaijan.

**The goals and objectives of the research.** The aim of the research is to prepare the offers on improvement of the audit use mechanisms with the purpose of increasing the accuracy and transparency of accountability in the Republic of Azerbaijan. To reach this goal the following objectives were identified and resolved:

- research and generalization of theoretical approaches to the use of audit as a factor in accountability strengthening and transparency increase;
- assessment of the current audit use in ensurance of accuracy and transparency of the accountability in economiic subjects with the purpose of strengthening of the fight against corruption in the economy and the ‘shadow economy’;
- assesssment of opportunities of adaptation of international experience in audit use to the economic entities in the country in ensuring of accuracy and transparency of the accountability;
- identification and assessment of the priorities in increase of the accuracy and transparency of the accountability in economics in the context of Strategic Road Map and modern challenges;
- identification of the improvement directions for the audit procedures in increase of accuracy and transparency of the accountability;

**Research methods.** There was provided the systematic research of the tasks and challenges in the research process in accordance with the structure of the dissertation. Analysis and synthesis, analytical calculation, comparison methods, analysis of time series, at the same time modern methods and tools of economic analysis were used in these processes. The main priorities, approaches of the state policy, the laws and normative legal documents on regulation of audit and audit acticity, as well as methodological materilas of the specialized research institutes and centers were used as theoretical and methodological approaches towards increase of accountability and transparency in Azerbaijan and on strengthening the role of audit in these processes.

**The main provisions of the defense** are as following:

- There is a need to form new approaches to the audit role and to improve audit mechanisms in increasing the accuracy and transparency of accountability in the context of globalization of the economy;
- Research of the problems of accuracy and transparency increase of the accountability in economic entities, and assessment of efficiency of the audit use is required in the research of their solution;
- Improving audit methodology may be useful in accuracy and transparency increase of the accountability at the different economic entities in the context of global risks on the basis of assessment of opportunities to use and implement the international experience of audit to the republic economic entities in the fight against corruption and the ‘shadow economy’;
- There is a constant need to increase the role of audit in accuracy and transparency increase of the accountability in Azerbaijan in the context of requirements of the Strategic Road Map.

**Scientific novelty of the research** consists of the following:

- There were formed new approaches of audit use in this sector by considering the issues of increase of the accuracy and transparency of the accountability at economic entities in modern times by considering the global risks;
- The audit principles, functions, aims, objectives and requirements were clarified and systematized in increase of the accuracy and transparency of accountability on the results of financial and economic activities of economic entities;
- There was developed a block scheme of methodological approaches and methods features on improvement of the audit procedures with the aim of increase of accountability strengthening and transparency increase in the context of new challenges in the Strategic Road Map;

- The suggestions on improvement of the audit mechanism in accountability strengthening and transparency increase in Azerbaijan were substantiated;
- It was recommended to ensure the healthy competition in the economics, to accept the ‘Competition Code’ with the aim of audit role increase in the systematic fight against corruption, ‘shadow economy’ tendencies, bribery and bureaucracy, and in increasing the accuracy and transparency of accountability in these processes;
- Development and implementation of ‘State Program on audit role strengthening in increasing the accuracy and transparency of accountability in Azerbaijan (2023-2030)’ was suggested with the purpose of development of the audit institute in Azerbaijan in accordance with the global economic and financial challenges, improvement of the control in the accounting system, ensuring of accuracy of accounting and financial statements, efficiency increase of the audit activity in these processes.

**Theoretical and practical significance of the research.** The use of scientific and practical results of the research work allows strengthening of the audit role, improvement of the current mechanisms of the audit activity, increase of financial and economic discipline of economic entities, protection of tax discipline and legislation, timely and quality preparation of accounting (financial) reports and submission to relevant structures, formation of the optimal control mechanisms over financial and investment flows in increasing the accuracy and transparency of accountability in the economics. Besides, the scientific theoretical provisions reflected in the dissertation can also be used in preparation of the textbooks, teaching and methodological aids in economic universities and in teaching process.

**Approbation and implementation.** The topic of the dissertation work was discussed and approved at regular scientific seminars as a topical issue in modern times, in accordance with the general direction of research work of the Department of ‘Accounting and Auditing’ of Azerbaijan Cooperation University. 7 articles and 3

thesis (including 1 article and 3 thesis published abroad) of the applicant on the dissertation subject were published in the leading local and foreign journals, republic and international conferences materials suggested by the Higher Attestation Commission. The main provisions of the study: 'The importance of audit in increasing the transparency of small and medium enterprises' thesis on the 'Development Perspectives of the non-oil sector in Azerbaijan' topic published in materials of the republican scientific conference (Sumgait State University, 2019); 'The role of auditing in the fight against corruption and the shadow economy in Azerbaijan' thesis published in the materials of VI International Scientific and Practical Conference 'The development of science and practice in a globally changing world in terms of risks (Moscow, 2021). Besides, the applicant published such articles as 'Problems of efficiency of the audit institute in increasing transparency and ensuring accountability in Azerbaijan' (2019), 'Important aspects of the audit institute in increasing transparency and strengthening accountability during economic transformations' (2020), 'Assessment of the audit function role in increasing transparency and ensuring accountability integrity in economics' (2020), 'Global experience in effective use of the audit in increase of the transparency in economic processes' (2021), and 'The ways of audit role strengthening in increase of transparency of economics in Azerbaijan' (2022) was published in the 'Financial Economics' Journal in Moscow, Russia.

**Name of the organization where the dissertation work is carried out.** The dissertation work was carried out at Azerbaijan Cooperation University.

**The total value of the dissertation work with mentioning the volume of the structural parts separately.** The Cover and Contest (2575 signs), Introduction (25556 signs), Chapter I (92432 signs), Chapter II (61525 signs), Chapter III (48138 signs), Conclusion (16519 signs) and references (24075 signs), the total volume is 275307 signs. The volume of the dissertation excluding the tables, pictures and references is 228689 signs.

## MAIN CONTENT OF THE DISSERTATION

The **introduction** of the dissertation work covers the timeliness of the topic, its development level, research object and subject, goals and tasks, methods, the main provisions of the defense, scientific novelty of the research, theoretical and practical value, approbation and implementation and etc.

In **Chapter I ‘Theoretical and methodological approaches to the role of audit in increasing accountability and transparency’** there are researched theoretical aspects of the audit efficiency in the processes of accountability and transparency increase, methodological approaches to the audit role strengthening in accountability and transparency increase in modern times, global experience on audit use in accountability and transparency increase globally. The audit activity started to be used gradually as effective mechanism in implementation of the state economic policies in the world countries, determining the intended use of budget funds, substantiation of various strategic innovation-investment projects, identification of reserve sources for the development of the national economy. The process of determination of the development, principle and criteria of the required standards regarding the audit activity and audit services related to these was accelerated. At the same time, the principles of high professionalism of auditors and their ability to behave independently and impartially during audits came to the fore in the issues related to the effectiveness of audit activities<sup>1</sup>. At present, the audit institute is widespread throughout the world and is used effectively for the analysis of financial and economic activities<sup>2</sup>. The transparency of these processes is the important term for fulfillment of tasks arising from the economic development model of the country and taking necessary measures to achieve strategic goals. Accountability ensurance and transparency

---

<sup>1</sup> Iain, G., Stuart, M. The Audit Process, Practice and Cases. Van Nostrand Reinhold, 1989. - p. 209.

<sup>2</sup> Fogarty, T.J., Kalbers, L.P. An empirical evaluation of the interpersonal and organization a correlates of professionalism in internal auditing. Accounting and Business Research. 2000, 30(2), p. 224.

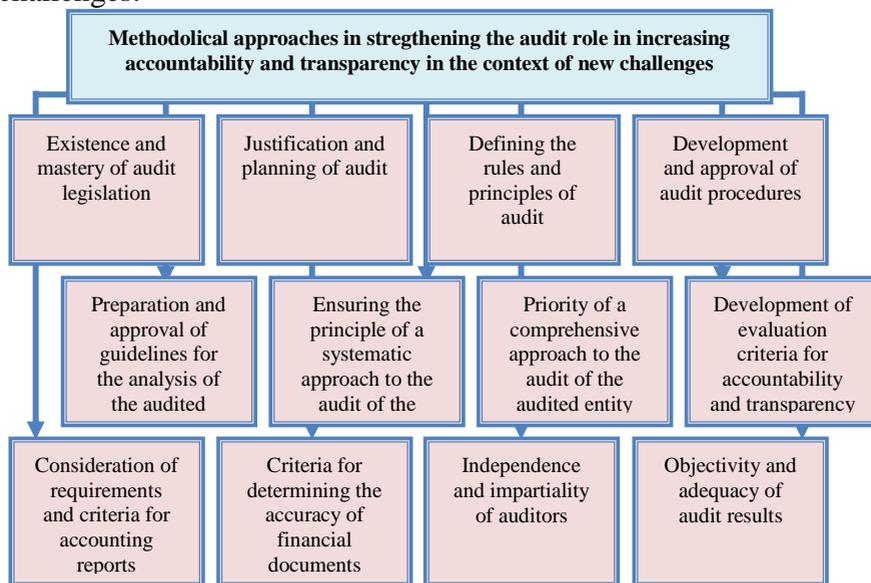
increase as well as increase of the economic efficiency are the important basis principles. Thus: *'Accountability strengthening and transparency increase, prevention of corruption is of strategic importance in terms of reducing the level of economic crime'*. As to us, under conditions of high transparency activity of criminal elements or flourishing of corruption is out of the question, because in the face of improved mechanisms and principles, the incidence of such adverse events is declining. In these processes the audit performs its important functions. Prof. Abbasov I.M. says: *'The audit reflects the real planning of production and sale of the product, fulfillment of production obligations under contracts, assessment of the quality, sale volume, financial situation and the other indicators of the product, as well as evaluation of accounting work in enterprises'*<sup>3</sup>. In our opinion, in addition to professor's statement on the main functions of the audit, we can note that audit also strengthen the financial discipline at the enterprises, at the same time it traditionally detects reserve sources and reveals shortcomings. Prof. Novruzov V.T. states that: *'Audit is considered as a more effective tool and mechanism for increasing transparency and ensuring the accuracy of financial statements'*<sup>4</sup>. We also believe that, audit creates additional grounds for strengthening discipline in the activities of the enterprise, makes it necessary to develop a set of measures, and forms scientific and economic arguments in making management decisions in this regard. Formation of the national audit services market and participation of a number of world-class audit companies in this market formed serious grounds in creation of healthy competitive environment and increase of the audit service quality year on year. After implementation of the International Accounting Standards favorable ground was created for accountability strengthening and transparency increase in all sectors of the economics. Relations with economic entities and government agencies, primarily tax authorities, have been transferred mainly to

---

<sup>3</sup> Abbasov, I.M. Audit. – Baku: – 2013. – p. 9.

<sup>4</sup> Novruzov, V.T. Audit service on the modern stage of social and economic development. Azerbaijan - 2010. – April 13. - p.2. [E-resource] / URL: <http://anl.az/down/meqale/azerbaycan/2010/aprel/115373.htm>.

electronic format, thus official-entrepreneur contacts were minimized, the more transparent and accountability containing activity environment was formed. Professor Muradov A.J. states that: ‘ *Rational decision-making by economic entities, formation of their effective expectations demands high transparency and a free information environment in the economy*’<sup>5</sup>. We also consider that the high transparency in economics is an important condition for more efficient operation of economic entities, increase to forecasted wage rates. In Picture 1 we considered important to present the block scheme of methodological approaches in strengthening the audit role in increasing accountability and transparency in the context of new challenges.



**Picture 1. The block scheme of methodological approaches in strengthening the audit role in increasing accountability and transparency in the context of new challenges (prepared by the author)**

<sup>5</sup> Muradov, A.J. Human capital factor in transparency ensurance / Strategic Road Map of economics in Azerbaijan: accountability and transparency problems (BEPK), – Baku: 21-23.09.2017. – p. 35.

If we approach from the Picture 1 it is necessary to take systematic and consecutive measures with the purpose of increase of the accuracy and transparency of the accountability in present-day conditions. In this regard creation of the infrastructural and institutional foundations for the audit institute by the state, the measures to ensure the functioning of the governing body can be effective. The Law ‘About the audit service’ of the Republic of Azerbaijan was adopted in September 1994 for formation and development of the audit institution in our country<sup>6</sup>. After adoption of this law the foundation of the institutional basis for the audit institute was laid in Azerbaijan, establishment of audit firms were started, and legislative economic basis for audit services implementation were formed.

It is worth to be mentioned that, in economically developed countries availability of large and independent audit companies in a sense gives the atmosphere of freedom and objectivity of the audit.

In these countries there is also serious competition between audit companies and thanks to this particular attention is paid to improving the principles and criteria of audits, impartiality and maintaining a high level of professionalism. The USA also pays serious attention to audit activity organization and availability of the strong audit control mechanism. In general, in the United States, starting from the 70s and 80s of the 20th century, more attention was paid to the development of audit, and now 45 thousand auditor companies exist in the country, and more than 100 thousand people are employed in that companies. The activities of these audit companies can be summarized in 4 groups: 1) The ‘big six’ giant audit companies operating in the market of audit services; 2) national audit firms with international experience; 3) large local and regional audit companies and 4) small local audit companies. In the United Kingdom, however, the modern audit system is largely based on long-standing experience, and audit is mandatory for both public and private entities. In China the certified public accountants and auditors

---

<sup>6</sup> The Law of the Republic of Azerbaijan about the audit services. Baku city, September 16, 1994, No. 882.

are more commonly used, and today there exist more than 50 thousand of audit companies in the country with more than 70 thousand employed auditors<sup>7</sup>.

**In Chapter II ‘Reserch and assessment of the problems regarding accountability and transparency increase in the economic activity processes’** of the dissertaton work the analysis of problems regarding accountability and transparency increase in economics was conducted, the role of audit in transparency ensurance and accountability accuracy of the economic actiity processes was assessed, the audit was considered in the context of an effective control mechanism in the fight against corruption and the ‘shadow economy’. Let us mention that, the Chamber of Auditors of the Republic of Azerbaijan publishes annual reports on audit activities and provides certain information. Also there is certain information, including information on economic crimes on the website of the Anti-Corruption Office acting under the Prosecutor's Office of the Republic of Azerbaijan. The statistics of the economic crimes is reflected in the official publications of the State Statistics Committee of the Republic of Azerbaijan. However, unfortunately, there is no comprehensive statistical database in our country that reflects the activities of the audit service. Despite this, we tried to comment on economic crimes from various sources, as well as on the statistics we obtain in connection with audit activities. There are areas where large amounts of financial resources circulate, public funds are spent, but they are not involved in alternative and independent audits. In Table 1 there is given a dynamics of the audit activity indicators in Azerbaijan in 2014-2020.

If we analyse the Table 1 we can see that, during 2014-2022 the number of audit companies and independent auditors increased from 115 to 185. The number of audit contacts signed in that period increased by appromately %45, the amount which the contracts were signed for increased by approximately %65. But the number of signed contracts and the income receive from the audit service (77

---

<sup>7</sup> Kucherov A.V. Audit features abroad / Kucherov A.V., Kozicheva Y.M. // Young scientist. – 2013. No. 5 (52), – p. 340.

mln. manat in 2020) is quite low in comparison with economic development potential of our country, and, unfortunately, the involvement of a very small number of mandatory audit entities to audit service use led to such a situation.

**Table 1. Dynamics of the audit activity indicators in Azerbaijan, 2014-2020**

№	Indicators	2014	2015	2016	2017	2018	2019	2020
01	The number of audit companies and independent auditors, in total, including	115	113	123	137	189	195	185
	- independent auditors	43	39	38	45	69	57	55
	-audit companies	56	56	67	77	100	123	116
	-auditor companies with foreign investment	16	18	18	15	20	15	14
02	Number of signed auditor contracts	3487	3094	3540	4826	4517	6451	5056
03	Amount of signed auditor contracts, mln. manat	46,7	49,1	56,9	53,6	74,6	73,1	77,0
04	Number of mandatory audit objects, in total, including	64958	64958	67522	67507	47286	46282	4512
	- number of audited	1694 (2,9 %)	1770 (2,7 %)	1522 (2,3 %)	2134 (3,2 %)	3142 (6,64 %)	3745 (8,09 %)	2198 (48,7 %)

**Note: prepared by the author on the basis of AR Chamber of Auditors reports for 2014-2020.**

Transparency issues and priorities, constantly taking objective measures in this direction, at the same time determining costs and revenues with maximum optimization is one of the important factors in terms of effective organization of financial mechanisms. Prof. Novruzov V.T. considers that, the necessity in effective organization of the theoretical and financial mechanism, improving the interaction between the different types of control is becoming more apparent for

increase of transparency in modern conditions<sup>8</sup>. We also consider that, specifically for account of ensurance of transparency increase and accuracy in accountability, more effective action can be taken on these issues, and audit plays an important role in these processes. However, there are still many cases that impede transparency and lead to corruption, there are cases of double-entry bookkeeping and tax evasion, especially in the private sector. The Prezident of the country Ilham Aliyev stated the following: *'We must to apply the most positive and the most transparent practice of the world in Azerbaijan, and our entire financial system must work as completely transparent mechanism'*<sup>9</sup>. In terms of fulfilling this important task, as well as increase of transparency, improvement of accountability, and the most responsibilities in the direction of maintaining integrity in this area relies on auditors.

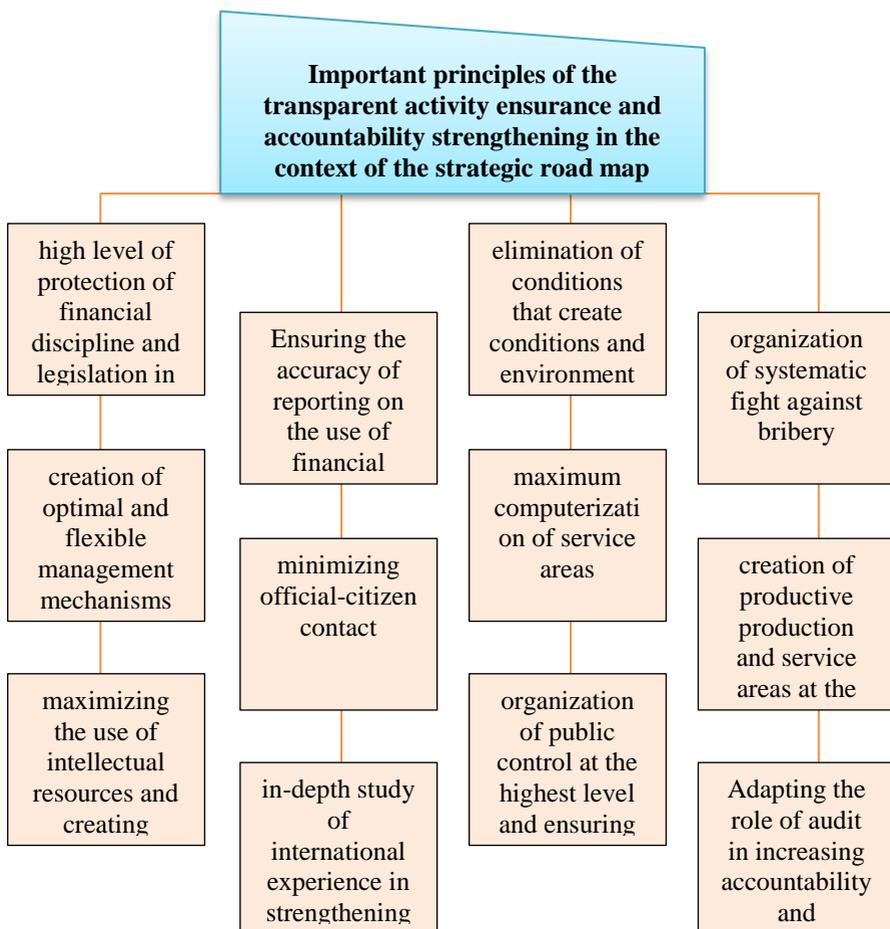
In the **Chapter III 'Directions of the audit role improvement in the increase of accountability and transparency in Azerbaijan'** of the dissertation work the priorities of increase of the accountability and transparency of the economics, the mechanisms of improvement of the audit institution and audit organization for the economic activity subjects, the directions of strengthening of the audit role in increase of the accountability and transparency in Azerbaijan under the new challenges in the context of the strategic road map were determined, offers and recommendations were prepared, the generalizations were conducted.

Resource mobilization highlighted the need to strengthen transparency and accountability in all areas. Here a number of principles and approaches draw attention (see: Picture 2).

---

<sup>8</sup> Novruzov V.T. The role of the audit in the ensuring of transparency. [E-resource] / URL: <http://www.anl.az/down/meqale/azerbaycan/2011/mart/161915.htm>. - p.2.

<sup>9</sup> Closing speech of Ilham Aliyev at the meeting of the Cabinet of Ministers of the Republic of Azerbaijan on the results of the first quarter of the year and the tasks ahead. April 09, 2018. [E-resource] / URL: <https://president.az/az/articles/view/27821/print>. – p.2.



**Picture 2. The block scheme of the important principles of the transparent activity ensurance and accountability strengthening in the context of the strategic road map (prepared by the author)**

It is worth to be mentioned that, the Great Garabagh War, which started on September 27, 2020 and ended with Victory of our heroic army, formed unprecedented new drivers of development in the region and for our country, and created perspectives. In addition to this, the regional aspects and priorities of the state policy, social and economic development directions formed the more progressive

model of economic zoning at the national level, based on historical and economic patterns, as the result 2 new economic regions - Garabagh and East-Zangezur economic regions were created at the liberated territories<sup>10</sup>.

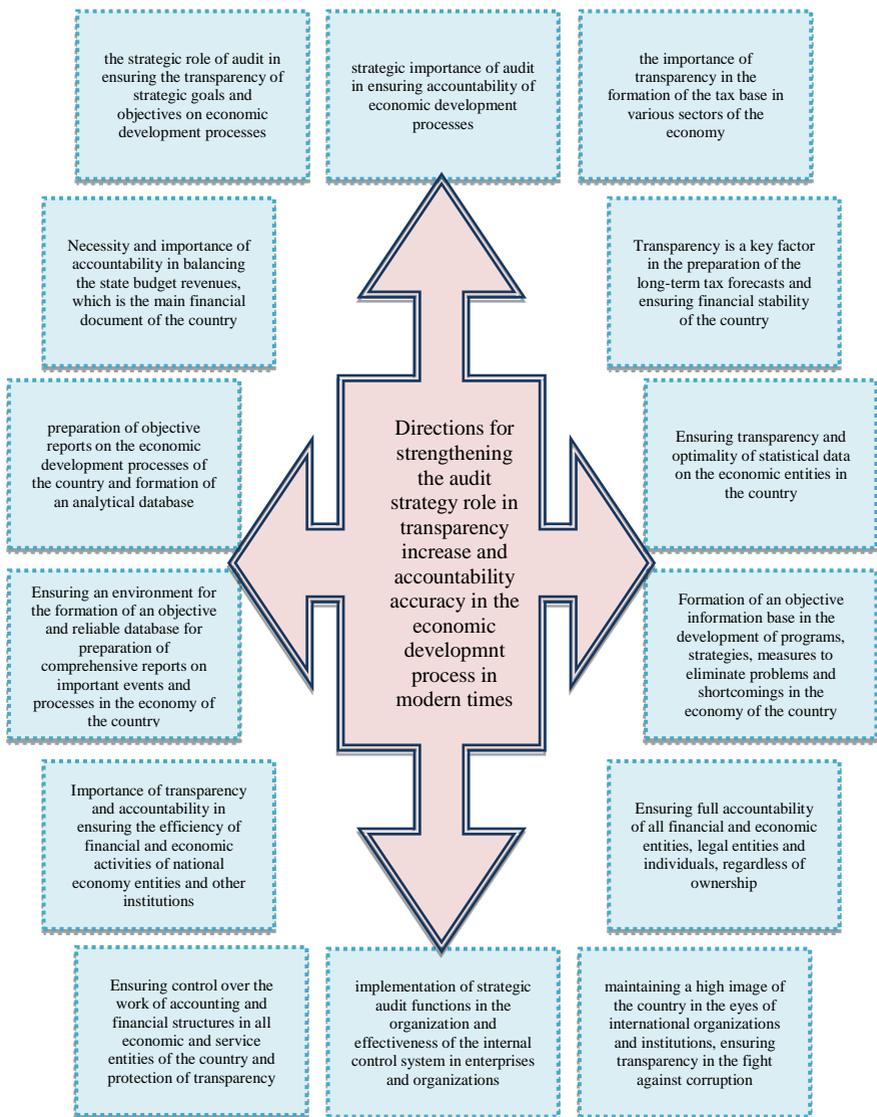
All these stipulate the reconsideration of the goals in strategic road maps, and assessment of the current potential in the context of the present day realities.

In Picture 3 there are shown the directions for strengthening the audit strategy role in transparency increase and accountability accuracy in the economic development process in modern times.

Approaching Figure 3 and research materials, at present, Azerbaijan is in the process of radical transformation of the existing economic system, economic and structural reforms are being deepened, the issues of changing and updating traditional economic mechanisms, adaptation to international practice emerged full blown. Under such conditions the transparency increase and accountability strengthening, compliance with tax legislation, strengthening the discipline of economic entities considered by law, provision of the accuracy of prepared accountability is of great importance, and the effective organization of the audit institutions activities remains relevant in these processes and etc.

---

<sup>10</sup> Decree of the President of the Republic of Azerbaijan on the new division of economic regions in the Republic of Azerbaijan. Baku, July 7, 2021 – p.2.



**Picture 3. The block scheme of directions for strengthening the audit strategy role in transparency increase and accountability accuracy in the economic development process in modern times (prepared by the author on the basis of research materials)**

**In the ‘Conclusion’ section of the dissertation, there were given suggestions and recommendations of scientific and practical significance based on the research materials:**

1. Audit objectively assesses the accounting in the required economic activity subjects in general, reveals the reserve sources, impartially analyzes activities during the reporting period and identifies shortcomings, inspects processes related to the production of goods or services delivery, identifies omissions and prepares the offers for their removal, audit control conducts the complex analysis of the financial and economic activity indicators of the object, and prepares the final report in the enterprises and organizations.
2. New challenges and global development drivers requires the maximum efficiency of the economics, its accountability and transparency. In that context there is a need for adequate theoretical and methodological approaches and styles, and we can classify them: 1) there is a need for more efficient laws in audit activity organization and solution of the transparency problems; 2) the rules and principles of audits must be adapted to new challenges; 3) the measures should be taken to increase the sense of responsibility on criteria and principles of preparation and approval of the accounting financial reports; 4) the methodics of assessment of the accountability and transparency level should be developed, and monitoring mechanism should be formed; 5) the independence level of the auditors should be maximally increased and their impartial activity must be ensured.
3. In the context of global economic processes in accountability and transparency increase we can mention that, in the USA and Western Europe audit was approved as widely implemented economic mechanism and entrepreneurial activity in these processes. It copes with important and strategic tasks in accountability strengthening in the economics of the country, detection of cases of falsification of financial statements, exaggerated ‘financial bubbles’ and cases of concealment of income, strengthening of the financial discipline as a result.

4. Despite the fact of dynamic growth of state budget revenues and expenditures and taking serious measures in this field by the state, the expected social economic impact of funding in many areas is not high, and the principle of arbitrariness is present in various sectors of the economy. As to our opinion, expanding the scope of audits, alternative audits should be conducted by independent and reputable audit companies, as well as audits conducted by the Chamber of Accounts of the Republic of Azerbaijan in state enterprises and organizations, the effectiveness of the use of public funds, especially in areas with a monopoly position, should be included in alternative audit assessments. In particular, it should be mandatory for independent auditing companies to evaluate the transparency of the use of funds allocated for education and health, agriculture, social protection and social security from the state budget at the end of each year.
5. In the context of the dynamics of crimes in the field of economic activity registered in Azerbaijan in 2010-2020, more crimes, smuggling (on average %40 per year); is related to tax evasion, unemployment insurance, evasion of compulsory health insurance or compulsory state insurance, they account for %30 average of all economic crimes. We consider that, this situation gives grounds to say that the transparency in the economic activity processes in our country is inadequate, and the same situation applies to accounting (financial) reporting. Unfortunately, crimes are also taking place in other areas of economic activity, and in the meantime deceiving consumers, selling poor quality products, production of waste products, circulation of counterfeit money and securities, existence of illegal and false entrepreneurial activity draws attentions. As to our opinion, there is a serious need in radical reforms in this direction, and maximum effective measures, including incentive measures, and ensuring the functioning of the mandatory audit mechanism.
6. If we consider the analysis of the investments and credit investments into economics in Azerbaijan in 2010-2020, there are problems in formation of the more productive sources of the economic growth in recent years, ensuring of the economic

dynamics and stability, determination of the new financial and foreign currency sources. We consider that, the fundamental analysis of the credit investments into the economics of the country should be conducted, objective audit analysis and assessments should be implemented, and the measures in accordance with this should be taken.

7. It is very important to increase the role of audit in the fight against corruption and the "shadow economy", to ensure the transparency activity and accountability strengthening. In these processes it is necessary to protect the financial discipline, accounting system integrity, expressing the indicators of a group of important principles and approaches, such as the financial economic activity, to ensure the objectivity of accounting and financial reporting, to determine the factors that promote and create conditions for corruption in the process of activity and to take adequate measures, to ensure the systematic fight against bribery and bureaucracy, to decrease the civil-servant contacts, to further deepen the process of electronic service areas, to take complex measures in increase of the audit role to a new level in strengthening accountability and increasing transparency, to adopt the 'Competition Code' which has been being projected and discussed but unapproved for many years.
8. In the period of acceleration of the process of implementation of strategic roadmaps, the transparency increase and accountability ensurance in all sectors of the economics in our country demands to solve the issue of audit institute efficiency and their systematic solution. For this, it is necessary to take measures on enhancement of the audit services, quality increase, increase the level of professionalism of auditors based on the principles of multifunctional audit.
9. We consider it important to develop and implement the 'State Program on strengthening the role of audit in strengthening accountability and increasing transparency in the Republic of Azerbaijan' (2023-2030), which combines long-term goals, priorities, related measures, working mechanisms, with the purpose to increase the efficiency of the audit activity in improving

the audit institute in accordance with global economic challenges, modern development drivers of the financial system, in strengthening control over the accounting system, ensuring the accuracy of accounting and financial reports, in increasing the transparency of the subjects of the national economy, and ensuring reliable accountability and etc.

**THE MAIN CONTENT OF THE RESEARCH IS INDICATED IN THE FOLLOWING SCIENTIFIC STUDIES OF THE AUTHOR:**

1. İqtisadi inkişaf proseslərində şəffaflığın artırılmasında və hesabatlılığın dürüslüyündə auditin strateji rolu// “Elmi Əsərlər” jurnalı, (AMEA İqtisadiyyat İnstitutu), – Bakı: – 2019. № 01, – s.133-140.

2. Azərbaycanda şəffaflığın artırılmasında və hesabatlılığın təminatında audit institutunun səmərəlilik problemləri // “Audit” jurnalı, – 2019. № 03, – s.26-37.

3. Kiçik və orta sahibkarlıq subyektlərinin fəaliyyətinin şəffaflığının yüksəldilməsində auditin əhəmiyyəti / “Azərbaycanın qeyri-neft sektorunun inkişaf perspektivləri” mövzusunda respublika elmi konfransının materialları. Sumqayıt Dövlət Universiteti, 25-26.04. 2019 – s.283-286.

4. İqtisadiyyatda şəffaflığın artırılmasında və hesabatlılığın dürüslüyünün təmin edilməsində audit funksiyalarının rolunun qiymətləndirilməsi // «Geostategiya» jurnalı, – Bakı: – 2020. № 03-04, – s.41-45.

5. İqtisadi transformasiyalar dövründə şəffaflığın artırılmasında və hesabatlılığın gücləndirilməsində audit institutunun aktual aspektləri // «AMEA-nın Xəbərləri» jurnalı. İqtisadiyyat seriyası, – Bakı: – 2020. № 04, – s.102-108.

6. Nəqliyyat-tranzit sektorunda şəffaflığın təmin olunmasında auditin prioritetliyi / “Azərbaycanın tranzit potensialının iqtisadi inkişafda rolu” mövzusunda respublika elmi konfransı. Sumqayıt Dövlət Universiteti. 22–23 oktyabr 2020-ci il – s.286-289.

7. Azərbaycanda Strateji Yol Xəritəsi kontekstində

iqtisadiyyatda şəffaflığın artırılmasının aktual problemləri // «AMEA-nın Xəbərləri» jurnalı. İqtisadiyyat seriyası, // – Bakı. – 2021. № 02, – s.184-193.

8. İqtisadi proseslərdə şəffaflığın artırılmasında auditdən səmərəli istifadədə dünya təcrübəsi // «Kooperasiya» jurnalı, – Bakı: – 2021. № 03, – s. 16-23.

9. Роль аудита в противодействии коррупции и теневой экономики в Азербайджане / материалы VI Международной научно-практической конференции / Развитие науки и практики в глобально меняющемся мире в условиях рисков. – 15 октября 2021 года, – s.119-126.

10. Пути усиления роли аудита в повышении прозрачности экономики Азербайджана // Журнал «Финансовая экономика», – Москва: – 2022. №01, – s.159-162.

The defense will be held on 21 September 2022 at 14:00 at the meeting of the Dissertation council ED 2.42 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State Agrarian University and Azerbaijan Cooperation University.

Address: Ataturk Avenue 450, AZ 2000, Ganja city, Azerbaijan.

Dissertation is accessible at the library of the Azerbaijan State Agrarian University

Electronic versions of dissertation and its abstract are available on the official website of the Azerbaijan State Agrarian University ([www.adau.edu.az](http://www.adau.edu.az)).

Abstract was sent to the required addresses on 30 June 2022

Signed for print: 20.06.2022

Paper format: 60x84

Volume: 39 060

Number of hard copies: 30