

**THEMATIC COMPILATION OF RELEVANT INFORMATION SUBMITTED BY
AZERBAIJAN**

ARTICLE 9

Management of Public Finances

AZERBAIJAN (FOURTEENTH MEETING)

1. Please describe (cite and summarize) the measures/steps that your country has taken, if any, (or is planning to take, together with the related time frame) to implement the Convention and promote the implementation of resolution 9/3.

The Chamber of Accounts (CoA) of the Republic of Azerbaijan is a supreme audit institution, the highest financial control authority of the Republic of Azerbaijan established by the Parliament (Milli Majlis) of the Republic of Azerbaijan under Article 92 of the national Constitution of the country which reports to the parliament and executes external public financial controls. Members of the Chamber of Accounts (the Chairperson, the Deputy Chairperson, and five Auditors) are appointed by the Parliament of the Azerbaijan Republic.

The Chamber has the following duties:

- review of the draft budget and the implementation of the state budget, including expenditures and extrabudgetary funds;
- providing annual reports on the draft budget, including both the state budget and funds that are not directly included in the state budget;
- External state financial control bodies implement financial control over:
 1. public property management; b) public procurement; c) investment; d) utilization of funds allocated to state programs and projects; e) appointment and effective use of grants and financial assistance; f) protection of the environment, utilization of the funds allocated to eliminate the consequences of natural disasters; g) state orders; h) formation, accumulation and usage of extra-budgetary funds; i) reporting semi-annual and annual information and analysis of the execution of the state budget the entities defined by the corresponding executive authority:
- act in accordance in its activities with the state, commercial, tax, banking secrecy and privacy regime;
- carrying out legitimate actions in order to fight against corruption;

- collaborating with state bodies in order to fight against violations of law;
- submitting annual report to the Milli Majlis (National Assembly of the Republic of Azerbaijan) about its activities.

The first legislation relating to accounting in Azerbaijan was enacted on March 24, 1995, although it was not in line with international standards. Accordingly, a new law was adopted on May 29, 2004, which was subsequently amended in 2008, 2010, 2012, and 2015. Lastly, on June 1, 2018, significant changes and amendments were made with the goal of aligning the law with international accounting standards. Following the most recent changes, the "Law of the Republic of Azerbaijan on Accounting" has been amended according to EU directives, and new accounting standards have been adopted in accordance with International Financial Reporting Standards (IFRS). A new amended law was adopted in 2018 in order to eliminate gaps, ambiguities, and contradictions in the previous legislation and to establish a single, improved legal framework. Namely, for the first time in the law, the Chamber of Accounts was recognized as a supreme audit body. Additionally, access to databases has been increased, and the scope of the financial and budget control has been expanded. In order to eliminate some methodological uncertainties and inconsistencies related to public finance, a definition of external state financial control, state funds, external state financial control measures and objects of external state financial control has been provided.

Providing a separate article on the independence of the CoA as a supreme audit body in the law, including the fact that the CoA has organizational and functional independence and the inadmissibility of illegal interference in its activity, as well as self-approval of the structure and number of staff within the limits of funds allocated to it from the state budget fully meets the principles set out in ISSAI 1 (Lima Declaration of Guiding Principles on Auditing) and ISSAI 10 (Mexico Declaration on the Independence of SAIs), which are International Standards of Supreme Audit Institutions (ISSAI).

In this Law, unlike the previous legislation, the directions of activity of the Accounts Chamber were specifically defined and the duties and rights in these directions were given in a more comprehensive and complete manner. Ultimately, this aspect increases the quality of the external state financial control conducted by the CoA and fully ensures the control over the efficient use of public funds and other state properties.

Meanwhile, this law strengthens accountability by expanding the electronic integration system between the CoA and government agencies, facilitating periodic

information exchange, and allowing remote auditing, which gave impetus to the organization and implementation of digital controls for financial and budgetary management.

This law defines new types of audits. The CoA carries out external state financial control in accordance with the legislation in - audit, analysis and monitoring. For the Chamber of Accounts to expand its participation in the budget process, the Chamber has been given the right to provide an opinion on the state budget and extrabudgetary funds projects, providing opinions on the implementation of state budgets and extrabudgetary state funds (institutions), drafts of relevant laws and reports, and reviewing state budgets and extrabudgetary state funds. Furthermore, updating existing methodical documents in this direction gave the right to prepare new methodical documents.

As defined by this law, financial budget-control activities, conducting financial, compliance, efficiency audits, conducting analytical activities and monitoring, obtaining financial reports and necessary documents from the objects of financial and budget control, creating direct or access to electronic accounting databases of objects and their structural units, entering areas directly or indirectly associated with the activity of the objects, examining the presence of tangible and intangible valuables, receiving explanations, references, obtaining information from relevant persons and other individuals related to the audit, public debt, grants and financial assistance also belong to CoA's competences.

According to the Law of the Republic of Azerbaijan "On the CoA", CoA consists of a chairman, a deputy chairman and 7 auditors whose term of office is 7 years. Parliament appoints and dismisses its members in accordance with the law. The members are appointed by the votes of at least 63 members of the Milli Majlis following the introduction of the Chairman of the Milli Majlis. On invitation from the Milli Mejlis, members may attend its meetings.

Furthermore, the Chamber of Accounts has been given broad powers in the law "on the budget system". The CoA provides feedbacks on the drafts of the state budget and extra-budgetary state funds (facilities), implementation of the budgets of the state budget and extra-budgetary state funds (facilities), drafts of relevant laws and reports in accordance with the Laws "On the CoA" and "On the Budget System". The law states that after the draft law on the state budget for the next budget year, along with other documents attached to it, is submitted to the Chamber of Accounts from the Milli Majlis for reviewing in accordance with the Laws "On the CoA" and "On the Budget System", the Chamber gives its opinion within 30 days and submits it to the parliament. In addition, within 15 days from the date of receipt of the annual report on the execution of the state budget and the relevant draft law, the Chamber of Accounts gives an opinion on them and submits its opinion to the parliament. According to the

requirements of the current legislation, the State budget, the budget of the State Social Protection Fund, the budget of the unemployment insurance fund, the budget of the State Oil Fund, are approved by the Chamber of Accounts. Opinions are also prepared on projects related to changes to relevant budgets, as well as on the annual report on the implementation of the state budget and the draft law, and on the annual report on the implementation of the budget of the State Oil Fund.

The chamber, for example, has direct access to state treasury data in order to ensure external state financial control. The recent reform of the CoA has attracted many skilled specialists, as well. Also, a favorable environment has been created for civil society participants to participate in the chamber's activities. At the same time, more detailed information on the inspections carried out, the decisions made, and extensive and comprehensive semiannual and annual reports on its activities are published on its website.

Here is a link to the reports that have been disseminated:

1. <https://sai.gov.az/filter?type=fealiyyet-hesabati>

For a review and evaluation of the activities and budget of various legal entities, please refer to the following link:

1. <https://sai.gov.az/filter?type=rey>

Additionally, in order to maintain the Chamber's independence, the social and material-technical support of its employees is constantly increased. The fact that the salary of the chairman and auditors is regularly increased and that additional payments are made is not a coincidence.

A number of draft laws are also reviewed by the CoA. As an example, proposals relating to the budget, social security, and insurance can be cited.

Information accessibility is one of the priorities of The CoA, which reports on its activities to the Milli Majlis. In addition, it provides regular updates on the results of all control measures taken to the Milli Majlis. To ensure transparency, the Accountability Chamber also posts news about control measures on its website.

Interference with the activities of the CoA against the law is inadmissible. Obstructing the members of the Chamber, as well as the officials of the CoA Office in the performance of their official duties, putting pressure on them leads to the responsibility provided by the legislation of the Republic of Azerbaijan. The chamber performs its work freely.

Also, the Chamber collaborates with several worldwide organizations and has been accepted to the membership INTOSAI (International Organization of Supreme

Audit Institutions) (2002), ECOSAI (Economic Cooperation Organization of Supreme Audit Institutions) (2002), ASOSAI (Asian Organization of Supreme Audit Institutions), EUROSAI (European Organization of Supreme Audit Institutions) and the Council of SAIs, Head of CIS Member Countries. The institution established bilateral cooperation with the different members of SAIs. The Chamber prepares methodological instructions, guidelines, audit standards, report and information forms, as well as other normative-methodical documents in accordance with the standards adopted by INTOSAI and other international organizations.

As a result of ongoing reforms in this field, according to the Supreme Audit Institutions Independence Index which has published by the World Bank. This Independence Index is a methodological tool launched by the World Bank in July 2021 to measure the independence of supreme audit institutions around the world. Azerbaijan has been considered as one of the countries with best Supreme Audit Institution (i.e. Chamber of Accounts) Independence performance globally. The analysis of the report demonstrates that only 2 countries globally scored 10 and were assessed as having “very high independence”; 17 countries had “high independence”; 33 countries had “substantial independence”; 37 countries had “moderate independence”, and 29 countries had “low independence”. It should be mentioned that scoring 9.0-9.5 points, the Supreme Audit Institution of Azerbaijan is ranked as having “high independence”, which demonstrates high-level compliance of supreme audit institution with the requirements of most international indicators of independence.

Here is the link:

1. <https://sirc.idi.no/document-database/documents/development-partner-publications/71-supreme-audit-institutions-independence-index-2021-global-synthesis-report/file>

The methodological basis of the relevant report consists of a total of 10 indicators, including international standards, as well as practice, legal and financial issues, mandate, and scope. In details, the indicators are as follows: constitutional and legal framework, transparency in the process for appointing the heads of the Supreme Audit Institution, financial autonomy, types of audits, operational autonomy, staffing autonomy, audit mandate, audit scope autonomy, access to information, as well as right and obligation on audit reporting. The highest score is 10, which demonstrates that an institution completely complies with all independence criteria.

For each indicator a SAI receives a score of 1 (for fully meeting the indicator criteria), 0.5 (for partly meeting the criteria), or 0 (for not meeting the criteria). These

scores are then combined into an overall score of the SAI's independence ranging from 0 to 10, with 10 indicating the SAI fully met all independence criteria.

The World Bank's experts emphasize in the report, which assesses 118 countries, the need to ensure the independence of the Supreme Audit Institutions globally in line with the 1977 Lima Declaration. Thus, independent and effective audit bodies play a critical role in promoting good governance, transparency, and accountability, and make positive contribution to monitoring of measures implemented in terms of the sustainable development. In this regard, the independence of audit institutions is of particular importance. Along with that, the report mentioned such key challenges for Supreme Audit Institutions as political interference in audit procedures on a global scale, problems in accessing the necessary information, lack of the ability to enforce compliance with their audit findings, weak interactions with parliament etc.

CoA joined the Strategy, Performance Measurement and Reporting (SPMR) initiative in 2019, as part of the first cohort. The CoA team was among the first ones in the initiative to finalise the report on the self-assessment against the SAI Performance Measurement Framework (SAI PMF). In 2021 the CoA Strategic Development Plan 2021-2025 was finalised. The strategic plan sets out ambitious goals for the coming period, such as enhancing the CoA's own transparency and accountability, a focus on digital transformation, as well as continued efforts to enhance the quality of the audit work inline with the International Standards for Supreme Audit Institutions (ISSAIs). The CoA's mandate to provide an opinion on the draft and implementation of budget law, the draft and implementation of extra-budgetary funds, as well as other fiscal issues occupy another priority area in the new SAI strategy. Through focusing on those key products, CoA aims to make a strong contribution to the execution of Medium-Term Expenditure Framework and Results-Oriented Budgeting reforms in Azerbaijan.

The Open Budget Index (OBI), developed by the International Budget Partnership (IBP), assessed the transparency of budget processes and the availability of budget information to the public. In other words, "Open Budget Index" (OBI) is a diagnostic tool that evaluates the budget transparency of states by the "International Budget Project". As a part of this index, the IBP developed a sub-index of supreme audit institutions to evaluate how well supreme audit institutions (SAIs) promote budget control. The audit report on the activities of the supreme audit institutions for the Open Budget Index consisted of seven questions. The last report covered 117 countries, the Supreme Audit Body of the Republic of Azerbaijan (CoA) scored 89 points out of 100, and its activity was highly evaluated as an "adequate" result. In the 2019 report, 7 questions covered the activities of the AAO in the preparation of the ABI, and the CoA received a maximum score of 100 points for three of these

questions. The result of the assessment of the activity of the Chamber of Accounts - 89 points - is the 3rd largest indicator among the 117 countries where this assessment was conducted in 2019.

Here is the link:

1. <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-azerbaijan-2021-en.pdf>

Besides, according to the national legal framework non-implementation of decisions or submissions made by the Board of the Chamber in connection with external state financial control measures conducted by the CoA, inhibiting the Chamber's activities creates administrative responsibility according to the Republic of Azerbaijan's Code of Administrative Offenses.

The reviews issued by the CoA on the drafts and implementation of the budgets of the state budget and extra-budgetary state funds (institutions) are published in full on the official website of the CoA (www.sai.gov.az) after they are submitted to the Milli Majlis of the Republic of Azerbaijan in accordance with the legislation. It is possible to get acquainted with opinions, as well as other documents of the CoA (reports, strategic plan, etc.) in the "Activity" section of the official website of the CoA.

At the end of 2020, the new Strategic Plan of the CoA for 2021-2025, which is an important document that defines the long-term development of the CoA and reflects the vision, mission, core values, intermediate and final results and action directions for the achievement of various indicators approved. The Strategic Plan, acting as a roadmap for the activities of the CoA for the period 2021-2025, envisages the further expansion of the work done within the framework of the Strategic Development Plans covering the previous period (hereinafter - SIP), and the improvement of the activity in accordance with new challenges and advanced practice.

In order to ensure the effective implementation of the Strategic Plan of the CoA for 2021-2025 and the evaluation of implementation results, the "Monitoring Framework prepared for monitoring the implementation of the Strategic Plan of the CoA of the Republic of Azerbaijan for 2021-2025" and "Operational Plan for 2021" was prepared.

Furthermore, The Audit Chamber focuses on three main issues in public procurement in its control measures. These are the issue of fairly identifying the necessary needs of the state, choosing the winner with the optimal price and suitable conditions for meeting this need, and implementing the agreed terms and obligations of the contract concluded with the winning organization in the procurement process.

Effective work is being done in this field, as well. As a result of audits, a large amount of funds were restored to the state budget, organizations, and relevant Funds.

A significant amount of legislative activity is also undertaken by the CoA. During this period, the CoA presented numerous proposals to the Cabinet of Ministers, most of these proposals were accepted and changes were made in the relevant acts.

As mentioned before, article 3 of the Law "On the CoA" regulates the status of CoA and ensures independent budget for its operation. Independence is one of the main principles in the activity of the CoA (article 4). The Accounts Chamber has organizational and functional independence, and illegal interference in its activities is inadmissible. The CoA approves its structure and number of staff within the limits of funds allocated to it from the state budget. The Chamber of Accounts shall not interfere with the implementation of foreign state financial control, which would stop the operation of foreign state financial control objects (article 5.) The CoA has access to most information systems, financial resources, including commercial, tax and bank secret information and personal data.

The CoA adopts the rules of ethical behavior in accordance with the international standards of the higher auditing bodies. Members and employees of the CoA must comply with those rules (article 29). Conflict of interest, including rules of ethical behavior, are strictly regulated in the CoA. The members of the Accounts Chamber cannot have close relation (e.g. relative etc.) with the Chairman of the Milli Majlis, the Prime Minister, the Chairman of the Constitutional Court, the Chairman of the Supreme Court, the Prosecutor General, the Chairman of the Board of Directors of the Central Bank and the head of other relevant bodies (article 12).

To members of the CoA are forbidden: hold additional paid, elective or other appointed positions in state institutions and local self-government bodies; engaging in other types of paid activities, except for scientific, pedagogical and creative activities; engage in entrepreneurial activity personally or through other persons; to participate in the management of economic entities regardless of their organizational and legal form; to use the information, material, technical and financial means intended for service use for his or others' personal purposes; to receive additional payment for speeches or articles written in connection with his functional activity as a member of the Chamber of Accounts.

Members of the CoA may not be members of any political party during their term of office. If the members of the CoA were members of a political party at the time of their appointment, they must terminate their membership in those parties. Accounts Chamber members are prohibited from accepting gifts from individuals and legal entities in connection with the performance of their duties, except for gifts given during official events. During official events, including when a gift is given for

reasons beyond the control of a member of the CoA, he must hand over the gift to the CoA. Members of the CoA must take measures to prevent conflicts of interest that have arisen or may arise during the performance of their official duties. Issues of non-compliance with the rules of ethical behavior by the members of the CoA are considered by the ethics commission established by the Chairman of the CoA.

Members of the CoA has functional independence. The independence of the members of the CoA is ensured by their depoliticization, immutability, and the inadmissibility of interfering with the activities of the members of the CoA during their term of office. CoA has freedom to decide on the content and duration of audit reports, their publication and distribution (article 16)

Officials of the CoA may not be involved in external state financial control measures in cases that may lead to a conflict of interest. When there are circumstances that may lead to a conflict of interest, the official of the CoA must inform the member of the CoA who is leading the control event and must be excluded from this event. An official of the CoA who has prior knowledge of circumstances that may lead to a conflict of interest shall bear disciplinary responsibility for knowingly not providing information.

It worth to note that, in order to maintain transparency and accountability the important decisions are adopted through Collegium. To implement these functions, detailed and unambiguous competences were indicated in article 18 of mentioned law. In addition, if Collegium of the Chamber of Accounts suspects the signs of criminality in the detected violations, it sends the relevant materials on the results of external state financial control to the General Prosecutor's Office of the Republic of Azerbaijan. (article 26) In case of the decisions of the CoA are not unreasonably implemented by the object of external state financial control, presentations are made to the relevant treasury bodies and (or) authorized banks about the suspension of operations on the treasury and bank accounts of that object based on the decision of the board of the CoA (28). Officials are responsible for the unjustified non-implementation of the Accounts Chamber's submissions in accordance with the law. The submission made on the basis of the decision of the board of the CoA remains valid until the execution of that decision is ensured.

The disciplinary measures specified in Articles 30.2.1 and 30.2.2 of this law are applied to the members of the CoA by the chairman of the CoA based on the opinion of the ethics commission, and the disciplinary measures specified in Article 30.2.3 (*termination of membership of the Chamber of Accounts*) of this law are applied by the Milli Majlis of the Republic of Azerbaijan.

Legislation, executive, judicial authorities and municipalities, state institutions, all legal entities and natural persons who carry out entrepreneurial activities without establishing a legal entity are obliged to assist in the implementation of the powers of

the CoA. For this purpose, they must provide the necessary documents and information, as well as documents and information constituting commercial, tax and banking secrets, personal information at the required time and form, and provide access to information sources. Otherwise, they are responsible in accordance with the Code of Administrative Offenses of the Republic of Azerbaijan.

The amount of current expenses within the annual funds allocated for financing the activities of the CoA cannot be less than the amount provided for this purpose in the previous financial year. The cost estimate of the CoA is separately approved by the Milli Majlis of the Republic of Azerbaijan when considering the draft of the state budget.

Numerous measures taken to enhance the capacity of CoA and develop the skills of their members and staff in preventing and combatting corruption, including through training, education and knowledge exchange. For instance, Specialized Training Center has been created for the expansion of personnel potential on mentioned issues. The Training Center of the CoA is being established in order to increase the knowledge and skills of employees newly appointed to the CoA and working in the CoA, to increase their professional training, to increase the staff potential, to organize the study of international standards and advanced practices of higher audit bodies.(article 36.2). The activity of the Training Center is financed from the state budget and other sources not prohibited by law.

Reports on the activity of the CoA are published in "Information of the Milli Majlis of the Republic of Azerbaijan".The CoA provides information to the mass media about its activities. (article 37)

In the "National Action Plan for strengthening the fight against corruption for 2022–2026", the duties are envisaged for CoA. To specify, CoA should work on increasing the efficiency and quality of inspections, inspections and other control measures carried out in connection with the efficient spending of funds allocated from the state budget, increasing transparency in the spending of funds allocated from the state budget.

2. Please provide examples of the implementation of those measures, including related court or other cases and available statistics.

The cooperation between the General Prosecutor's Office and the Chamber of Accounts is ongoing. As it is known, the CoA carries out external state financial control in the field of ensuring state control over the legal, purposeful and efficient use of state funds and other state property. In the case of violations detected by the CoA during this control, it is sent to the General Prosecutor's Office in accordance with Article 26.2 of the Law "On CoA" and other acts, if there are signs of criminality

in the violations detected during the financial control measures of the foreign state. Thus memorandum was signed between the CoA of the Republic of Azerbaijan and the General Prosecutor's Office on the expansion of cooperation and increasing efficiency.

2 materials in 2020 and 3 materials in 2022 were sent to the General Prosecutor's Office for review. Effective steps are being taken by the General Prosecutor's Office on the materials sent regarding the facts of embezzlement in various state or private enterprises. For example, a criminal case was initiated based on the fact of misappropriation of funds allocated from the budget to the State Support Fund for the Development of Mass Media, 38 million manat funds and property were seized, 1.3 million manats were placed in the deposit account of the Prosecutor's Office for the purpose of compensation for damages, the criminal case was sent to the Baku Court on Grave Crimes for consideration.

Another example, an investigation was conducted at the the Anti-Corruption Directorate with the Prosecutor General on the materials collected by the CoA regarding the use of state funds and other state property in the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan.

In the course of the investigation, while checking the data of the pensioners in the subordinate cities and districts of the republic, during the years 2002-2007, 51 persons were falsified in their documents and pension appointments were made, as a result, reasonable suspicions have been established regarding the implementation of excess pension payments in the amount of 884 thousand manat until 31.06.2022.

Since in the collected material, the signs of the crimes of abuse of power and office forgery, which lead to serious consequences, a criminal case was initiated under articles 308.2 (abuse of power causing serious consequences) and 313 (office forgery) of the Criminal Code, respectively.

Based on the 2022-2026 National Action Plan, Azerbaijan adopted Rules on Corruption Risk Assessment in public entities. This document, by determining the procedure for the compilation and implementation of the methodology in the field of determining corruption risks in state bodies, to assess the scope of corruption in such institutions, as well as, it was developed in order to detect and prevent the causes of corruption in legislation and the circumstances that create conditions for it.