

### **The signs of unfair competition in the market of audit services**

1. This document defines the signs of unfair competition in the audit market.

For the purposes of this document, speaking about unfair competition, we mean actions of audit organizations, independent auditors and their representatives in the provision of audit services, in order to obtain the ungrounded advantages contrary to the normative legal acts in the field of audit, harming to other audit firms or independent auditors and causing damage to their business reputation.

2. This document has been developed in order to identify cases of unfair competition and dumping, and to support in the fight against them. This document is intended for organizing and conducting the competitions in the selection of an auditor, as well as for use by the Chamber of Auditors in the implementation of external quality control of audit.

3. Speaking about the signs of unfair competition in the market of audit services, the following actions of audit organizations, independent auditors and their representatives are meant:

a) Contradicting the legislation of Azerbaijan Republic, International Standards on Auditing, the Code of Ethics for Professional Accountants and the normative documents of the Chamber of Auditors;

b) Harming or being able to harm to other audit firms or independent auditors, damaging or being able to damage the reputation of other auditors - their competitors.

4. In the market of audit services, the following cases are considered as unfair competition:

<b>№</b>	<b>Unfair competition</b>	<b>Examples of unfair competition</b>
1	Using of ungrounded low prices for services by audit organization, an independent auditor.	1. The price dumping; 2. Oversize cost of consulting services in the appointment of groundless low price for the audit (providing the same client with consulting and audit services in parallel, and at the same time, a contract for consulting services is concluded out of competition)
2	Using the groundless high prices by audit organization or an independent auditor on the basis of pre-deal.	Deal of audit organization or an independent auditor with another audit organization or independent auditor on the proposal of ungrounded high bid price
3	Illegal deal of audit firms and independent auditors with customers	Illegal or unreasonable payments and customer financing by the audit organizations and independent auditors
4	Distribution of false, inaccurate or distorted information by an audit organization, an independent auditor, as well as their representatives about the same audit organization or independent auditor	1. Concealment or distortion of information about the number of auditors and experts working in the audit organization and acting on the basis of the employment contracts with the organization. 2. Distortion of information about the scope of activities of an audit organization or an independent auditor, including their position in the market of audit services.
5	Creating a false understanding about the features, processes, location, nature, quality and	1. Representing the audit organization as a member (or as another kind of participant) of the unrecognized or non-existent in reality a network of audit organizations.

	quantity of services at the audited entity	<p>2. Concealment or distortion by an audit organization or an independent auditor of the results of a check of the external quality control of audit carried out by them.</p> <p>3. The concealment or distortion of information about the nature of the rendered services.</p> <p>4. Concealment or distortion by two audit firms or independent auditors offering services to the same client, the fact that they have relation to each other (including that they are one beneficiary).</p>
6	Incorrect comparison by the audit organizations, independent auditors and representatives of the services provided by other audit firms and independent auditors.	Placement by the audit organizations and independent auditors in promotional materials and other contest documents of their opinions and suggestions on the work of other audit organizations and independent auditors, not corresponding to reality and affecting their interests.
7	Providing with audit services by an audit organization or an independent auditor by the illegal use of intellectual property and the individual product of another legal or natural person, representing that intellectual property and individual product as their own.	Providing with advisory and related services by illegally using the methodical IT programs and the materials of another auditor.
8	Illegal purchase, use and dissemination of legally protected trade secrets and other confidential information.	<p>1. Accompaniment by an audit organization or independent auditor of the client's operation on the purchase of the auditee legal entity (in case of obtaining during an audit, by audit organization or independent auditor an information which is essential for this operation).</p> <p>2. Consultation by audit organization or independent auditor of two clients who are direct competitors in the operation on purchase and sale of the same legal entity in the same time, an abuse of the received information (in case where consultation of an audit organization or independent auditor could affect the competitive position of the customer).</p> <p>3. Provision of services for asset valuation of each of two parties opposing because of this asset.</p> <p>4. Representing on the same subject the interests of both clients which have a legal dispute.</p> <p>5. Recommendations to the client on investing in an enterprise in which the auditor has a financial interest.</p> <p>6. Provision with important strategic recommendations on the competitiveness of main competitor in case where the client has a joint venture with him, or other interest.</p> <p>7. Provision the client with recommendations on the purchase and sale of the legal entity which is wanted to buy by audit organization or an independent auditor.</p> <p>8. Provision the client with advisory services associated with the purchase of production, in case of getting a commission payment or license payment by an auditor from the seller for a sale of any product.</p>