



**Kamu Gözetimi Kurumu**  
**Public Oversight Authority**

**PUBLIC OVERSIGHT  
ACCOUNTING AND AUDITING  
STANDARDS AUTHORITY**

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**REPUBLIC OF TURKEY**



**Kamu Gözetimi Kurumu**  
**Public Oversight Authority**

**Introductory Booklet**

**PUBLIC OVERSIGHT, ACCOUNTING & AUDITING  
STANDARDS AUTHORITY**

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<b>FOREWORD</b> .....	8
<b>WHO WE ARE?</b> .....	11
<i>Establishment and Status of the Public Oversight, Accounting &amp; Auditing Standards Authority</i> .....	11
<i>Organizational Structure</i> .....	12
Chairman .....	12
Board Members.....	14
Vice Chairmen.....	16
Service Units and Staff.....	17
Institutional Capacity .....	19
<b>WHAT WE DO?</b> .....	21
<i>Accounting Standards</i> .....	22
Application of IFRSs in Turkey .....	22
Turkish Accounting Standards Taxonomy Development Project.....	23
<i>Auditing Standards</i> .....	25
<i>Approval and Registration of Auditors and Audit Firms</i> .....	26
Approval Requirements for Auditors .....	26
Approval Requirements for Audit Firms .....	28
Public Register .....	29
<i>Oversight and Inspections</i> .....	30
Establishment of Quality Assurance System .....	30
Establishment of Education and Approval Information System .....	30
Training and Approval Information System.....	31
Oversight Mechanism .....	32
Inspections .....	32
Enforcement.....	34
Statistical Data for Audit .....	34

**INTERNATIONAL RELATIONS .....35**

*Relations with EU.....35*

*Relations with IFIAR .....36*

*Relations with IASB and IFAC.....37*

*Relations with Other International Institutions .....37*

**APPENDICES .....38**

**APPENDIX 1 .....38**

*ACCOUNTING AND AUDITING HISTORY OF TURKEY.....38*

**APPENDIX 2 .....47**

*LIST OF TURKISH ACCOUNTING AND FINANCIAL REPORTING STANDARDS .....47*

**APPENDIX 3 .....50**

*LIST OF TURKISH STANDARDS ON AUDITING .....50*

**APPENDIX 4 .....53**

*CABINET DECREE DETERMINING THE ENTITIES THAT ARE SUBJECT TO AUDIT .....53*

**APPENDIX 5 .....55**

*BOARD MEMBERS.....55*





**Seyit Ahmet BAS**, *Chairman*

## **FOREWORD**

Rapid changes in information and communication technologies have affected the nature and extent of the economic activities; financial markets have entered in the process of global integration and increases in the world trade volume have lead a rapid increase in the numbers of international companies. These developments have required companies to use reliable and common financial reporting language and required their financial statements to be audited in accordance with international standards in order to ensure financial statements' compliance with related regulations.



On the other hand, accounting and auditing scandals which took place in the United States (US) and the European Union (EU) in early 2000s such as the Enron and the Parmalat, have forced public authorities to take sound measures for auditing of financial information.

Since auditing is an inquiry of integrity, appropriateness and rationalism, auditing activity is also needed to be subject to the inquiry of quality and reliability. The assurance of quality and reliability in auditing depends on the compliance of the auditing activity with the standards that were settled in advance.

When we consider the implementation around the world in setting the auditing standards which means setting rules about how and by whom audit will be conducted and how the results of the audit will be reported, we realize that there are lots of practices within the body of national and international professional institutions.

The most effective organization in this field is the International Federation of Accountants (IFAC). The IFAC determines the International Auditing Standards through the International Auditing and Assurance Board. In the US, the Auditing Standards Board was established within the body of the American Institute of Certified Public Accountants. In Turkey, several agencies and institutions, in particular the Capital Market Board (CMB) and the Banking Regulation and Supervision Agency (BRSA) had been regulating this field and this situation led to a fragmented structure in the field of auditing. In the "Reports on the Observance of Standards and Codes" prepared by the World Bank in 2005, similar findings were mentioned about the implementations in the field of accounting and auditing in Turkey.

This fragmented structure caused the implementation of different methods and techniques while conducting the audit and also resulted in more than one audit report for the same accounting period for the same

entity. Moreover, lack of a competent authority to oversee the audit activities restrained the effective implementation of regulations and prevented to provide reasonable assurance to the public in this regard.

All these developments required the establishment of an institution with the relevant authority and responsibility, in order to create a holistic legal structure in the field of statutory audit in Turkey. For this purpose, the Public Oversight, Accounting and Auditing Standards Authority (POA) was established by the Statutory Decree No. 660 and on 2 November 2011.

Establishment of the POA is an important achievement for Turkey, in particular for the EU negotiation process and it will make great contributions to the effective implementation of the New Turkish Commercial Code (TCC).

Parallel to the system envisaged in the TCC regarding accounting and auditing, the POA aims to set financial reporting and auditing standards in compliance with international standards, to provide uniformity in the implementation by approving auditors and audit firms and to ensure auditors and audit firms to provide audit service at international quality standards by making public oversight within the frame of the Statutory Decree No. 660.

Thus, companies in Turkey will become competitive, efficient and reliable actors of international capital markets with their financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and audited in compliance with the International Standards on Auditing (ISAs).



**Seyit Ahmet BAS**  
Chairman

## **1. WHO WE ARE?**

### **1.1. Establishment and Status of the Public Oversight, Accounting & Auditing Standards Authority**

When we look at the accounting and auditing history of Turkey, we see fragmented regulations from multiple authorities. Failure to ensure a standardization covering all companies in accounting practice has led to the preparation of more than one financial statement for the same company. In addition, Turkey has committed *"to establish an organization as the sole supreme authority in determining auditing standards and ethics, authorizing independent auditors and audit companies*

*under a public oversight system and monitoring their activities within the frame of quality assurance”, in the process of EU negotiations.*

In order to remove fragmented structure in the field of accounting and to fulfil the commitment given to the EU by ensuring an effective auditing and public oversight system, the Public Oversight, Accounting and Auditing Standards Authority (POA) was established in November 2011, by Statutory Decree No. 660.

The POA is a public legal entity with administrative autonomy and related with the Ministry of Finance. Head Office of the POA is located in Ankara and it may open offices in any place, if necessary.

## **1.2. Organizational Structure**

The POA is composed of a Board and a Chairmanship. The Chairmanship is responsible for implementing the Board decisions and assisting the Board in other issues. The Chairmanship includes the Chairman, Vice Chairmen and service departments.

### **1.2.1. Chairman**

The Chairman of the Board is also the Chairman of the Authority, and responsible for general management and representation of the Authority. This responsibility includes the duties and authorizations of executing, supervising, evaluating the works of the Authority and announce them to the public when necessary.

Duties and responsibilities of the Chairman are as follows:

- To determine the agenda, date and hour of board meetings, chair the meetings, take necessary actions about any applications not included in the agenda and inform the Board about them.
- To ensure publication or announcement of the board decisions, ensure the fulfillment of these decisions and monitor their implementation.
- To finalize recommendations received from

service units and then submit them to the Board.

- To prepare annual budget and financial statements of the Board in compliance with the strategies, aims and objectives specified by the Board.
- To ensure the Board and service units to work in a coordinated, efficient, well-disciplined and regular way, and to resolve duty and authority problems to arise among the service units.
- To prepare annual reports, make studies and evaluations on the strategy, policies and the related regulation and the performance criteria of the Authority and personnel, and then submit them to the Board.
- To execute relations of the Authority with other institutions and represent the Authority.
- To appoint the personnel other than those appointed by the Board.
- To fulfill other duties related with management of the Authority.

### 1.2.2. Board Members

The Board of the Authority is composed of nine members and appointed by the Council of Ministers among the people who have at least 10 years of experience in accounting, finance, tax, auditing or law after completing university degree or who have worked as a faculty member in certain disciplines at least for 10 years. Members are appointed among the candidates proposed by:

- Ministry of Finance (two members),
- Ministry of Customs and Trade (two members),
- Undersecretariat of Treasury,
- Capital Markets Board,
- Banking Regulation and Supervision Agency,
- The Union of Chambers and Commodity Exchanges,
- The Union of Certified Public Accountants and Sworn-in Certified Public Accountants.<sup>1</sup>

Board members of the Authority are non-practitioners and shall not participate in any public or private institution operating in regulated and supervised area, except academic activities such as lectures and conferences; they shall not undertake freelance activities and have shares in entities operating in a sector or an area that is regulated and supervised by the Authority; they shall not engage in trade.

In addition, Board members shall not participate in any private institution operating in a sector or an area that is regulated and supervised by the Authority within two years following the end of their duties in the Authority.

Board members are appointed for five years-term and they shall not be dismissed for any reason before the end of their terms, except serious illness or the loss of the necessary conditions for the appointment.

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<sup>1</sup> For more information about board members, please see Appendix 5.

The Board has the following duties and responsibilities:

- To set accounting and auditing standards in compliance with international standards,
- To approve statutory auditors and audit firms under public oversight system and monitor their activities within the frame of quality assurance and to register and declare them in the Authority's website,
- To organize a quality assurance system which is independent from the reviewed statutory auditors and audit firms,
- To determine the working principles and qualifications of the statutory auditors and audit firms,
- To determine the rules of professional ethics and continuing education standards,
- To monitor and supervise the operations and auditing activities of the statutory auditors and audit firms in order to ensure whether they are in compliance with the standards and regulations issued by the Authority,
- To conduct disciplinary and investigative procedures and in case of breaches, suspend or cancel the license of the statutory auditors or audit firms,
- To make secondary legislations about the areas regulated and supervised by the Authority,
- To cooperate with the other countries' relevant bodies on the issues related to the Authority's responsibilities,
- To register and declare foreign audit firms and auditors that are authorized to perform statutory audit on the basis of reciprocity in Turkey,
- To follow international developments and practices that are related to its responsibilities,
- To collaborate with the International Accounting Standards Board (IASB) and the International

Auditing and Assurance Standards Board (IAASB) and other international organizations that work in the field of accounting and auditing,

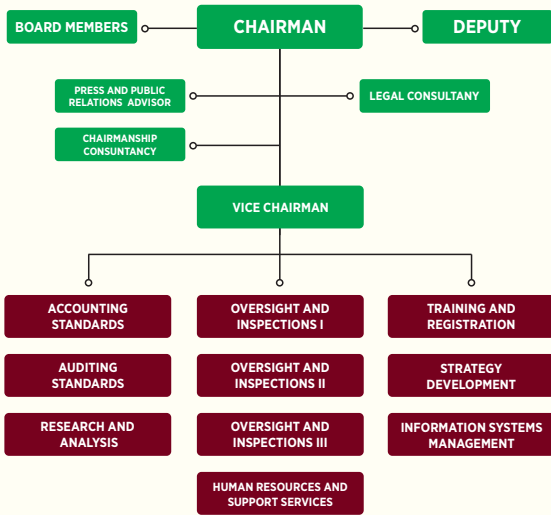
- To make license and copyright agreements with these organizations and become a member of these organizations if necessary.

### **1.2.3. Vice Chairmen**

Three vice chairmen are appointed by the Minister of Finance upon the proposal of the Chairman. Vice chairmen must have at least 10 years of experience in accounting, finance, tax, auditing or law after completing university degree or who have worked as a faculty member in certain disciplines at least for 10 years and they must be non-practitioners. Vice chairmen may delegate some of their duties and authorities, except those related with the Board, to their subordinates provided that the limits are clearly defined and specified in written form.



# ORGANIZATION CHART



## 1.2.4. Service Units and Staff

Service units of the Authority are composed of the units organized in the form of departments. The departments are organized according to their functions. To implement its objectives, nine departments have been set up. In addition to those departments, consultancy of legal affairs and press and public relations perform their duties directly in connection with the chairman. Detailed information about the service units are as follows:

### Departments of Oversight and Inspections

To oversee and inspect the compliance of the operations and audits of the auditors and the audit firms with the standards and regulations issued by the Authority.

### **Department of Accounting Standards**

To set and issue Turkish Accounting Standards in compliance with the International standards, to make secondary legislations, and to take necessary decisions for the implementation of Turkish Accounting Standards.

### **Department of Auditing Standards**

To set and issue Turkish Standards on Auditing in compliance with the International standards, to make secondary legislations and to take necessary decisions for implementation of Turkish Standards on Auditing.

### **Department of Research and Analysis**

To support the oversight activities of the Authority, to identify higher risk audits and audit areas for closer consideration, and to provide risk and data analysis for supporting the inspection planning process.

### **Department of Information Systems Management**

To plan, develop and manage information systems of the Authority, to ensure safety and continuity of information system in a manner compatible with technological developments, and to supervise information systems of audit firms.

### **Department of Training and Registration**

To make relevant operations related to authorization of the audit firms and auditors, to record them in the official registry, to carry out examinations and continuous trainings of auditors.

### **Department of Strategy Development**

To identify the Authority's policies and goals, to prepare strategic plans and review their implementation, to make recommendations on how to further improve the Authority's activities, and to prepare progress reports.

## **Department of Human Resources and Support Services**

To execute human resources, personnel training, administrative, financial, informatics and similar activities.

### **Consultancy of Legal Affairs**

To prepare drafts of legislation in coordination with other service units and express opinion to the drafts of legislation prepared by other service units; provide recommendations and legal advice to the chairman.

### **Consultancy of Press and Public Relations**

To develop and apply communication strategies, conduct relations with press and other institutions, handle applications in accordance with the law on information request and complaints from the public.

#### **1.2.5. Institutional Capacity**

The POA currently focuses on understanding the obstacles that inhibit the Authority from realizing its developmental goals while enhancing the abilities that will allow the Authority to achieve measurable and sustainable results. The POA interprets institutional capacity as the process of enhancing the Authority's abilities to perform specific activities. POA's institutional capacity approach is to develop internally so that the Authority can better fulfil its mission.

POA's services are carried out by the professional staff, who join the POA by passing a special entrance examination and become expert after passing proficiency examination, and administrative staff. Currently, the Authority employs 69 professional staff (28 experts and 41 assistant experts) working directly on oversight, inspections and standard setting. 61 of these staff have the necessary skills and qualifications to take part in the inspection teams formed to inspect selected audit files and quality control systems of

auditors and audit firms. 8 of the professional staff are employed at the Management of Information Systems Department to take part in the IT audits. In the meantime, human resources capacity is expected to increase gradually from year to year.

In addition, special consideration is given to improve the competence and capabilities of the professional staff of the Authority. In this context, the POA is trying to initiate and enhance its relationship with other countries' oversight authorities and international organizations to share and benefit from mutual experience.

Staff profile and number as of April 2015 is shown in the table below:

<b>Board</b>	
Chairman	1
Board Members	7
<b>Top Management</b>	
Chairman	1
Press And Public Relations Advisor	1
Legal Advisor	1
Other Advisors	2
Vice Chairmen	3
Head Of Departments	9
<b>Professional Staff</b>	
Experts	28
Assistant Experts	41
<b>Administrative Staff</b>	
Section Heads	3
Lawyers	3
Administrative Staff	53
<b>Total</b>	<b>152</b>

## **2. WHAT WE DO?**

***Our mission is to set standards that ensure the preparation and audit of financial reports in compliance with international standards and to achieve an effective public oversight.***

***Our vision is to establish a high quality and reliable financial reporting and auditing environment.***

In order to achieve our mission, we have four main functions:

- To set accounting standards
- To set auditing standards

- To approve and register auditors and audit firms
- To make oversight and inspections

## **2.1. ACCOUNTING STANDARDS**

One of the most important duties of the POA is to set and issue Turkish Accounting Standards and to determine the application scope of those standards. In addition, the POA may set special or exceptional standards for different types of entities and sectors and it has the authority to make secondary regulations and take necessary decisions for the implementation of Turkish Accounting Standards.

### **2.1.1. Application of IFRSs in Turkey**

The POA strategically has an objective of setting accounting standards in full compliance with the International Financial Reporting Standards.

As of April 2015, 1 Conceptual Framework for Financial Reporting, 42 Turkish Accounting/Financial Reporting Standards (TASs/TFRSs) and 24 TASs/TFRSs Interpretations have been published in the Official Gazette. Those standards are continuously updated in accordance with the amendments made by the IASB with the effective dates as originally pronounced by the IASB preserved.<sup>2</sup>

According to the Turkish Commercial Code;

- Companies, stock brokers, portfolio management companies and other entities included in the consolidation which issued capital market instruments are being traded in the stock exchange or any other organized market,
- Banks and their subsidiaries,
- Insurance and reinsurance companies and,
- Pension companies

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<sup>2</sup> For the full list of the published TASs please see Appendix 2.

are required to apply Turkish Accounting Standards while preparing their financial statements.

As it is mentioned above, according to the Turkish Commercial Code and Statutory Decree No. 660, POA has the authority to decide the application scope of Turkish Accounting Standards.

Other entities, which do not have to apply Turkish Accounting Standards, are preparing their financial statements in accordance with Uniform Chart of Accounts<sup>3</sup> (Turkish Local GAAP), which is generally compatible with the 4<sup>th</sup> Directive numbered 78/660/EEC.

### **2.1.2. Turkish Accounting Standards Taxonomy Development Project**

In order to evaluate the developments in XBRL and their impact on the application of XBRL in Turkey, the Board formed an XBRL Working Commission. As of June 2013, the Commission has completed its work.

In order to direct and assist the Authority about the XBRL implementation in Turkey, the Commission has submitted its recommendations to the Chairmanship of the Authority.

Within the frame of the commission's recommendations, following objectives have been determined as a priority:

- To establish XBRL Turkey Jurisdiction with the membership of XBRL International.
- To localize IFRSs taxonomies.
- To organize symposiums, briefings and presentations in order to create awareness on the subject and inform related parties concurrently with the establishment of the XBRL Turkey Jurisdiction.

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<sup>3</sup> In 1993, the Ministry of Finance published the Communiqué of Accounting System Implementation, which establishes the accounting principles and the uniform chart of accounts. This Communiqué was prepared by the academics and is generally consistent with the 4th Directive numbered 78/660/EEC.

- To start a Standard Business Reporting project in order to maximize benefits achieved from XBRL.
- To create an institutional collaborative environment between the XBRL Turkey Jurisdiction and the Scientific and Technological Research Council of Turkey with the aim of supporting the topics related to software solutions.
- To start a portal solution for the purpose of XBRL reporting facilities available to SMEs.

In line with the commission's recommendations, XBRL Turkey Jurisdiction has been established initially. XBRL Turkey Local Jurisdiction, placed within the POA as a sub-committee, is a non-profit organization and is open for any related parties' membership without any limitations.

In order to get a concrete progress and increase the awareness and interest of related parties on XBRL, a sub-committee structure is preferred. During the transitional jurisdiction (limited to two years) period, it is planned to review the structure and legal form of the jurisdiction in coordination with XBRL International and accordingly it could be evolved into a different structure like independent non-profit organization established under Turkish laws.

The main objectives of the XBRL Turkey can be summarized under the following headings:

- To increase the awareness of XBRL among related parties and organizations.
- To develop Taxonomy.
- To create information center and collaboration area for XBRL related projects in Turkey.
- To encourage software developers for developing XBRL-enabled products and software components.
- To promote XBRL for other business reporting purposes and support development of open source software components.



In order to meet the financial reporting needs within the XBRL Turkey, works have been initiated to prepare TAS taxonomy and to ensure its applicability. These works are based on the taxonomy, which has been developed by the IASB.

## **2.2. AUDITING STANDARDS**

Another important task of the POA is to set Turkish Standards on Auditing (TSAs) in compliance with international standards. According to Statutory Decree No. 660, TSAs comprise a broad range of standards including quality control, auditing, review, other assurance and continuing education standards, professional ethic rules and information system auditing standards. Based on its duty and authority to set and issue TSAs, the POA signed a copyright agreement with IFAC.

The auditing standard setting process has been conducted on the basis of IFAC's Policy for Translating Reproducing Standards and consultation commissions and a review committee has been composed for the adaption of the standards. Auditing standard setting process of the POA includes the following steps:

- Determination of the key terms,
- Translation of the original auditing standards into Turkish,
- Initial edit by an expert,
- Crosswise edit by a senior expert,
- Sending the text to the related consultation commission,
- Edit by expert team,
- Edit by Head of Auditing Standards Department,
- Presenting the text to Review Committee and POA's Board Members,
- Announce the text to the public opinion,
- Receiving and assessing the opinions about the text,

- Final edits, Board decision and publication of the text in the Official Gazette.

Currently all ISAs including quality control standard have been translated and 43 Turkish Standards on Auditing have been published in the Official Gazette.<sup>4</sup>

In addition, studies about;

- Code of ethics,
- Education standards,
- Other assurance standards,
- Related services standards and
- Information systems auditing standards

are going on and those standards will be published in 2015.

## **2.3. APPROVAL AND REGISTRATION OF AUDITORS AND AUDIT FIRMS**

### **2.3.1. Approval Requirements for Auditors**

An audit shall be carried out only by auditors or audit firms, which are approved by the POA. Auditors are approved within two categories: Those who will carry out audits of public interest entities and those who will not carry out audits of public interest entities.

Each candidate's file is subject to the Board decision for approval. In order to be approved as an auditor, candidates should meet the following requirements:

- They should have graduated from undergraduate or graduate programs of law, economics, public finance, business administration, public administration or political science or foreign universities approved by Turkish Council of Higher Education,
- They should be members of the profession who acquired Certified Public Accountant or Sworn-in

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<sup>4</sup> For the list of all published TSAs please see Annex 3.

Certified Public Accountant license in accordance with the Law dated 1/6/1989 and numbered 3568 on Certified Public Accountancy and Sworn-in Certified Public Accountancy,

- They should be resident in Turkey,
- They should have contractual capacity,
- They should have at least 3 years of experience in the field of audit,
- They should have passed the auditor exam which consists of the following subjects:
  - Financial accounting, cost accounting and management accounting,
  - Turkish Accounting Standards,
  - Corporate governance and financial management,
  - Auditing,
  - Common law.
- Candidates who will conduct audit in the fields of capital market, banking, insurance, and individual retirement are also subject to an exam which consists of the subjects about regulations of capital markets, banking, insurance and private pension.
- They should not have served a prison sentence of a year or longer because of intentional crime or not have served a sentence because of crimes like those contrary to state security, national defense, bribery, fraud,
- Their licenses should not have been cancelled by the POA,
- They should have good reputation and not have any position contrary to honor and dignity required by audit profession.

As of April 2014, 11084 members of the profession (CPAs and Sworn-in CPAs) have been approved as auditors.

### 2.3.3. Approval Requirements for Audit Firms

Approval of audit firms is subject to the Board decision. In order to be approved and registered as an audit firm, audit firm should meet the following requirements:

- Audit staff of an audit firm should be enough to establish engagement teams in terms of qualifications and number<sup>5</sup>.
- All the members of the management board of an audit firm should be from members of the profession.
- The majority (but less than 75%) of the management board of an audit firm should consist of auditors in the audit staff.
- Auditors, shareholders and key managers of an audit firm should not work for or with other audit firms or auditors, or should not be shareholders, key managers or auditors of a legal entity.
- Audit firms should have prepared an audit guide in a written form.
- Audit firms should have prepared policies and procedures of quality control system in a written form and in line with principles set by the POA.
- Organization, office place, technical equipment, documentation and recording order should be sufficient in order to conduct audit effectively.
- Activity permission should not be cancelled before by the POA.
- Legal entity and shareholders of audit firm should not have a negative reputation.
- Shareholders of audit firm should not have any position contrary to honor and dignity required by the audit profession.

As of April 2014, 160 audit firms approved and registered by the POA. 112 of those firms have been approved to

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<sup>5</sup> According to Audit Regulation of the POA, engagement team should consist of at least three auditors with at least a substitute for each one. Substitutes should have qualifications needed for auditors.

conduct the audits of public interest entities and 48 of them have been approved to conduct the audit of entities except public interest entities.

#### **2.3.4. Public Register**

The POA has established a Public Register in which auditors and audit firms are identified by an individual number. Registration information is stored in the register in electronic form and is electronically accessible to the public.

Registration information of the auditors approved by the POA is disclosed to public at POA's website. This information contains:

- Auditor's name, surname and his/her father's name,
- Professional license type of the auditor (certified public accountant or sworn-in certified public accountant),
- Auditor's registration number,
- Audit firm in which auditor is shareholder or employed,
- Province where auditor resides,
- The areas (general, capital market, banking, insurance and private pension) in which auditor have been approved to conduct audit.

The Public Register contains at least the following information about the audit firms:

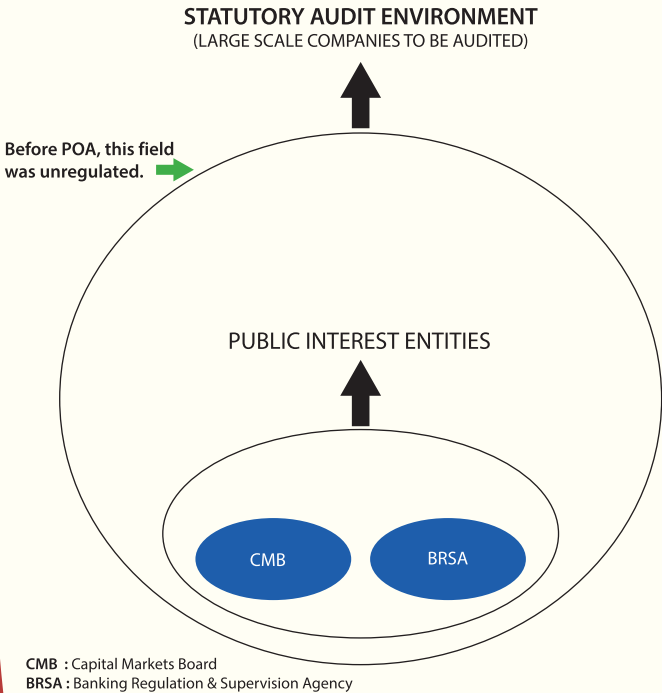
- Title, address and registration number;
- Legal form;
- Contact information;
- Website address;
- The areas in which audit firm have been approved to conduct audit;
- Name and registration number of all auditors employed by or associated as partners with the

audit firm;

- Names and business addresses of all owners and shareholders;
- Names and business addresses of all members of the administrative or management board.

## 2.4. OVERSIGHT AND INSPECTIONS

With the enactment of the New Turkish Commercial Code and establishment of the POA, number of the companies that fall in the scope of audit and number of the auditors and audit firms that are subject to oversight have been increased. Please see the diagram below, which summarizes current and previous situation of the audit environment in Turkey:



### 2.4.1. Establishment of Quality Assurance System

The POA is working on establishing a modern framework for audit activities in line with the international standards and EU regulations. According to this framework, all auditors and audit firms are subject to a system of quality assurance. The quality assurance system will be independent from the

auditors and audit firms under oversight system.

Having quality control systems & audit guidelines are required for the approval and registration of audit firms. Moreover, only auditors those approved by the POA can work within the audit teams of the audit firms.

The POA is planning simultaneous oversight of the audit work (e.g. by requiring regular data and findings entry by auditors or audit teams). Inspection of selected audit files will be based on the research and analysis of the oversight and inspections departments.

#### **2.4.2. Training and Approval Information System**

In order to conduct approval and public register transactions electronically and to create a database in which data to be registered and announced is stored in an orderly manner; "Training and Approval Information System (TAIS)" has been established by the POA. By means of TAIS, auditors' and audit firms' approval applications and requests for entering Public Register are taken and data, which constitute basis for Public Register, is maintained in an electronic platform. Thus, it is possible for auditors to access remotely (on a 24/7 basis) to the transactions related with the approval. The TAIS enables the POA to render fast and reliable service and it minimizes resource and time wastage.

The TAIS mainly consists of two panels: One is Auditors' Panel and the other is Audit Firms' Panel. After the completion of comprehensive tests, Auditors' Panel, which is the main source of the data for Public Register has been opened to use of auditors in June 2013. Moreover, Audit Firms' Panel has been opened to use of auditors in June 2014. Both Panels is continuously tested and updated in light of the feedbacks from auditors and currently it became a dynamic platform from which a number of reports could be taken about approved auditors and which includes information that is published in POA's website.

### **2.4.3. Oversight Mechanism**

The POA has started to perform off-site oversight activity via Filing of Engagement Portal. POA plans to expand the scope of Filing of Engagement Portal covering all audit process gradually. As a first step of this project, Engagement Data Entry Portal was created to get audit engagements and inspect the compliance of them with the regulations issued by the Authority. 3,476 audit engagements and engagement related information have been uploaded to the system for the year 2014. Within this frame, all audit engagements are revised by the Authority and discrepancies in the engagements are reported to those concerned immediately.

In the meantime, for audits conducted in 2014, audit reports have been submitted to the Authority through web based information system. Moreover, the POA established oversight systems in accordance with International Standard on Quality Control for the supervision of quality control systems of audit firms. By taking these steps, a systematic oversight process has been developed for quality assurance inspections.

In cooperation with international organizations and other jurisdictions' equivalent authorities related to public oversight, the POA has already completed inspection guides for audit firms.

### **2.4.4. Inspections**

The POA oversees and inspects registered audit firms and auditors to assess their compliance with the Turkish Commercial Code, the Statutory Decree No. 660, the rules and regulations of the Authority and professional standards, in connection with the performance of audits, issuance of audit reports, and related matters involving Turkish companies.

The Authority inspects audit firms and auditors in the context of sufficient number of selected audit files, notices and documents, and other information within



the scope of its Quality Assurance System. Inspections are carried out in the scope of annual inspection plan prepared by the Board in every year by receiving opinion of relevant authorities. Results of inspections shall be announced to the public opinion every year with a report.

Inspections of the audit firms cover:

- Review of audit work performed within the scope of relevant legislations,
- Regulatory compliance of audit firms' activities,
- Quality and quantity of resources spent in audits,
- The audit fees charged,
- Internal control system of the audit firms.

In 2014, the POA's inspection schedule covered 63 PIE audit firms. The inspections are carried out in PIE audit firms at least every 3 years and in non-PIE audit firms, at least every 6 years. Quality Control Inspections of PIE audit firms under the current 3-year inspection plan covering the 2012-2014 period are completed. While the main focus was on the efficiency of the audit firm's quality control systems during the first three year inspection cycle, the focus will be transferred to the file reviews during the second three year inspection cycle.

As stated above, inspections are carried out at least in every 3 years for audit firms which audit public interest entities and in every 6 years for the other firms. Inspections of auditors are carried out when deemed necessary by the Authority.

However, the Authority reserves the right of performing or causing others to perform an inspection in case of a warning, complaint, notification and other cases considered necessary in addition to the planned inspections.

In cases of requirement, the Authority may either carry out the inspections by means of its professional staff or relevant inspection units of the Ministry of Customs

and Trade, Ministry of Finance, Undersecretariat of Treasury, Banking Regulation and Supervision Agency, Capital Markets Board and Energy Market Regulatory Authority having the authority of regulating and supervising certain fields by law.

#### **2.4.5. Enforcement**

Inspections are carried out in accordance with the principles and procedures set by the Authority. The POA has authority to investigate and discipline registered audit firms and auditors for noncompliance with the relevant legislations. When violations are found, in addition to fines the Authority can impose appropriate sanctions that compose of:

- Warning;
- Suspension of the approval for two years; and
- Withdrawal of the approval.

In case of repeated violations, aggravated sanctions shall be imposed by the POA.

#### **2.4.6. Statistical Data for Audit**

- As of April 2015, 160 audit firms have been approved and registered by the POA and all of them are subject to quality control reviews.
- For the financial reporting term of 2014, 3,476 audit engagements were filed to POA's "Filing of Engagement Portal". 2,034 of them are for public interest audits (1,730 under Capital Markets Law, 185 under Banking Law ,59 in insurance sector and 60 other).
- It is estimated that approximately 5,000 companies will be subject to audit for 2015 financial reporting period.

### **3. INTERNATIONAL RELATIONS**

POA has recognized the significance of international cooperation and collaboration regarding financial reporting, audit and audit regulatory activities since its inception and developed close relationships with many International Organizations, primarily with European Union, IFIAR, IASB and IFAC.

#### **3.1. Relations with the EU**

As being a candidate country for EU membership, Turkey is under the process of harmonize its legislation with the EU acquis and strengthen institutional capacities of related institutions for the effective implementation of the harmonized legislation.

The POA is one of the responsible institutions in “Company Law Chapter”, which was opened for negotiations in 2008. In 2008, five closing benchmarks were determined. One of the closing benchmarks which requires the *establishment an organization as the sole supreme authority in determining auditing standards and ethics, authorizing independent auditors and audit companies under a public oversight system and monitoring their activities within the frame of quality assurance*” has been fulfilled by the establishment of the POA in 2011.

In this Chapter, main responsibilities of the POA are to harmonize Turkish accounting, financial reporting and statutory audit legislation with related EU acquis. Therefore, the POA conducts studies to harmonize related legislation and considers EU acquis when making a new regulation. In addition, the POA attends subcommittee meetings and EFRAG’s Technical Expert Group and Consultative Forum of Standard Setters meetings and continuously follows recent amendments made in the EU acquis.

Furthermore, the POA also gives importance to benefit from the EU funds and technical assistance and within this scope; a project has been prepared and submitted in order to develop institutional capacity.

### **3.2. Relations with the IFIAR**

IFIAR mainly focuses on sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspections of auditors and audit firms, promoting collaboration and consistency in regulatory activity, and providing a platform for dialogue with other international organizations that have an interest in audit quality.

Since its creation, IFIAR’s membership has grown in light of the establishment of new independent audit regulators in different jurisdictions around the globe,

bringing together independent audit regulators from 51 jurisdictions including Turkey. IFIAR's members are the independent audit oversight authorities of their jurisdictions and the POA has been a member of the IFIAR since February 2014. IFIAR membership of the POA is a proof of POA's commitment to establish an audit environment where globally accepted standards are utilized.

IFIAR's focus is improving audit quality through international cooperation. Much the same, the POA is focusing on analyzing and adapting world-wide practices set by the counterpart authorities to reach its preeminent goal, which is to promote a highly qualified and reliable financial reporting and audit environment in Turkey in order to protect investors and public interest.

### **3.3. Relations with the IASB and the IFAC**

Within the scope of its responsibility to set national accounting and auditing standards in compliance with international standards and Turkey's commitment to harmonize accounting and auditing legislation with related EU acquis, the POA signed copyright agreements with both the IASB and the IFAC.

In order to enhance the participation of emerging economies in the development of IFRSs the Emerging Economies Group (EEG) was created in 2011 at the direction of the IFRS Foundation Trustees. The POA is a member of this group and represents Turkey in this platform.

### **3.4. Relations with Other International Institutions**

In order to benefit from other countries experiences, improve bilateral relations, and exchange views, the POA conducts relations with its counterparts.

## **APPENDICES**

### **APPENDIX 1**

#### **1. ACCOUNTING AND AUDITING HISTORY OF TURKEY**

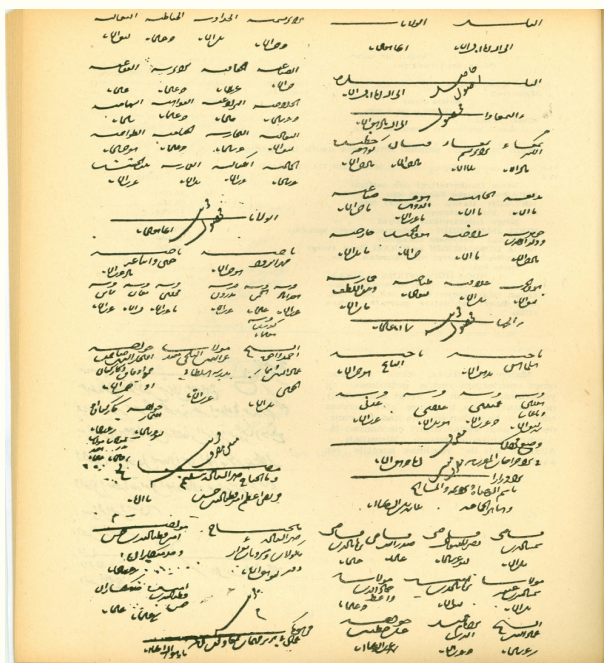
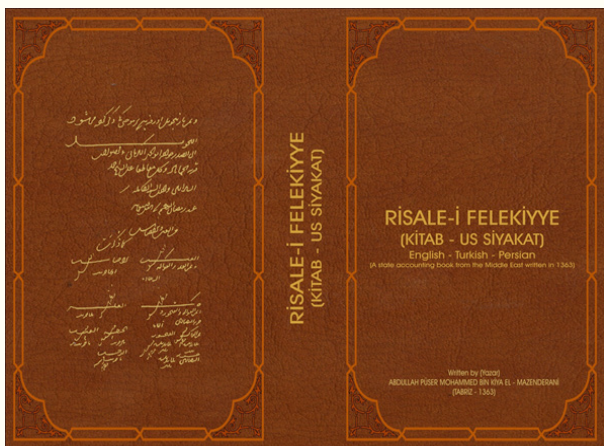
Accounting and auditing professions have a strong relationship with each other all around the world and it is also the fact in Turkey. Under the status quo in Turkey, Turkish Accounting Standards are fully harmonized with IFRSs and Turkish Standards on Auditing have been published in compliance with the ISAs.

Until the current situation, Turkey's accounting and auditing system have undergone significant evolutions. The developments in accounting and auditing practices have been summarized below:

##### **1.1. Accounting History of Turkey**

###### **1.1.1. Double Entry Bookkeeping in Turkish Accounting History**

Anatolian accounting culture developed around a state accounting record keeping system called the merdiban (stair) method, that appeared with the Abbasids (770-1258), developed during the Ilkhanate period (1256-1353) and was perfected during the Ottoman era (1299-1922). The method was abandoned in favor of double-entry bookkeeping in 1879. In essence, this method was used effectively in the Middle East for over 1,100 (770-1879). A few example of accounting records illustrating the use of the system by the Abbasids survive to the present day. Four instructional texts were authored during the Ilkhanate times to teach the method. These texts have survived to present day. The most famous of them and one of the most important studies about accounting in our history is Risale-i Felekkiye (Kitab-us Siyaqat) by Mazendarani.



Risale-i Felekiyye (Kitab-us-Siyaqat) is a state accounting book from the Middle East, written in 1363, which describes accounting books, account types, and some principles about state accounting.

Risale-i Felekiyye is the last accounting teaching book, which introduces the Merdiban (Stairs) method that had been used for centuries in the Middle East.

The book constitutes accounting examples written with the Siyaqat script. Math and calculation rules are the first parts of its content, and then it is followed by registration procedures and rules. Afterwards, state's financial structure and layout of

the accounting books are introduced with examples. Mainly, layouts of the accounting books consist of ruznamçe (daily book) and evarece (ledger). The reason for that was all the records were presented within those books. Other books have auxiliary characteristics and they occur mainly for the recording needs of special occasions. After introducing the main and the subsidiary books, the book gives information about specialized accounting books (stable books, construction books, rice book, warehouse book, minting house book, sheep book, and treasury book).

### **1.1.2. Developments Between the Period 1920-1950**

The development of accounting in Turkey has been established under the oversight of the government; and influenced by the laws transferred from western countries where they have intense economic and political effects on the Turkey's legislations. In accounting practices, initially French legislation<sup>6</sup> and publications and then German legislation and publications have been effective.

After the foundation of the Republic, reforms were made to affect the social and commercial life. During the reform period, the second commercial code came into force in 1926. This code was based on the German commerce and company laws that also regulated the accounting practices.

Due to lack of private capital during the early years of the Republic, the state took the responsibility to initiate heavy industry and several manufacturing companies. These state founded and operated companies are called 'State Economic Enterprises' (SEEs) and the German influence was carried to the private sector where the SEEs accounting system was organized by the Germans. The concepts of expense types, cost pools, cost allocation tables, standard cost and actual cost in accounting together with the contemporary applications at that time entered into the area of accounting procedures. Furthermore, in the late 1930s, Turkey welcomed German academicians of various fields in the Turkish universities. Consequently, financial and cost accounting practices of the SEEs, established the rules for accounting practices in the private companies.

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<sup>6</sup> Accounting legislation practices date back to 1850's and the main legal regulations that direct accounting practices in Turkey have been set out by commercial codes. The first Commercial Code of 1850 was a translation of the French influence of the era. This law formed the first accounting regulation in Turkey.



In the first three decades of the Republic, between 1920 and 1950, Turkish economy was a conservative one in which the State initiated all the economic activities. After the World War II, the developments in the world economy, such as the Bretton Woods Economic Conference, affected the Turkish economy and politics alike. Establishment of a multiparty era in 1946 led to a limited liberation movement in this decade. In the early 1950s, the country enjoyed an economic growth, as it had never seen before. The economic boom ended in mid-fifties, and followed by a period of economic crises.

### **1.1.3. Developments Between the Period 1950-1970**

The decade of 1950–1960 marks the first attempts towards a more liberal economy in which international trade gained momentum. The Commercial Code of 1956 was in line with the contemporary economic developments as well. The provisions regarding accounting, financial statements and reports of partnerships were laid down in the third Turkish Commercial Code. However, the provisions of the TCC determined a general framework and failed to be sufficiently reflected in practice. Furthermore, due to the provisions in Tax Procedure Law (TPL, in 1950) for enterprises covering the determination of the tax base, as well as provisions on accounting, record keeping, documentation principles and financial statements, and the existence of effective sanctions in case of failure to comply with these provisions, accounting practices, have been carried out for the purpose of determination of the tax base.

During the decade of 1950–1960, incentives were provided for the private sector and for foreign investments. Starting from the second half of this decade, US expertise has been utilized and the economic system has been heavily influenced by the US system. Furthermore, the US influence was also felt in the curriculum of the business schools, especially in the field of business administration and accounting.

Association of Expert Accountants and Business Organizers was the first Turkish civil society association established in the area of accounting. This association was transformed into Expert Accountants Association of Turkey (EAAT) in 1967. Having the support of the academics, this special expertise association has played an important role in every development after on.

#### **1.1.4. Developments Between the Period 1970-1990**

The Istanbul University Institute of Accounting published thirty-one International Accounting Standards individually and subsequently these standards were formatted as a book in 1977. This attempt was Turkey's first meeting with the IASs.

In January 1980, a series of economic decisions imposed by the IMF were taken to reduce the inflation rate, increase production, and support the import activities. During the reconstruction period starting in the early 1980s, Law No. 2499 was put into effect in 1981 to prepare the grounds for establishing capital markets. The Law of Istanbul Stock Exchange (IMKB) enacted in 1984, but full operations started in 1986, and the increase in foreign investments advanced the development of the accounting and auditing standards. Increase in joint ventures and foreign trade led to the establishment of offices of the 'Big Eight' accounting firms in Turkey. As a result of these developments, large private enterprises started to report their financial statements in accordance with the IASs and national reporting requirements. With the formation of the capital markets in Turkey in 1980s, financial statements began to be audited and disclosed according to the IASs although the commercial books were kept by tax basis.

The Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey (TURMOB) was established by the Law numbered 3568 in 1989.

In 1993, the Ministry of Finance published the Communiqué of Accounting System Implementation, which establishes the accounting principles and the uniform chart of accounts. This Communiqué was prepared by the academics and is generally consistent with the 4<sup>th</sup> Directive numbered 78/660/EEC. All entities other than banks and other financial institutions in Turkey have been keeping their account books and prepare their financial statements exactly in the form defined by the account headings and codes in the uniform chart of accounts since 1993.

Accounting practices for informing the public have been put on the agenda in Turkey by the regulations of the CMB. Outside the scope of regulations of the CMB, tax laws have been effective in accounting practices and accounting has been practiced for the purpose of correct determination

of the tax base rather than for providing relevant financial information. Failure to ensure a standardization covering all companies in accounting practice has led to the preparation of more than one financial statement for a single enterprise such as the “commercial statement” prepared in accordance with the TCC, the “financial statement” prepared in accordance with the tax laws, and the statement prepared in line with the CMB’s requirements.

### **1.1.5. New Accounting Framework of Turkey**

With the globalization of capital markets and the increased volume of international investments, companies operating in Turkey needed to provide high quality financial information to access financial resources. Furthermore, internationally accepted and reliable financial information is also needed for the overseas customers of the domestic companies. Another reason facilitating the need for the IFRSs is Turkey’s candidacy for European Union membership. In order to cease ambiguity relating to accounting and financial reporting and meet qualified financial information needs of the companies the Turkish Accounting Standards Board (TASB) was established, as public legal entity with administrative and financial autonomy, to develop and publish accounting standards. In setting accounting standards fully compliant with the International Financial Reporting Standards (IFRSs), the TASB followed the principle of the official translation procedure set out by the International Accounting Standards Committee Foundation. Within the scope license agreements with the IASB, the TASB published Turkish Accounting Standards in the Official Gazette and necessary updates were made by reflecting the amendments in the IFRSs immediately. After the establishment of the TASB, related organizations put Turkish Accounting Standards into practice by superseding their accounting by-laws and communiqués.

The most important development about the IFRSs in Turkey is the 4th Turkish Commercial Code, which was issued in 2011 and it broaden the application scope of the IFRSs and made the TASB sole authority for setting accounting standards. However, in order to ensure more effective accounting, auditing and public oversight system, Public Oversight, Accounting and Auditing Standards Authority (POA) has been established in November 2011 and the TASB has been superseded.

The POA also has an objective to publish accounting standards that are fully complied with the IFRSs like the TASB. However, the Authority must achieve this compliance in parallel with EU's adoption method of IFRSs because of Turkey's harmonization policy with EU acquis.

According to Regulation (EC) No 1606/2002 for each financial year starting on or after 1 January 2005, publicly traded companies in EU shall prepare their consolidated accounts in conformity with the international accounting standards as adopted by European Commission. On the other hand, Member States may permit or require publicly traded companies to prepare their annual accounts and companies other than publicly traded companies prepare their consolidated accounts and/or their annual accounts in conformity with international accounting standards adopted by European Commission.

In addition to this, Member States which not use the options specified in Regulation (EC) No 1606/2002, require publicly traded companies to prepare their annual accounts and companies other than publicly traded companies prepare their consolidated accounts and/or their annual accounts in accordance with local regulations pursuant to Directive 2013/34/EU of The European Parliament and of The Council of 26 June 2013 from the beginning of 1 January 2016.

Laws and regulations associated with accounting practices in Turkey are in parallel with EU legislations. In this context, in the Turkish Commercial Code published in 2012, all companies have become obligatory to apply accounting rules set by the POA and the POA is authorized to determine scope of the application of Turkish Accounting Standards, which are in fully compliance with the International Financial Reporting Standards. In line with EU practices, the POA has made mandatory to apply Turkish Accounting Standards for public interest entities. Other entities, which do not have to apply Turkish Accounting Standards in their financial statement, are using Uniform Chart of Accounts, which is generally in compliance with the accounting directives of the EU.

## **1.2. Audit History of Turkey**

### **1.2.1. Audit in Capital Markets**

The first comprehensive regulation concerning the auditing in capital markets was made by the Capital Market Board (CMB) and “the Regulations on External Auditing in Capital Market” entered into force 1987. Moreover, basic principles and rules related with auditing were arranged with Communiques entered into force in 1987 and 1988. Then, “Notification on Auditing in Capital Market” published in parallel with international developments came into force. “Communiqué on Auditing Standards in Capital Market” harmonized with International Standards on Auditing was published in Official Gazette in 2006.

In accordance with the New Capital Markets Law, the CMB may set additional criterion for the audit firms that will conduct statutory audits in the capital markets and may oversight activities of those firms and the CMB shall report the results of quality control reviews and inspection activities to the POA.

### **1.2.2. Audit in Banks**

The Banking Regulation and Supervision Agency (BRSA) was established as the authority that is responsible for the regulation and supervision of banking system in Turkey. Then the BRSA became the authority over the inspection of statutory auditors within banking sector. Auditing of the banks is considered as regulated through based on Banking Law No. 5411 in current situation.

In accordance with the New Capital Markets Law, the BRSA may set additional criterion for the audit firms that will conduct statutory audits in the banking sector and may oversight activities of those firms and the BRSA shall report the results of quality control reviews and inspection activities to the POA.

### **1.2.3. Other Regulations**

There were some other regulations concerning the auditing activity in Turkey in addition to those stated above. Auditing of the insurance sector was executed by the Undersecretariat of Treasury within the framework of the provisions of “Regulations on Auditing of Insurance and Reassurance

Companies by External Audit Firms” of the Ministry of State.

Auditing of activities and financial statements of entities operating in energy market was regulated by “Regulations on Auditing of Real and Legal Entities Operating in Energy Market by Audit Firms” and related Communiqués of the Energy Market Regulatory Authority.

## APPENDIX 2

### 2. LIST OF TURKISH ACCOUNTING AND FINANCIAL REPORTING STANDARDS

#### Turkish Financial Reporting Standards

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#	Name
<b>TFRS 1</b>	First-time Adoption of Turkish Financial Reporting Standards
<b>TFRS 2</b>	Share-based Payment
<b>TFRS 3</b>	Business Combinations
<b>TFRS 4</b>	Insurance Contracts
<b>TFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations
<b>TFRS 6</b>	Exploration for and Evaluation of Mineral Assets
<b>TFRS 7</b>	Financial Instruments: Disclosures
<b>TFRS 8</b>	Operating Segments
<b>TFRS 9</b>	Financial Instruments
<b>TFRS 10</b>	Consolidated Financial Statements
<b>TFRS 11</b>	Joint Arrangements
<b>TFRS 12</b>	Disclosure of Interests in Other Entities
<b>TFRS 13</b>	Fair Value Measurement
<b>TFRS 14</b>	Regulatory Deferral Accounts

#### Turkish Accounting Standards

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#	Name
<b>TAS 1</b>	Presentation of Financial Statements
<b>TAS 2</b>	Inventories
<b>TAS 7</b>	Statement of Cash Flows
<b>TAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>TAS 10</b>	Events After the Reporting Period
<b>TAS 11</b>	Construction Contracts
<b>TAS 12</b>	Income Taxes
<b>TAS 16</b>	Property, Plant and Equipment
<b>TAS 17</b>	Leases
<b>TAS 18</b>	Revenue
<b>TAS 19</b>	Employee Benefits
<b>TAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance

<b>TAS 21</b>	The Effects of Changes in Foreign Exchange Rates
<b>TAS 23</b>	Borrowing Costs
<b>TAS 24</b>	Related Party Disclosures
<b>TAS 26</b>	Accounting and Reporting by Retirement Benefit Plans
<b>TAS 27</b>	Separate Financial Statements
<b>TAS 28</b>	Investments in Associates and Joint Ventures
<b>TAS 29</b>	Financial Reporting in Hyperinflationary Economies
<b>TAS 32</b>	Financial Instruments: Presentation
<b>TAS 33</b>	Earnings Per Share
<b>TAS 34</b>	Interim Financial Reporting
<b>TAS 36</b>	Impairment of Assets
<b>TAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>TAS 38</b>	Intangible Assets
<b>TAS 39</b>	Financial Instruments: Recognition and Measurement
<b>TAS 40</b>	Investment Property
<b>TAS 41</b>	Agriculture

## IFRS Interpretations

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#	Name
<b>IFRSI 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities
<b>IFRSI 2</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRSI 4</b>	Determining Whether an Arrangement Contains a Lease
<b>IFRSI 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
<b>IFRSI 6</b>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
<b>IFRSI 7</b>	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
<b>IFRSI 9</b>	Reassessment of Embedded Derivatives
<b>IFRSI 10</b>	Interim Financial Reporting and Impairment
<b>IFRSI 12</b>	Service Concession Arrangements
<b>IFRSI 13</b>	Customer Loyalty Programmes
<b>IFRSI 14</b>	TAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRSI 15</b>	Agreements for the Construction of Real Estate
<b>IFRSI 16</b>	Hedges of a Net Investment in a Foreign Operation
<b>IFRSI 17</b>	Distributions of Non-cash Assets to Owners
<b>IFRSI 18</b>	Transfers of Assets from Customers
<b>IFRSI 19</b>	Extinguishing Financial Liabilities with Equity Instruments



- TFRSI 20** Stripping Costs in the Production Phase of a Surface Mine
- TFRSI 21** Levies

## TAS Interpretations

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#	Name
<b>TASI-10</b>	Government Assistance – No Specific Relation to Operating Activities
<b>TASI-15</b>	Operating Leases – Incentives
<b>TASI-25</b>	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
<b>TASI-27</b>	Evaluating the Substance of Transactions in the Legal Form of a Lease
<b>TASI-29</b>	Disclosure – Service Concession Arrangements
<b>TASI-31</b>	Revenue – Barter Transactions Involving Advertising Services
<b>TASI-32</b>	Intangible Assets – Web Site Costs

## Other pronouncements

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Name
Conceptual Framework for Financial Statements

## APPENDIX 3

### 3. LIST OF TURKISH STANDARDS ON AUDITING

#### Quality Control

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#	Name
<b>QCS 1</b>	Quality Control Standard 1

#### General Principles and Responsibilities

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#	Name
<b>TSA 200</b>	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing
<b>TSA 210</b>	Agreeing the Terms of Audit Engagements
<b>TSA 220</b>	Quality Control for an Audit of Financial Statements
<b>TSA 230</b>	Audit Documentation
<b>TSA 240</b>	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
<b>TSA 250</b>	Consideration of Laws and Regulations in an Audit of Financial Statements
<b>TSA 260</b>	Communication with Those Charged with Governance
<b>TSA 265</b>	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

#### Risk Assessment and Response to Assessed Risks

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#	Name
<b>TSA 300</b>	Planning an Audit of Financial Statements
<b>TSA 315</b>	Identifying and assessing the risks of material misstatement through understanding the entity and its environment
<b>TSA 320</b>	Materiality in planning and performing an audit
<b>TSA 330</b>	The auditor's responses to assessed risks
<b>TSA 402</b>	Audit Considerations Relating to an Entity Using a Service Organization
<b>TSA 450</b>	Evaluation of Misstatements Identified during the Audit

## Audit Evidence

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#	Name
<b>TSA 500</b>	Audit Evidence Audit Evidence – Additional Considerations for
<b>TSA 501</b>	Specific Items
<b>TSA 505</b>	External Confirmations
<b>TSA 510</b>	Initial Engagements - Opening Balances
<b>TSA 520</b>	Analytical Procedures
<b>TSA 530</b>	Audit Sampling and Other Means of Testing
<b>TSA 540</b>	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
<b>TSA 550</b>	Related Parties
<b>TSA 560</b>	Subsequent Events
<b>TSA 570</b>	Going Concern
<b>TSA 580</b>	Written Representations

## Using Work of Others

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#	Name
<b>TSA 600</b>	Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)
<b>TSA 610</b>	Using the Work of Internal Auditors
<b>TSA 620</b>	Using the Work of an Auditor's Expert

## Audit Conclusions and Reporting

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#	Name
<b>TSA 700</b>	Forming an Opinion and Reporting on Financial Statements
<b>TSA 705</b>	Modifications to the Opinion in the Independent Auditor's Report
<b>TSA 706</b>	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
<b>TSA 710</b>	Comparative Information - Corresponding Figures and Comparative Financial Statements
<b>TSA 720</b>	The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

## Specialized Areas

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#	Name
<b>TSA 800</b>	Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
<b>TSA 805</b>	Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
<b>TSA 810</b>	Engagements to Report on Summary Financial Statements

## Other pronouncements

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#	Name
<b>TSRE 2410</b>	Review of Interim Financial Information Performed by the Independent Auditor of the Entity
<b>TSRS 4400</b>	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
<b>TSAE 3400</b>	The Examination of Prospective Financial Information
<b>TSAE 3402</b>	Assurance Reports on Controls at a Service Organization
<b>TSAE 3420</b>	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

## APPENDIX 4

### 1.CABINET DECREE DETERMINING THE ENTITIES THAT ARE SUBJECT TO AUDIT

Entities providing at least two of the following criterion at the two consecutive accounting periods are subject to audit in accordance with Cabinet Decree in 2013:

- Balance sheet total  $\geq$  150 million TL (~ 70 m \$) ,
- Annual net turnover  $\geq$  200 million TL (~ 90 m \$)
- Employee headcount  $\geq$  500

Council of Ministers had changed the criterion in 2014. The criterion for determining the entities that will be subject to audit for the year 2014 and after are:

- Balance sheet total  $\geq$  75million TL (~ 35 m \$) ,
- Annual net turnover  $\geq$  150 million TL (~ 70 m \$)
- Employee headcount  $\geq$  250

Council of Ministers again changed the criterion in 2015. The criterion for determining the entities that will be subject to audit for the year 2015 and after are:

- Balance sheet total  $\geq$  50million TL (~ 35 m \$) ,
- Annual net turnover  $\geq$  100million TL (~ 70 m \$)
- Employee headcount  $\geq$  200
- In addition, regardless of these criterion, companies such as:
- Listed companies and other capital market institutions,
- Financial institutions and their associates, joint ventures and subsidiaries,
- Insurance firms and their associates, joint ventures and subsidiaries,
- Companies that broadcast nationwide and provide media service,
- Intermediary companies of precious metals which are allowed to operate as a member of the Istanbul Gold Exchange,

- Joint-stock companies that are engaged in the production or trade of precious and that are allowed to operate as a member of the Istanbul Gold Exchange metals,
- Agricultural products warehouse companies that are established as joint-stock companies

are subject to audit in accordance with the Cabinet Decree.

## APPENDIX 5

### 1. BOARD MEMBERS



**Seyit Ahmet BAS**  
*Chairman*

*Ministry of Finance*

Before joining POA, he served as Deputy Undersecretary of Ministry of Finance from 2010 to 2011. From 2006 to 2010, he served as Founding General Director of Revenue Policies at Ministry of Finance.



**Imdat ERSOY**  
*Deputy Chairman*

*Ministry of Customs and Trade*

Prior to joining POA, he served as Deputy General Director of Internal Trade General Directorate of Ministry of Industry and Trade from 2008 to 2011.



**Prof. Dr. Yusuf BALCI**

*Ministry of Customs and Trade*

Before joining POA, he served as Undersecretary of Ministry of Industry and Technology. He also served as Professor in Economics at Department of Economics of Istanbul University.



**Bulent BUYUKDIGAN**

*Ministry of Finance*

Prior to joining POA, he worked at Public Revenue Administration as Department Head from 2006 to 2011.



**Aziz DOĞAN**

*Undersecretariat of Treasury*

Before joining POA, he served as vice chairman, responsible for audits of funds received from European Union, at Undersecretariat of Treasury between 2002-2011.



**Ismail ERDEMİR**

*Banking Regulation and Supervision Agency*

Prior to joining POA, he served as vice chairman of Banking Regulation and Supervisory Agency.



**Ugur SACMACIOGLU**

*Capital Markets Board*

Prior to joining POA in 2011, he served as Secretary General of Turkish Accounting Standards Board.



**Mustafa DONMEZ**

*The Union of Chambers and Commodity Exchanges*

Before joining POA in 2011, he served as chairman of Gediz Chamber and Commodity Exchange.

**Note:** New board member from the Union of Certified Public Accountants and Sworn-in Certified Public Accountants has not appointed by the Council of Ministers yet, after the resignation of former member Prof.Dr.Orhan CELIK.



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