



**PUBLIC OVERSIGHT,
ACCOUNTING AND AUDITING STANDARDS
AUTHORITY OF TURKEY**

**Introductory
Booklet**





Kam u Gzetimi Kurumu
Public Oversight Authority

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PhD. Hasan ÖZÇELİK
Chairman

FOREWORD

The development of societies and the increasing complexity of economic structures has greatly increased the importance of obtaining reliable information in order to ensure optimum allocation of resources. 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 tremendous growth in the world trade volume and capital movements have led a rapid increase in the number of international companies. These developments have required companies to use a 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.

In the wake of accounting and auditing scandals which took place in the early 2000s, public authorities have obliged to take sound measures for audits 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.

As a consequence of bankruptcies of large enterprises in developed economies, many developed countries have established public oversight bodies which are independent of the profession and with regulatory and supervisory authorities to tighten controls over financial reporting and auditing to protect investors and increase the reliability of financial reports.

In parallel with these developments and in order to ensure more effective auditing and public oversight system, "The Public Oversight, Accounting and Auditing Standards Authority" (KGK) was established in Turkey in accordance with "Public Oversight, Accounting and Auditing Standards Authority's Organization and Responsibilities Decree Law" numbered 660, issued on November 2, 2011.

The KGK is a governmental, non-profit, regulatory body, and the sole supreme authority in determining accounting and auditing standards and ethical rules, authorisation and registration of independent auditors and audit firms under a public oversight system and monitoring their activities within the frame of quality assurance.

The KGK is responsible for setting standards that ensure the preparation and auditing of financial statements in compliance with international standards. The KGK is also responsible for achieving an effective public oversight in Turkey.

I strongly believe that the KGK has made incredible progress in the short time since it has been established; the Board, management and staff are committed to carry out KGK's functions so effectively. In many areas such as standard setting, registration of auditors and audit firms, and audit inspection; we already have operations which are comparable to best international practice. The KGK now has appropriate plans to further develop its activities and capabilities across the full range of its responsibilities in order to fulfil its mission as specified both in national legislation and in international standards.

PhD. Hasan ÖZÇELİK
Chairman of the KGK



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1.MAIN FUNCTIONS

The Public Oversight, Accounting and Auditing Standards Authority (KGK) was established in accordance with "Public Oversight, Accounting and Auditing Standards Authority's Organization and Responsibilities Decree Law" numbered 660, issued on November 2, 2011.

The KGK has four main functions:

STANDARD SETTING

The KGK sets and issues accounting, auditing and related professional practice standards to strengthen the reliability of financial statements and audits of the financial statements for investors and other related parties. The KGK strategically has an objective of setting accounting and auditing standards in compliance with the related international standards.

AUTHORISATION

Registration with the KGK is a fundamental requirement for the auditors and audit firms. An audit shall be carried out only by auditors or audit firms authorised by the KGK.

INSPECTIONS & INVESTIGATIONS

The KGK inspects and investigates audit firms and auditors to assess their compliance with the applicable laws, regulations and professional standards. Inspections are carried out in the scope of annual inspection plans and the results of inspections shall be announced to the public opinion every year with a report. Moreover, the KGK uses its investigative authority to identify serious audit deficiencies that pose risks to investors anytime deemed necessary

ENFORCEMENT

The KGK has authority to discipline registered audit firms and auditors for noncompliance with the relevant legislations. The KGK uses its disciplinary authority to impose sanctions and penalties for those deficiencies.

2. WHO WE ARE

2.1. Basis for Establishment and Status of the Authority

In order to ensure more effective auditing and public oversight system, the KGK was established in accordance with “Public Oversight, Accounting and Auditing Standards Authority’s Organization and Responsibilities Decree Law” numbered 660, issued on November 2, 2011.

The KGK is responsible for achieving an effective public oversight in Turkey. The KGK is also responsible for setting standards that ensure the preparation and auditing of financial statements in compliance with international standards. In order to establish a high quality and reliable financial reporting and auditing environment, the KGK has four main functions which are:

- setting accounting standards
- setting auditing standards
- authorising and registering auditors and audit firms
- overseeing, inspecting and applying legal enforcement to auditors and audit firms

2.2. Organisational Structure

The KGK is composed of a Board and 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 Units.

2.2.1. The Chairman

The Chairman of the Board is also the Chairman of the Authority and is responsible for general management and representation of the Authority. This responsibility includes the duties and responsibilities of managing, supervising, evaluating the operations 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 time 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 fulfilment of these decisions and monitor their implementation.
- To finalise 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, goals 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 manage relations of the Authority with other institutions and represent the Authority.
- To fulfil other duties related with management of the Authority.

2.2.2. The Board

The Board of the Authority is composed of nine members appointed by the President of Turkey, including the Chairman and the Deputy Chairman. Within the last three years before the appointment, Board Members could not be involved in independent auditing activities, could not be a member of the board of directors of an independent audit firm, or could not

be employed by an independent audit firm, or have no direct or indirect partnership relationship with an independent audit firm.

Board members of the Authority are non-practitioners of the audit profession and shall not engage 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 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 area that is regulated and supervised by the Authority within two years following the end of their duties in the Authority.

Board members¹ are appointed for a five year-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.

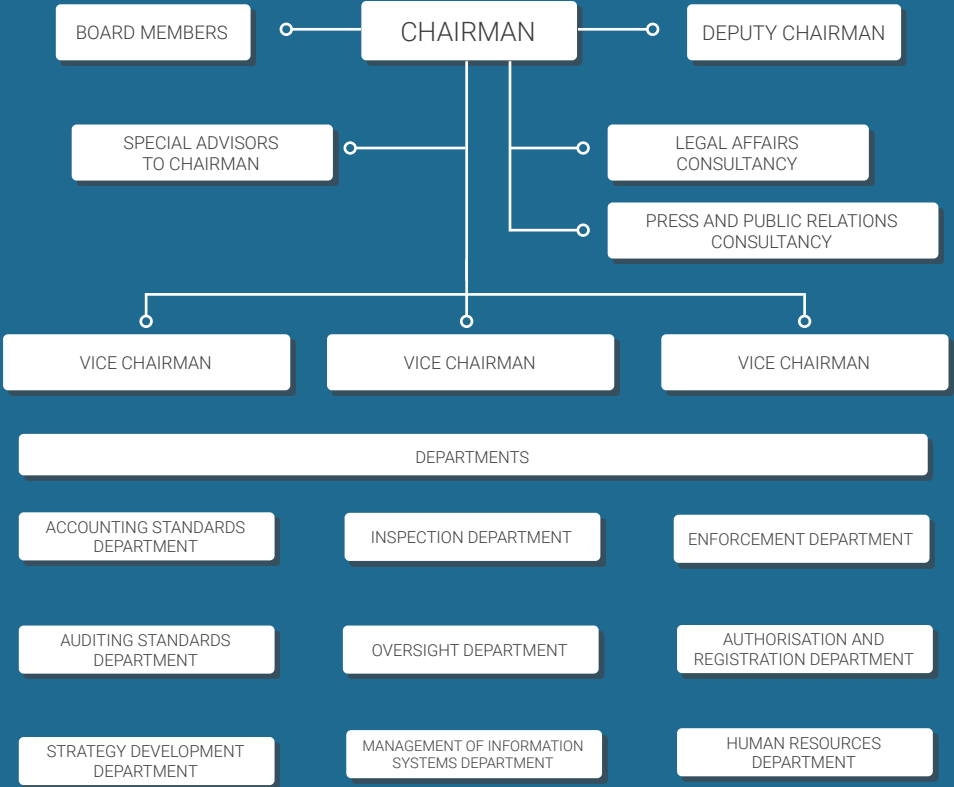
The Board has the following duties and authorities:

- 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,

¹ For more information about the Board Members, please see Appendix 1.

- 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 which are related to Board's responsibilities,
- To collaborate with International Accounting Standards Board (IASB) and International Auditing and Assurance Standards Board (IAASB) and other international organisations that work in the field of accounting and auditing,
- To make license and copyright agreements with these organisations and become a member of these organizations if necessary.

ORGANISATION CHART



2.2.3. Service Units

Service units of the Authority are composed of the units organised in the form of departments and consultancies. The KGK has 9 departments and those departments are organized according to their functions. In addition to the departments, legal affairs consultancy and press and public relations consultancy perform their duties directly in connection with the Chairman. For detailed information about the service units, please see the table below:

Service Unit	Duties & Responsibilities
Accounting Standards Department	To set and issue Turkish Accounting Standards, to make secondary legislations, and to take necessary decisions for implementation of Turkish Accounting Standards
Auditing Standards Department	To set and issue Turkish Standards on Auditing (including Information Systems auditing), to make secondary legislations and to take necessary decisions for implementation of Turkish Standards on Auditing
Authorisation and Training Department	To make relevant operations related to authorisation of the audit firms and auditors, to record them in the official registry, to carry out examination and continuing education of auditors.
Oversight Department	To oversee the regulatory compliance of auditors and audit firms according to their declarations, explanations and activities, and to monitor the compliance of transparency reports with legislation and timely publication.
Inspections Department	To inspect audit firms and auditors to assess their compliance with the applicable laws, regulations and standards in accordance with the annual inspection plans approved by the Board.

Service Unit	Duties & Responsibilities
Enforcement Department	To prepare the warrants to be submitted to the Board by carrying out the necessary studies within the framework of the relevant legislations with respect to the reports prepared as a result of the oversight and inspection activities.
Management of Information Systems Department	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.
Strategy Development Department	To identify the Authority's policy and targets, to prepare strategic plans and review its implementation, to make recommendations on how to further improve the Authority's activities, and to prepare progress reports.
Human Resources and Support Services Department	To manage human resources, staff training, administrative, financial and similar activities.
Legal Affairs Consultancy	To prepare drafts of legislation in coordination with other service units, to deal with lawsuits and litigation processes, and to provide legal advice to the chairman.
Press and Public Relations Consultancy	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.

2.2.4. Professional Staff

Audit Oversight and Standard Setting activities of the KGK are carried out by the KGK experts in accordance with the principles, procedures and essentials of which are determined by the KGK. The KGK mainly employs experts and assistant experts to conduct Audit Oversight and Standard Setting activities. In addition, sufficient number of IT experts and assistant experts are employed to conduct IT inspections of the audit firms.

The KGK interprets institutional capacity as the process of enhancing the Authority's abilities to perform specific activities. KGK's institutional capacity approach is to develop internally so that the Authority can better fulfil its mission. Special consideration is given to improve the competence and capabilities of the experts and assistant experts of the Authority.

All professional staff required to fulfil specific requirements such as education, professional training and independence.

Education

Being graduated from faculties of law, political sciences, economics, business administration, economic and administrative sciences and commercial sciences (and engineering departments for IT experts) of higher education institutions providing at least four years undergraduate education.

Professional Training

After employment, a basic theoretical training, fellowship programs and on the job training are given to the assistant experts. Theoretical trainings are given by academicians, professional accountants/auditors and by other professionals. On the job training also includes supervised inspection visits to audit firms. To be appointed as an expert, assistant experts have to prepare a thesis on the issues related to responsibilities

and duties of the KGK (such as financial reporting, auditing, etc.), and have to pass the proficiency exam which has both written and verbal parts. On-going training is provided anytime in accordance with the needs of the staff (such as new, amended or complex standards, rules or regulations).

Independence

The management and the staff of the KGK are prohibited to take any public or private charge or operate in any self-employment activity, to have shares in partnerships related with the sector or field the Board is authorised to regulate and oversee, to engage in trade.

3. WHAT WE DO

3.1. Accounting Standards

One of the most important tasks of the KGK is to set and issue Turkish Accounting Standards and to determine the application scope of those standards. In addition, KGK 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.

The legal framework governing the establishment and implementation of accounting principles is mainly under the authority of the KGK and Ministry of Treasury and Finance . Currently, there are different accounting principles for different sizes of companies in Turkey.

3.1.1. Application of IFRSs in Turkey

Turkey has adopted IFRS Standards for the financial statements of all public interest entities (PIEs)². Entities whose securities are traded in a regulated market, intermediary institutions, and portfolio management companies were permitted to use IFRS Standards as of 2003 voluntarily and have been required to use IFRS Standards since 2005. Banks have been required to use IFRS Standards since 2006. Financial lease companies, factoring companies and financing companies have been required to use IFRS Standards since 2007. Insurance, reinsurance and pension companies have been required to use IFRS Standards since 2008.

IFRSs are incorporated into laws and regulations as Turkish Accounting Standards (TASs) and Turkish Financial Reporting Standards (TFRSs) . TASs and TFRSs are fully compliant with the IFRSs issued by the IASB, and they are published in the Official Gazette as communiques.

² The definition of public interest entities has been made in Statutory Decree No. 660 in line with EU's Audit Directive: "Public interest entities are publicly-held companies, banks, insurance, reinsurance and pension companies, factoring companies, financing companies, financial lease companies, asset management companies, pension funds, issuers and other capital market institutions."

The KGK strategically has an objective of setting accounting standards in full compliance with the International Financial Reporting Standards. As of February 2022, 1 Conceptual Framework for Financial Reporting, 42 Turkish Accounting/ Financial Reporting Standards (TASs/TFRSs) and 19 TAS/TFRS 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.

3.1.2. Financial Reporting Standard for Large and Medium Sized Entities (BOBI FRS)

KGK developed the Financial Reporting Standard for Large and Medium Sized Entities (BOBI FRS) based on the requirements in the EU Accounting Directive, the IFRS for SMEs Standard, FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and local Turkish GAAP and published it in the Official Gazette on 29 July 2017. BOBI FRS is effective from the reporting periods beginning on or after 1 January 2018.

BOBI FRS is the financial reporting framework for entities, which are not required to apply TFRS but are within the scope of entities subject to audit. BOBI FRS was designed to meet the financial reporting needs of large and medium sized entities and is a standalone standard with 27 sections and less than 240 pages. It provides a cost-effective way of financial reporting for medium-sized entities and additional obligations were introduced for largesized entities in line with the “think small first” approach in the EU Accounting Directive.

3.1.3. Financial Reporting Standard for Small and Micro Entities (KUMI FRS)

KGK drafted the Financial Reporting Standard for Small and Micro Entities (KUMI FRS) and then continued to work with a Working Group consisting of the representatives of academicians, relevant public and private sector institutions. KUMI FRS prepared based on the “think small first approach” and provides a cost-effective way of financial reporting for micro-sized entities. It has more simple requirements and brings some exemptions for micro entities compared to the small ones. KGK is planning to issue the KUMI FRS in the near future.

3.2. Auditing Standards

Another important task of the KGK is to set Turkish Standards on Auditing (TSAs) in compliance with international standards. According to Article 9 of 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.

In order to ensure audit to be qualified in Turkey, the KGK signed a copyright agreement with International Federation of Accountants (IFAC) in 2013. 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 have been composed for the adaption of the standards.

The KGK has translated and implemented as Turkish Standards on Auditing substantially all of the suite of international auditing and audit-related standards as issued by the IAASB. The KGK has also translated and issued for publication the Code of Ethics as issued by the IESBA.

The projects for the revisions of standards carried by the Independent Boards within IFAC are closely followed and TSAs are also being revised on a timely basis.

3.3. Authorisation and Registration of Auditors/ Audit Firms

An audit shall be carried out only by auditors or audit firms, which are authorised by the KGK. Auditors and audit firms are authorised in two categories as of their audit warrant:

- Those who have basic audit warrant.³
- Those who have audit warrant on PIEs.⁴

3.3.1. Authorisation Requirements for Auditors

Each candidate's file is subject to the Board decision for authorisation. In order to be authorised as an auditor to has basic audit warrant, candidates should meet the following requirements:

- They should have received undergraduate or graduate degrees 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 acquired Certified Public Accountant or Sworn-in Certified Public Accountant license in accordance with the Law dated 1/6/1989 and No: 3568 on Certified Public Accountancy and Sworn-in Certified Public Accountancy,
- They should be residents in Turkey,
- They should have contractual capacity⁵,
- 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:

³ Basic audit warrant means the authority of carrying out audits of non-PIEs.

⁴ Audit warrant on PIEs means the authority to carrying out audits of PIEs and non-PIEs.

⁵ Contractual capacity means the need for a minimum mental capacity, or ability to understand the ramifications of a contract or legal agreement in order for such an agreement to be legal and binding

For basic audit warrant

- » Turkish Accounting Standards,
- » Corporate governance and financial management,
- » Auditing,

For audit warrant on PIEs additionally

- » 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 defence, bribery, fraud,
- Their licenses should not have been cancelled by the KGK,
- They should have good reputation and not have any position contrary to honour and dignity required by audit profession.

As of February 2022, 16.853 members of the profession (CPAs and Sworn-in CPAs) have been approved and registered as auditors.

3.3.2. Authorisation Requirements for Audit Firms

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

- Audit staff of an audit firm should be enough to establish engagement teams in terms of qualifications and quantities⁶.
- 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

⁶ According to Audit Regulation of the KGK, engagement team should consist of at least three auditors with at least a substitute for each one. Substitutes should have qualifications needed for auditors.

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 KGK.
- Organisation, office place, technical equipment, documentation and recording order should be sufficient in order to conduct audit effectively.
- Activity permission formerly should not be cancelled by the KGK.
- Legal entity and shareholders of audit firm should not have a bad reputation.
- Shareholders of audit firm should not have any position contrary to honour and dignity required by the audit profession.

As of February 2022, 363 audit firms have been authorised and registered by the KGK. 154 of those firms have been approved to conduct the audits of public interest entities and 209 of them have been approved to conduct the audits of entities except public interest entities.

3.3.3. Public Register

The KGK 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

KGK is disclosed to public at KGK's website. This information contains:

- Auditor's name, surname and his/her father's name,
- Auditor's background (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 (basic, 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.

3.3.4. Authorisation and Training Information System

In order to authorise and publicly register auditors and audit firms, "Authorisation and Training Information System (ATIS)" has been established by the KGK. ATIS is an online database in which data to be registered and announced is stored in an

orderly manner. ATIS mainly consists of two panels: One is Auditors' Panel and the other is Audit Firms' Panel.

By means of ATIS, auditors' and audit firms' approval applications and requests 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 ATIS enables the KGK to render fast and reliable service and it minimizes resource and time wastage.

3.3.5. Continuous Professional Development (CPD)

The KGK developed a regulation which implement a requirement that all auditors demonstrate their commitment to Continuous Professional Development, which is an essential attribute for professionals. Auditing standards and other best practices are continuously evolving and developing and new and amended ISAs and IFRSs are issued every year; audit quality relies on audit professionals continually updating their knowledge and skills.

The scheme is based on a three year cycle; auditors are required to demonstrate that they had undertaken sufficient appropriate and relevant CPD activities over the three year period or are required to undertake a training and education course leading to a confirmatory test or examination. The KGK publishes a list of such relevant activities with a scoring for each activity, and also accredits providers of training, relevant conferences and similar hosts of CPD activities.

3.4.Oversight

With the enactment of New Turkish Commercial Code and establishment of the KGK, 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.

The KGK has developed an Audit Engagement Portal, an online IT platform where auditors are required to enter details

of all of their audit engagements. Auditors are required to upload a copy of all Audit Engagement Letters once signed.

They are also required currently to upload the final audit opinion, thus making available to the audit regulator the key documents at the start and end of the audit process. This portal and the information which is entered onto it by all auditors in relation to all audits enables the KGK to perform continuous off-site audit oversight.

The data from the platform enables the KGK to perform analysis of the Turkish audit market, and by linking to the Government's Company and Tax Registries, the KGK can assess whether all companies that meet the criteria to have an audit are in fact being audited. The Portal also enables the KGK to monitor audit firms and auditors' engagements.

The KGK have the intention to seek to expand this off-site oversight and monitoring by considering requiring auditors to upload onto the system more of the key audit documents so that each audit can be monitored in real time as the audit progresses.

3.5. Inspections

The KGK 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.

Audit firms which audit PIEs should be inspected at least once in every 3 years, and other firms should be inspected at least once in every 6 years. 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.

3.5.1. Reporting Inspection Findings

The KSK believes that open communication between audit firms and the audit regulators is likely to assist regulators to undertake their activities effectively. Furthermore, clear communication of the findings of audit inspections will enable audit firms to better understand the root causes of deficiencies identified and respond to them in a positive manner.

Hence, the KSK uses both private and public reporting. The private reports include firm wide procedures and audit

file reviews, and reported to Firms itself. The KGK also issues annual public reports on its audit inspection work as a whole.

3.5.2. Inspection Reports

Each KGK quality assurance review results in issuance of a written report. After conclusion of the quality assurance inspection fieldwork, the KGK's reviewers (inspection team) prepare a report containing findings. The report is a record of what the reviewers concluded based on their work. All reports have, if available, a firm-wide conclusions part (discussing firm quality controls) and a selected audit file review part (discussing deficiencies found in file reviews).

3.6. Enforcement

Enforcements are applied in accordance with the principles and procedures set by the Authority. The KGK has authority to investigate and discipline 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 up to two years; and
- Withdrawal of the approval.

In case of repeated violations, aggravated sanctions shall be imposed by the KGK. As a result of the inspections and investigations carried out by the Authority and where it is possible to remedy, the Authority may grant a separate period suitable for remedying the violations and deficiencies detected prior to taking a decision for sanction. Where it is detected that the violations and deficiencies are not remedied by the end of the period so granted, the corresponding administrative sanctions shall apply.

3.7. International Engagement

International cooperation is fundamental to strengthen audit quality globally, and is therefore a priority for the KGK.

The KGK has recognized the significance of international cooperation and collaboration regarding financial reporting and audit and audit regulatory activities since its inception and developed close relationships with many jurisdictions and International Organizations.

3.7.1 European Union

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

The KGK is one of the responsible institutions in “Company Law Chapter”, and a closing benchmark has been fulfilled by the establishment of the KGK in 2011. According to this Chapter, main responsibilities of the KGK are to harmonise Turkish accounting, financial reporting and statutory audit legislation with related EU acquis. Therefore, the KGK conducts studies to harmonize related legislation and considers EU acquis when enacting a new regulation.

Furthermore, on 25 July 2016 the European Commission adopted Implementing Decision (EU) 2016/1223 on the equivalence of certain third country public oversight, quality assurance, investigation and penalty systems for auditors and audit entities and a transitional period for audit activities of certain third country auditors and audit entities in the European Union. The Decision considers Turkey’s audit oversight system as equivalent in relation to audit activities concerning annual or consolidated accounts for financial years starting from 1 August 2016.

3.7.2 International Forum of Independent Audit Regulators (IFIAR)

IFIAR has 58 members from 54 jurisdictions and the KGK has been a member of the IFIAR since February 2014. IFIAR membership of the KGK is a proof of KGK’s commitment to establish an audit environment where globally accepted oversight standards are utilized.

IFIAR's focus is improving audit quality through international cooperation. Much the same, the KGK is focusing on analysing 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.

3.7.3. IFRS Foundation and 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 KGK signed copyright agreements both with IASB and 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 KGK is a member of this group and represents Turkey in this platform.

APPENDIX1: BOARD MEMBERS

PhD. Hasan ÖZÇELİK, Chairman&Board Member

Assoc. Prof. Dr. Hayrettin KURT, Deputy Chairman&Board Member

Muhiddin GÜLAL, Board Member

Ahmet PELİT, Board Member

Assoc. Prof. Dr.Ünal ERYILMAZ, Board Member

Mehmet KARAMAN, Board Member

Seyit Ahmet IŞKIN, Board Member

İhsan Özgür ÇETİN, Board Member

Didem Yeter GÜLER, Board Member

KGK | Public Oversight Authority of Turkey

Address: Sogutozu Mah. 2177. Sk. No: 4 Cankaya / Ankara -TURKEY

Phone: +90 312 253 55 55 Fax: +90 312 253 55 58

www.kgk.gov.tr