



Capital Markets Board

AUDITING: REGULATORY FRAMEWORK AND QUALITY CONTROL INSPECTIONS OF THE CMB

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Current Auditing Legislation and Regulators

- **Ministry of Finance**
- **Capital Markets Board**
- **Banking Regulation and Supervision Agency**
- **Energy Market Regulatory Authority**
- **Undersecretariat of Treasury**



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Clients Under the CMB Regulation

CMB is responsible for the following enterprises;

- Banks, exclusively for their intermediation activities,
- Intermediary institutions,
- Portfolio management companies,
- Mutual funds,
- Pension funds,
- Investment companies,
- Housing financing funds,
- Asset financing funds,
- Mortgage financing funds,



Clients Under the CMB Regulation

- Joint stock companies whose shares are listed in an exchange and/or other organized markets,
- Companies whose shares have been or are considered to have been offered to the public,
- Exchanges regulated by the Law and operating as joint stock companies, other organized exchanges, and clearing and custody entities, and
- Other enterprises which the Board deems necessary to have independent audit of financial statements.



CMB Regulation

- Capital Market Law and Auditing Communiqués
 - One of the first audit regulations
 - Coping with the market requirements
 - After SOX and EU Directive
 - Finally ISAs



Current Audit Market

- There are 95 authorized audit firms (as of 18.02.2010)
 - Most of them are small
 - 47 audit firms have international licence agreements
 - Minimum 2 maximum 16 partners
 - with assistant auditors maximum number of auditors in one firm is 353
 - Total 1266 auditors (except assistant auditors)



Oversight System

- **Institutional Structure**
 - Governance
 - Responsibility and authority
 - Independence from the profession
 - Funding



Quality Control Inspections

- **More Inspections on small firms**
Reasoning ;
 - Poor documentation
 - Tendency to accept bigger clients



Quality Control Inspections

- **Inspection standpoints for small firms;**
 - **More emphasis given on engagement review**
 - **Less firm - wide procedures due to lack of info**



Quality Control Inspections

- **Common Inspection Findings**
 - **For big audit firms:**
 - **Problems mostly related to application of IFRS, fair value, impairment test; inadequate documentation and insufficient checking on client assumptions and expectations**
 - **Conflict of interest/ non-audit services**



Quality Control Inspections

- **Common Inspection Findings**
 - **For small audit firms**
 - **Poor documentation and weak planning**
 - **Insufficient risk management**
 - **Lack of communication both with the client and the predecessor auditor**
 - **Lack of full time dedication to audit work**
 - **In spite of insufficient expertise, engagement acceptances**
 - **More educational and training needs**



Quality Control Inspections-Results

year	delisted	pecuniary fine	warning	review ongoing	total
2008	4	3	5		12
2009	1	6	13	6	26



L&C Accountability of Audit Firms

- Audit firms and responsible partners are together responsible for the losses incurred against customers or third parties because the auditing activities are not conducted according to principles of auditing.
- Those who deliberately prepare independent audit reports that are contrary to the facts and those who participate in preparation of those reports are subject to imprisonment and subject to heavy fine punishment.
- The Board, may warn the audit companies, apply administrative pecuniary punishment or may exclude from the “List”.



Thanks.