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Subject:

A CABINET DECISION ON DETERMINATION OF COMPANIES TO BE SUBJECT TO INDEPENDENT AUDIT IS PUBLISHED

Cabinet Decision Nr. 2012/4213, which is published on the Official Gazette dated January 23 2013 and numbered 28527 governs principles and procedures of companies subject to audit as per Article 398 of the Turkish Commercial Code.

The Decision, which will be applicable as of January 01, 2013, came into force as of the date of publishing.

COMPANIES TO BE SUBJECT TO INDEPENDENT AUDIT:

The companies to be subject to independent audit are categorized in three groups.

Accordingly;

I – Companies that are referred in the List-I attached to the Decision shall be subject to the independent audit.*(The List-I includes six group companies which are; 1-Companies in scope of regulations of the “Capital Markets Board of Turkey”, 2-Companies those are operating in scope of the Banking Regulation and Supervision Agency’s regulations, 3- Insurance companies whose operations are subject to Insurance Law, 4- Companies that are member of “Istanbul Gold Exchange”, 5- Warehouses companies licensed for agricultural products, 6- Companies those own television channels that are licensed for terrestrial, satellite and digital television broadcast.*

II - Companies meeting minimum two of the following three criteria shall be subject to independent audit*(in case of having wholly or partially owned subsidiary, comparison shall be made based consolidated figures).*

- 1- Total assets equal to or over one hundred fifty million Turkish liras,**
- 2- Annual net sales equal to or over two hundred million Turkish liras,**
- 3- Number of employees equal to or over five hundred.**

Companies meeting minimum two of foregoing criteria both in 2011 and 2012 shall be subject to independent audit in 2013. General Assembly of such companies are obliged to appoint their auditors at the General Assembly Meetings to be held until the end of March of 2013.

III – Specific companies that are referred in the List-II attached to the Decision shall be subject to the independent audit under the limitations and conditions detailed in the List-II.

As for the companies that follow special accounting period; accounting periods to be completed following enforcement date of that Decision and previous accounting periods shall be taken as basis for the Decision of determining the period from which they will be subject to independent audit. For example; a company with a special accounting period ending on 31.05.2013 shall determine whether or not 01.06.2013 – 31.05.2014 special accounting period will be subject to independent audit by taking into consideration asset total and net sales given on financial tables issued for 01.06.2012 – 31.05.2013 and 01.06.2011 – 31.05.2012 as well as average number of personnel employed on those accounting periods and the company shall appoint an auditor on the general assembly meeting to be organized until 31.08.2013.

Excluding the ones referred on the List-I enclosed to this Decision and excluding the enterprises subject to the Privatization Practices Act Numbered 4046 and enterprises subject to item seven of the list numbered (II) and enclosed; companies which are 50 % owned by the state, special provincial administrations, foundations established by laws and other public institutions and establishments shall be excluded from this Decision. In other words, they will not be subject to independent audit.

PRINCIPLES OF ENFORCEMENT:

Companies those meet two of the three limits mentioned in the second group at two consecutive fiscal periods shall be subject to independent audit as of the following fiscal period.

While being subject to independent audit obligation, companies that fall behind two of these three limits on two consecutive fiscal periods or fall behind minimum two of the said limit requirements by twenty percent or more in one fiscal period, then such companies will be excluded from independent audit obligation as of the following fiscal period.

The financial tables to be taken for comparison with the limits mentioned above shall be the financial tables issued for 2011 and 2012 fiscal periods as per the current regulations(financial tables issued in accordance with the Tax Procedural Law). The average number of employees employed in the last two years (2011 and 2012) shall be taken into consideration for the number of employees.

For the purpose of determining whether or not companies that own full or partially subsidiaries meet two of the three limits mentioned above; total assets on the financial tables of the parent company and wholly owned subsidiary shall be taken into consideration in terms of asset total and annual net sales (if any, inter-group transactions shall be eliminated). Total of average number of employees employed by the parent and subsidiaries at the last two years (2011 and 2012) shall be taken into consideration in terms of number of employees. As for partially owned subsidiary, the mentioned criteria shall be taken into consideration in proportion to the shares in the subsidiary.

Interim period limited independent audit liabilities of companies subject to independent audit shall be determined by the Public Oversight –Accounting and Auditing Standards Authority if there is no relevant provision.

Issues that are not regulated by the Decision will be governed in accordance with provisions of Turkish Accounting Standards.

The Public Oversight Accounting and Auditing Standards Authority has been authorized to determine principles and procedures of enforcing this Decision and settling the possible confusions.

Provisions of 4th line (limited for state owned enterprises) and 7th line of the List-II will be effective as of January 1, 2015. In other words, state owned enterprises subject to the Statutory Decree on Government Business Enterprises Act numbered 233 and companies where minimum 50 % of the affiliates and capital is owned by the municipalities and license, certificate or authorization holder government business enterprises operating subject to the Energy Market Regulatory Authority shall be subject to the provisions of this Decision as of January 1, 2015.

Best regards,

DENGE DENETİM YMM A.Ş.
Member of Mazars

(*) The information provided in our circular notices is for informing purposes only. We advise that the opinion and support of a specialist advisor be sought before acting on points of hesitation. Our company does not assume any responsibility regarding any loss that may be incurred as a result of any transaction to be carried out based on the explanations made in our circular notice only.

(**) Please do not hesitate to write to the following experts to let us know about your opinions, criticism and questions regarding our circular notices:

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