

## Point of View from the Perspective of an Accountant to Independent Auditing with the New Turkish Commercial Code

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In 01 July 2012, the enactment of the Turkish Commercial Law no 6102, lead to significant changes, especially in the field of independent auditing. These changes include the determination of the persons or organizations for independent audit companies and auditors.

These regulations with the other regulations in the new Turkish Commercial Law, will mostly affect Professional groups. For this reason, 29 females, 64 males, including 93 public accountants registered in the Chamber of Certified Public Accountants of Antalya asked for expectations by a survey about the new Turkish Commercial Law. In the first part of the questionnaire includes demographic data such as age, education and gender, the second part includes multiple-choice questions concerning the audit process, the last part includes five-point Likert scale questions about how professionals will be affected. The results were analysed by SPSS package program.

**Keywords:** New Turkish Commercial Law, Independent Auditing, Accountants.

### 1. Introduction

The need of information users for reliable information is increasing in order to use the resources efficiently and effectively while making decisions for financial reports prepared by enterprises in the presence of global economy and increasing competition. Reliable information makes information inspection obligatory.

The limits of independent audit in our country which are indicated in the law with CMB (Capital Markets Board) regulations in 1988 is increasing even more with the enactment of 6102 Turkish Commercial Code on the date of 01.07.2012. In this context “*Public Supervision, Accounting and Audit Standards Institution*” was founded as a *regulating authority* for independent audit activity and the profession of auditorship. There have been major changes in the field of independent audit with this. These changes include determination of audited companies and possible auditor persons or organizations.

It is envisioned that members of a profession will be affected most with the changes done in the independent audit in the New Turkish Commercial Code. For this reason, 29

females, 64 males, including 93 public accountant registered in the Chamber of Certified Public Accountants of Antalya were asked for expectations by a survey about the new Turkish Commercial Code. The first part of the questionnaire includes demographic data such as age, education and gender, the second part includes multiple-choice questions concerning the audit process, the last part includes five-point Likert scale questions about how professionals will be affected. The results were interpreted by Frequency analysis in SPSS package program.

## 2. Literature Research

In the study carried out by Uluşan, Eren and Köylü (2012), a survey was conducted for 41 members of profession about how the new regulations brought on accounting and audit by Turkish Commercial Code no 6102 are perceived by members of profession, and results were interpreted by SPSS package program.

As a result of the study, it was seen that number of people who believe that new regulations brought by New Commercial Code are necessary are correct is more than the number of people who do not believe so.

In the study carried out by Hatunoğlu (2010), a survey was conducted for 131 members of profession registered in Chamber of Independent Accountant and Financial Advisor in Kahramanmaraş about how the regulations in Stock Corporations affect members of profession, while New Turkish Commercial Code was in draft.

As a result of this study, majority of the attendants believe that bringing of the New Turkish Commercial Code will be positive.

## 3. Materials And Methods

29 female and 64 male public accountants registered in the Chamber of Certified Public Accountants of Antalya were asked for their expectations from changes in independent audit by New Turkish Commercial Code in a survey.

Survey consists of 3 parts:

### A. First part of the survey

The first part of the questionnaire consists of demographic data such as age, education and gender.

A1. Distribution of Age and Gender

		Gender		Total
		Female	Male	
Age	25-35	12	20	32
	36-45	14	26	40
	46-55	2	10	12
	56-....	1	8	9
Total		29	64	93

29 of the attendants are female and 64 of them are males, 34% of them are between ages of 25-35 in total, 43% of them are between ages of 36-45 and the rest are above the age of 46.

#### A2. Education Level

		Education Level				Total
		High School	College	Undergraduate	Postgraduate	
Gender	Female	1	1	26	1	29
	Male	1	1	56	6	64
Total		2	2	82	7	93

96% of the attendants have completed undergraduate and post graduate education

#### A3. Taxpayer Numbers of the Accountants

		Taxpayer Numbers					Company accountant	Total
		1-20	21-40	41-60	61-80	81 -.....		
Gender	Female	11	8	4	1	3	2	29
	Male	15	13	10	11	12	3	64
Total		26	21	14	12	15	5	93

50% of the attendants are working with more than 40 taxpayers.

#### A4. Distribution of Professional Times

		Professional Times					Total
		1-5 years	6-10 years	11-15 years	16-20 years	21-...	
Gender	Female	9	8	5	4	3	29
	Male	12	16	15	8	13	64
Total		21	24	20	12	16	93

Approximately 23% of the accountants are working for 1 and 5 years, 26% of them are working for 6-10 years and approximately 30% of them are working for more than 15 years as accountant. 25% of these are female and 75% of them are male accountants.

#### A5. Distribution of Employee Numbers

		Employee Numbers				Total
		N/A	1-3 persons	4-7 persons	8 and over	
Gender	Female	17	6	4	2	29
	Male	16	32	13	3	64
Total		33	38	17	5	93

35% of the accountants do not employ anyone with them and only 41% of them employ more than 3 people.

#### A6. Training of the Personnel

		Training Of Personnel		Total
		Yes	No	
Gender	Female	21	8	29
	Male	60	4	64
Total		81	12	93

Also 87% of the accountants provide training for accounting to the employed personnel.

### B. Second part of the survey

In the second part of the survey multiple-choice questions concerning the regulation of independent audit, rate setting, determination of audited companies are asked and it is stated that they are able to select more than one option for these questions.

#### B1. Independent Audit Regulation Institution

		q1					Total
		TÜRMOB <sup>1</sup>	Capital Markets Board (CMB)	Revenue Administration (RA)	KGK <sup>2</sup>	Others	
Gender	Female	17	4	2	6	0	29
	Male	52	2	2	7	1	64
Total		69	6	4	13	1	93

When accountants were asked which institution should perform the regulations and controls about independent audit, 74% of them stated TÜRMOB.

<sup>1</sup>TÜRMOB : Union Of Chambers Of Certified Public Accountants of Turkey.

<sup>2</sup> KGK : Public Oversight Accounting and Auditing Standards Authority

**B2. Who Should Auditors Be Selected From**

		Auditor's choice		Total
		Accountants	Independent Auditing Firm	
Gender	Female	27	2	29
	Male	63	1	64
Total		90	3	93

Accountants were asked, according to the New TCC, about whom should the independent auditors be selected from and given answers include lawyer, revenue, academics and independent audit firms. 97% of the accountants stated that independent auditors should only be selected from accountants (Independent Accountant and Financial Advisor and Certified Public Accountant), 3% of them stated that they should be selected from Independent Audit firms.

**B3. Rate Setting for Independent Audit**

		Rate Setting for Independent Auditing					Total
		a	b	c	d	e	
Gender	Female	8	2	9	10	0	29
	Male	19	12	18	14	1	64
Total		27	14	27	24	1	93

Attendants were asked about which criteria should be considered for rate setting and while approximately 30% of them were thinking about a “minimum fee tariff publication” 30% of them were thinking “a specific percentage of sales revenue of the organization” should be taken. Another part of 26% said that “a percentage of organization's size of assets” should be taken.

**B4. Criteria of Organizations Which Should be Audited**

		Criteria					Total	
		a	abcde	b	c	d		e
Gender	Female	1	0	0	5	13	10	29
	Male	5	2	4	9	26	18	64
Total		6	2	4	14	39	28	93

Necessary criteria for being audited of an organization were asked to attendant accountants and it was indicated that they are able to select more than one option. Given options were capital of the organization, assets of the organization, sales revenues and size of the employed personnel and if it should be a capital company or not. 42% of them stated that it should be based on “Size of Organization's Assets” and 30% of them stated that it should be based on “Size of Organization’s Sales Revenues”.

**B5. Contribution of Independent Audit**

		Contributions				Total
		a	b	d	e	
Gender	Female	10	4	15	0	29
	Male	21	2	40	1	64
Total		31	6	55	1	93

It was asked that who would independent audit contribute most and approximately 60% of them stated that it would contribute to the “financial table user”. It was followed by “struggle with off the books transactions” with 33%% and “independent audited company” with 6%. However none of the accountants selected the option of “it would contribute to the members of profession”.

**B6. Organizations Which Should be Independently Audited**

It was asked to the accountants that which organization or organizations should be independently audited and it was stated that they are free to select more than one option. For this reason, 13% of them Private Companies, 63% of them Limited Companies, 75% of them Family Incorporations, 96% of them Open Public Companies, 45% of them Cooperatives and 5% of them envisaged Sole Proprietorships should be audited.

**C. Third part of the survey**

In the third part of the survey eagerness and chances of members of profession to become independent audit and their thoughts about the financial and professional contributions and burden it would bring and besides if the New TCC was enough or not was asked by way of five-point Likert scale. And the evaluation of five-point Likert scale will be as follows:

- 1: I certainly disagree
- 2: I disagree
- 3: I am neutral
- 4: I agree
- 5: I certainly agree

**C1. TÜRMOB, Takes an Active Role in Preparation of TCC and Formation of the Independent Audit**

		q1					Total
		1	2	3	4	5	
Professionals	A	5	10	3	1	2	21
	B	4	17	2	1	0	24
	C	8	4	2	2	4	20
	D	2	6	0	4	0	12
	E	4	6	3	1	2	16
Total		23	43	10	9	8	93

71% of the accountants think that TÜRMOB takes an active role regarding this subject.

**C2. In Addition to the condition of Being a Member of Profession, There Should be an Examination Done by Institution in order to Become an Independent Audit.**

		q2					Total
		1	2	3	4	5	
Age	A	9	5	0	9	9	32
	B	13	14	0	11	2	40
	C	3	5	1	3	0	12
	D	1	5	0	2	1	9
Total		26	29	1	25	12	93

While 40% thought an examination was necessary, 58% of them did not think it was necessary. 50% of the accountants who think that examination is not necessary are between ages of 36-45, 25% of them are between ages of 25-35.

C3. Finding Criteria of Companies Which Will be Audited Independently Adequate

		q3					Total
		1	2	3	4	5	
Professional times	a	5	8	3	3	2	21
	b	5	12	6	1	0	24
	c	3	5	4	7	0	19
	d	0	4	4	3	1	12
	e	4	9	2	1	0	16
Total		17	38	19	15	3	92

59% of the attendants find criteria of companies which will be audited independently adequate and 19% of them do not, and the rest is neutral

C4. Request of Being an Independent Auditor

		q4					Total
		1	2	3	4	5	
Professional times	a	0	0	3	12	6	21
	b	0	1	4	14	5	24
	c	1	1	5	10	3	20
	d	0	0	3	5	4	12
	e	1	0	6	6	3	16
Total		2	2	21	47	21	93

C5. Chance of Being an Independent Auditor

		q5					Total
		1	2	3	4	5	
Professional times	a	1	3	2	8	7	21
	b	1	5	2	13	3	24
	c	3	4	3	5	5	20
	d	0	0	6	4	2	12
	e	2	5	5	3	1	16
Total		7	17	18	33	18	93

While 73% of the audits are resolute about being an independent audit, 23% of them are still abstain on this subject.



Also 54% of the attendants think that their chances are high, 26% of them think that they cannot become one.

30% of those who think their chances of becoming an independent audit is low consist of people who worked more than 21 years in this profession.

**C6. Audit Will Place a Burden on IAFA**

		q6					Total
		1	2	3	4	5	
Professional times	a	2	3	1	9	6	21
	b	2	5	2	9	6	24
	c	3	4	0	6	7	20
	d	0	3	1	6	2	12
	e	3	4	0	5	4	16
Total		10	19	4	35	25	93

65% of them think that the audit will be a burden for public accountants and 31% of them think that it will certainly not be a burden.

**C7. Audit Will Contribute to IAFA in Terms of Professional Knowledge.**

		q7					Total
		1	2	3	4	5	
Professional times	a	2	0	1	12	5	20
	b	0	2	3	11	8	24
	c	2	2	0	8	8	20
	d	0	1	2	5	4	12
	e	1	2	0	7	6	16
Total		5	7	6	43	31	92

80% of the attendants believe that new regulations will contribute to the audit in terms of profession. 13% of them certainly do not expect any contributions at all.

C8. Audit Will Contribute Financially to IAFA

		q8					Total
		1	2	3	4	5	
Professional times	a	4	3	4	8	2	21
	b	2	4	4	11	3	24
	c	4	1	2	9	4	20
	d	0	4	1	5	2	12
	e	3	3	2	7	1	16
Total		13	15	13	40	12	93

67% of the attendants think that independent audit will contribute to public accountants financially. 30% of them do not think that way.

#### 4. Conclusion

Results of the survey conducted for 93 accountants registered in Chamber of Certified Public Accountants of Antalya and the interpretation by Frequency Analysis on SPSS program are as follows:

1. 96% of the questioned accountants have completed Undergraduate or Graduate education.
2. 61% of them have less than 60 taxpayers.
3. Approximately 70 of them have worked in the profession for less than 15 years.
4. 41% of them employ maximum 3 people.
5. 87% of them provide trainings to the employed personnel.
6. When accountants were asked which institution should perform the regulations and controls about independent audit, 74% of them stated TÜRMOB.
7. When it was asked who should perform the independent audit, 97% of them envisaged that it should be done by IAFA and not by independent audit companies.
8. For the rate setting of independent audit, approximately 30% of them think it is necessary to publish a minimum fee tariff, and another 30% of them think that a specific percentage of sales revenue of the organization should be taken.
9. 42% of them think that the determination of the criteria of the company which should be audited independently should be done by "size of assets of the company".
10. When it was asked which organizations should be audited independently, and it was stated that they are free to select more than one option, 96% of them selected Public Incorporations and 75% of them selected Family Incorporations.
11. 60% of them think that independent audit will contribute most to the financial table users.
12. Approximately 71% of the accountants think that TÜRMOB does not take an active role in preparation of the new TCC.
13. 58% of them think that it is enough to be a member of the profession in order to become an independent auditor, and that there is no need to conduct an examination.
14. According to New TCC, criteria of companies which will be audited independently are not enough for 59% of them.

15. Percentage of those who want to become an independent audit is 73%. Also, 54% of them think that their chances of becoming an independent audit are high.
16. 65% of them believe that audit will bring a burden to them, 80% of them think that it will certainly contribute to the profession, 67% of them believe that it will contribute financially.

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