

# ***IFRS Bulletin***

Public Oversight, Accounting and Auditing Standards Authority: The Scope of the Independent Audit and Reporting Framework

***Which companies, and under which scope?***

International Financial Reporting Standards Bulletin

February  
2015



## ***The Scope of the Independent Audit and Reporting Framework According to the Public Oversight, Accounting and Auditing Standards Authority***

### ***The scope of the independent audit***

The Public Oversight, Accounting and Auditing Standards Authority (The Authority) has determined the criteria to be considered for the companies subject to the independent audit:

The criterias, shown in the table, are effective from 1 January 2014 with the decision in the Official Gazette numbered 28585 dated 3 December 2014. With the decree of the Council of Ministers published in the Official Gazette numbered 29254 dated 1 February 2015, these figures were updated and effective from 1 January 2015.

<b>Criteria</b>	<b>Effective from 1 January 2014</b>	<b>Effective from 1 January 2015</b>
Total assets	75 million TRY and above	50 million TRY and above
Annual net sales	150 million TRY and above	100 million TRY and above
Number of employees	250 and above	200 and above

### ***To determine the scope of the independent audit***

According to the Official Gazette numbered 29141 dated 10 October 2014, companies, either standalone or with subsidiaries and associates, are required to meet two of the three criteria mentioned in the table above for two consecutive accounting periods. The two criteria that are met do not have to be the same for the two consecutive accounting periods. In the event that the limits of at least two of the three criteria are 20% or below in the two consecutive accounting periods, the relevant company is excluded from the scope of the independent audit as of the following accounting period.

While the companies evaluating whether they are in the scope of the audit in the following accounting periods, they should take into consideration of total assets and annual net sales in the financial statements that they prepared according to Turkish Accounting Standards (TAS) if any. If the financial statements are not issued according to TAS, the amounts related to the last two accounting periods which are extracted from the balance sheet and income statements that these companies, its associates and subsidiaries prepare to submit to public bodies according to the tax legislation are taken into consideration.

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## ***The Scope of the Independent Audit and Reporting Framework according to the Authority***

### ***Companies which are subject to the independent audit and have to apply Turkish Accounting Standards (TAS)***

The Authority has announced that the companies mentioned below have to apply TAS according to its decision published in the Official Gazette numbered 29100 dated 26 August 2014 and the attached list regarding this decision:

- companies in the attached list which are subject to the regulation and supervision of the Capital Markets Board as per Capital Markets Law and companies which are public companies that meet the following three criteria: total assets of 15 million TRY and above, annual net sales of 20 million TRY and above and employee number of 50 and above,
- companies in the attached list which are subject to the regulation and supervision of the Banking Regulation and Supervision Agency as per Banking Law numbered 5411 dated 19 October 2005,
- insurance, reinsurance and pension companies which operate under the Insurance Law numbered 5684 dated 03 June 2007 and under the Individual Pension Savings and Investment System Law numbered 4632 dated 28 March 2001, and
- companies which are listed on the Istanbul Stock Exchange, and the authorised companies, precious metals intermediaries and joint stock companies which are engaged in producing precious metals or trading with them.

### ***Companies which are subject to the independent audit and do not have to apply TAS***

The Authority announced that the companies which are not included in the attached list of the decision mentioned above can optionally apply TAS when preparing their separate or consolidated financial statements (the financial statements which are not yet prepared for the accounting periods before 1 January 2014 or are not yet presented to the General Board).

Companies which do not apply TAS are requested to prepare their financial statements as according to General Communiqué on Accounting System Application but the Authority also announced that a commission has been established to find the similarities and differences between this Communiqué and the EU Accounting Directive numbered 2013/34 and it will publish a local accounting framework in accordance with said directive in 2015. Until this local framework is in effect, companies which do not apply TAS but fall under the scope of the independent audit should use the additional regulations published on 29 December 2014 in addition to the current legislation for preparing and submitting the financial statements for 01 January 2014 and the following accounting periods.

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## ***The Scope of the Independent Audit and Reporting Framework According to the Authority***

### ***Is the ‘General Communiqué on Accounting System Application’ different from the Tax Procedural Law (TPL)?***

With its explanation on 14 November 2014, in the announcement regarding ‘Effective Financial Reporting Framework’ published on 5 November 2014, it was stated that ‘for the companies which are in the scope of the TAS application for the accounting periods of 1 January 2014 and after, they will continue to follow the General Communiqué on Accounting System Application and its accompanying attached Uniform Chart of Accounts or they can voluntarily apply TAS’.

Since the General Communiqué was put into practice by the Ministry of Finance, there has been some concern that the financial statements to be issued are to be “in accordance with the tax laws exclusively” and it was emphasized that the purpose of the financial statements to be issued according to the related General Communiqué Serial No. 1 are not the financial statements prepared according to TPL.

**As stipulated in the General Communiqué on Accounting System Application , the purpose of said regulation is not to “issue financial statements in accordance with the tax legislation”; however, the purpose herein is “to perform the reliable and accurate recognition of the operations and results of the enterprises and companies of real and legal persons which keep books in the form of balance sheet and protect the consistency and comparability of the information provided to the officials in the financial statements and reflect the actual status.”**

**Likewise, in the explanations in the General Communiqué on Accounting System Application Serial No. 4 on the General Communiqué Serial No. 1, it was stated that the General Communiqué Serial No. 1 was prepared independently from the tax legislation and its applications and without considering the tax related concerns. It was also emphasized that there are different regulations in these General Communiqués on Accounting System Application compared to tax legislation.**

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