

T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İŞLETME (İNGİLİZCE) ANABİLİM DALI
MUHASEBE – FİNANSMAN (İNGİLİZCE) BİLİM DALI

QUALITY CONTROL FOR AUDITING FIRMS IN TURKEY: A
RESEARCH ON DIFFICULTIES ENCOUNTERED BY EXTERNAL
AUDITORS IN COMPLIANCE WITH QUALITY CONTROL
STANDARDS

Doktora Tezi

İREM BATIBAY TÜNAYDIN

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DANIŞMAN: PROF.DR. CEMAL İBİŞ

İSTANBUL, 2016

MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

TEZ ONAY BELGESİ

İŞLETME (İNGİLİZCE) Anabilim Dalı MUHASEBE FİNANSMAN (İNGİLİZCE) Bilim Dalı DOKTORA öğrencisi İREM BATIBAY TÜNAYDIN'ın QUALITY CONTROL FOR AUDIT FIRMS IN TURKEY: A RESEARCH ON DIFFICULTIES ENCOUNTERED BY EXTERNAL AUDITORS IN COMPLIANCE WITH QUALITY CONTROL STANDARDS adlı tez çalışması, Enstitümüz Yönetim Kurulunun 30.06.2016 tarih ve 2016-23/3 sayılı kararıyla oluşturulan jüri tarafından oy birliği / ~~oy çokluğu~~ ile Doktora Tezi olarak kabul edilmiştir.

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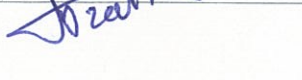
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ÖNSÖZ

Türkiye’deki denetim firmalarında çalışan bağımsız denetçilerin, kalite kontrol standartlarına uyumda yaşadıkları güçlüklerin araştırıldığı bu çalışma, akademik kariyerim açısından önemli bir adım oluşturmaktadır.

Bu çalışmamdaki ve akademik hayatımdaki katkısını ödeyemeceğim çok değerli hocam Prof. Dr. Cemal İBİŞ’e, her sorunumda bana yol gösteren, minnettarlığımı kelimelerle ifadeye yetersiz kaldığım sayın hocam Prof. Dr. Nuran CÖMERT’e, asiste etmekten gurur duyduğum değerli hocam Doç. Dr. Murat AZALTUN’a ve desteklerini hep hissettiğim değerli hocalarım Prof. Dr. Ahmet Hayri DURMUŞ ve Yrd.Doç.Dr. Müge SALTOĞLU’na sonsuz teşekkürlerimi iletmekten gurur duyarım.

Yeri geldiğinde güçlü, bazense sabırlı olmayı öğreten, bana olan inancı ve bitmek bilmeyen desteğiyle her zaman yanımda olan annem, Emel BATIBAY’a, her zaman bir adım öteye gidebilmem için beni destekleyen, bugünlere gelmemde maddi ve manevi her türlü fedakarlığı yapan babam, Safa BATIBAY’a, enerjisiyle hayata gülümsememi sağlayan kardeşim, Emre BATIBAY’a, sabrını, desteğini ve güvenini esirgemeyen, zorlandığım her anımı motivasyonu ile mutluluğa çevirmeyi başaran eşim, Mustafa Emrah TÜNAYDIN’a, her anımda varlıklarıyla mutluluğum olan Şebnem ve Su GÜZELİŞ’e, yokluğunu derinden hissettiğim Aysel SEZMİŞ’e ve en büyük neşe kaynağımız DJANGO’ya sonsuz teşekkür ederim.

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LIST OF ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
ASB	Auditing Standard Board
BDDK	Banking Regulation and Supervision Agency of Turkey
CAP	Compliance Advisory Panel
CPA	Certified Public Accountant
FEE	Federation of European Accountants
GAAS	Generally Accepted Auditing Standards
IASB	International Accounting Standards Board
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAPC	International Auditing Practices Committee
ICAEW	Institute of Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation Of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IIA	The Institute of Internal Auditors

INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
ISQC	International Standard on Quality Control
KGK	Public Oversight Board of Turkey
MG	Monitoring Group
PCAOB	Public Company Accounting Oversight Board
PIOB	Public Interest Oversight Board
POA	Public Oversight Authority
SEC	Securities Exchange Commission
SPK	Capital Markets Board of Turkey
TURMOB	The Union of Chambers of Certified Public Accountant of Turkey

GENEL BİLGİLER

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ÖZET

Bu tezin temel amacı bağımsız denetçilerin, kalite kontrol standartlarına uyumda yaşadıkları zorluklara yönelik denetçi görüşlerini ve denetim kalitesini etkileyen faktörleri belirlemeye çalışmaktır.

Bu araştırma, Kalite Kontrol Standartlarına göre denetim kalitesi faktörlerinin Türkiye'deki denetim şirketleri üzerindeki etkisini incelemiştir. Araştırmada, Türkiye'de çalışan denetçilerin denetim kalitesi algısı ve bu algılara yönelik denetim kalitesini etkileyen belirleyici faktörler belirlenmektedir.

Bu çalışmanın araştırma yöntemi 2015 yılında borsaya kote şirketlerin %95'ten fazlasını denetlemiş şirketlerde 20 yılı aşkın denetim deneyimine sahip denetçilerle görüşme yapmaktır. Denetçiler rastgele örnekleme yöntemine göre seçilmiştir. Denetçiler ile yapılan görüşmeler ampirik olarak Türk denetçilerin denetim kalitesi üzerine algılarını ve standartları uygularken karşılaştıkları sorunları incelemektedir.

Bu araştırmanın bulgularına göre, Türkiye'de denetim kalitesini etkileyen faktörler tespit edilmiş ve sonuç olarak yasal düzenlemeler açısından denetim kalitesine yönelik bakış açılarına değinilerek öneriler verilmiştir.

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ABSTRACT

The main purpose of this thesis is to examine the difficulties encountered by external auditors in compliance with Quality Control Standard. This research is evaluating the impact of audit quality factors on audit companies in Turkey according to Quality Control Standard. Moreover, this thesis analyzes auditors' perception of audit quality in Turkey and determines the factors, which are influencing audit quality. It attempts to explore auditors' opinions on difficulties that auditors' experience and factors that influence audit quality.

The research method of this study is to interview with auditors, who have experience on audit over 20 years and working at audit companies, which audited more than 95% of listed companies in 2015. Auditors have been chosen randomly. Interviews with auditors empirically examine Turkish auditors perceptions on the audit quality and their problems with application of standards.

According to the findings of this research the factors influencing audit quality in Turkey have been identified and as a result, the aspects in regards to the audit quality in terms of legal regulations have been determined and suggestions have been provided.

INTRODUCTION

Maybe, some people think that entities are spending money on audit, just because law requires it. In some certain circumstances it is true but anyway, audit has been utilized in situations where they are not required by law, and audits were in demand long before securities laws required them. According to Costouros (1978) some forms of auditing dates back to Greece as early as 500 BC.

Until the late of 18th century, most of the businesses were relatively small. They owned and at the same time operated as sole proprietorships. Companies had generally been run by their owners and because of that accountability to outside parties was limited. With the start of industrial revolution, companies have become larger and the segregation of duties on the owner and the director has become vital. The occurrence of modern accounting exists, when large businesses begun to have complex structure. The Industrial Revolution and the resulting explosion in growth of business activity led to widespread adoption of auditing methods. The demand for auditing occurs through the need for accountability when business owners hire others to manage their businesses in modern corporations. Specifically, firms became aware of the need for mechanisms of fraud detection and financial accountability, and investors increasingly relied upon financial reports as corporations began to participate in the stock market.

When corporations begin to grow faster, separation of owners and managers become a need. Instead of owners (shareholders), professional managers are responsible for running the corporation. In other words, managers serve as agents for owners. The reason behind that is owners have given resources to managers with the direction of maximizing their wealth. One of the roles of the auditors is to reduce agency costs between shareholders and managers.

When there is a conflict of interest between shareholders and managers, shareholders wish for management to run the company in a way that increases shareholder value. But management may wish to grow the company in ways that

maximize their personal power and wealth that may not be in the best interests of shareholders. Because their goals may not coincide, there is a natural conflict of interest between the manager and the owner. If both parties seek to maximize their self-interest, the manager may not always act in the best interest of the owner. On that point, auditing a company becomes a need.

When owner hires an agent, demand for monitoring exists. The conflict of interest between agent and principal called as agency problem. There can be several reasons why the goals of them may not coincide.

According to Zerni (2009), “agents may be more risk averse than principals, and due to differential risk profiles they may exhibit tendency to be more optimistic about the economic performance of an entity or their performance under a contract even more than would be justified by the real world. In the context of corporate finance, agency costs most often occur when managers and/or other firm insiders (are expected to) pursue personal benefits and power rather than the profitability of the firm (i.e. moral hazard). Given that the principals may lack trust in their agents, they need to establish some mechanisms to make sure that agents are doing what they are hired to do. This is normally attempted to achieve through two broad categories of governance mechanisms: better alignment of incentives and monitoring” (Zerni, 2009, 11).

In the beginning of the 21st century, the global economy has faced with excessive accounting scandals and bankruptcy declarations. A chain reaction of scandals has been experienced worldwide. After these well-known scandals and bankruptcies such as Enron, Lehman Brothers, WorldCom and Parmalat, the credibility of top managers and auditors had been questioned. When number of accounting scandals rise day by day, the need of confidential financial market exists. This fact provokes a renewed discussion about the quality of financial reporting and auditing firms. After these occurrences, academic researchers, regulators and professional institutions (e.g. The SEC, the AICPA) have worked on new forms of accounting and auditing, for building a safe, realistic financial market. The question “who is able to find risks in an early stage?” has been raised and discussed plenty of times. The answer is

“auditor”. The auditor should review the valuation of financial assets and he has to evaluate going concern issues. PCAOB and some newspapers named the auditors "watchdogs that didn't bark". Instead, rating agencies have been playing more and more the role of reporting going concern opinions by pre-announcing downgrades of credit risks of affected firms, banks and countries. As a conclusion, Green Paper has been published in 2010 by European Commission, which includes precautions in order to ensure auditors independence, reliability and to improve the quality of the work of financial statement auditors (Tritschler, 2013).

The global financial crises have highlighted the importance of audit once more. Auditing plays a major role as a guarantee for investors and information users. In addition, it constitutes an important part of the regulatory and supervisory infrastructure. And it aims to provide stakeholders with a true and fair view of the veracity of a company's annual reports (Neri, L., and Russo, A., 2014).

This study investigates auditors' perception of audit quality, key factors affecting audit quality and difficulties encountered by external auditors in compliance with quality control standard in Turkey. The results can be useful for researchers, regulators, financial statement users, and audit practitioners, who are dealing with quality control standards. Various studies on audit quality and factors influencing audit quality have not been conducted as interview with auditors in Turkey. This study reviewed the relevant literatures and conducts auditor perceptions about audit quality in Turkey's audit companies. This study can be useful as a reference for future accounting research in Turkey. Further, it may assist and guide regulators and practitioners in establishing and implementing control and supervising policies on audit quality in Turkey.

This study is organized as follows; in Section 1 significance and definitions of audit and audit quality have been defined and brief history on audit in Turkey have been mentioned. In Section 2, standards directly related with audit quality have been explained and global regulators and regulations about audit quality have been presented. Section 3 provides a review of relevant literature, placing the present study in the

context of previous research on audit quality. The influencing factors have been mentioned through the literature review. The study's methodology and findings are described in section 4. The conclusion part consolidates the implications of these findings.

SECTION ONE

1. SIGNIFICANCE OF AUDIT AND AUDIT QUALITY

1.1 Definition of Audit

Audit as a word comes from a Latin word "audire" (auditus) which means, act of hearing (Lee & Ali, 2008). During the middle ages when manual book-keeping was in use, auditors in Britain used to hear the accounts read out for them and checked that the organization's personnel were not inattentive or manipulative (Matthews, 2006).

There is not only one single definition, which could be used to evaluate audit quality. It varies according to different perspectives.

It is vital to know the individual meanings of accounting, auditing and quality prior to know what the audit quality is. Accounting is an information system that measures, processes, and communicates financial information about an economic entity. Accountants must be well informed of the principles and the rules that build the set up of preparing the accounting information. Additionally the accountants must develop a system with the reasonable cost, in order to ensure that all of the financial events are properly booked on a timely basis. During the audit of accounting data, auditors focus on the data booked whether it reflects the financial events, which occurred in the accounting period (Arens, Elder and Beasley 2012).

As auditing is built on the questioning of correctness and appropriateness, it can be said that it plays a critical role in bringing about the "transparency" required to provide and maintain the environment of trust in markets. (Uçma, & Beycan, 2008)

The purpose of the audit is to enhance the confidence level of financial statements for the beneficiary. Furthermore, audit is collecting and evaluating the evidence of the information in order to determine and report the level of the correspondence between the information and established criteria. Audit should be

performed by an independent person (Arens, Elder and Beasley, 2012). Common definition of the auditing by the American Accounting Association Committee on Basic Auditing Concepts is as follows:

Auditing is a systematic process of objectively obtaining and evaluating the evidence of the assertions regarding the economic actions and events, in order to ascertain the level of correspondence between those assertions and established criteria and communicate the results to the interested users.

1.2 Demand for Auditing

It is important to understand the need of and the demand for audit services, before discussing the quality of audit service. Auditing has a significant effect on information risk. Information risk is the possibility that the information upon which the business risk decision was made was inaccurate. That means a likely cause of the information risk is the possibility of inaccurate financial statements. As society becomes more complex, decision makers are more likely to receive unreliable information (Arens, Elder and Beasley, 2012).

The most important task of the regulatory authority of the capital market is to provide full and complete public disclosure process. Their duties in this process are; to ensure making proper investment decisions, thus ensure proper and effective functioning of markets and to protect the rights and benefits of depositors, who save money in capital markets. The objective of the auditing is to provide accurate and reliable information about the financial status of the business. So that investors, who want to invest in business or already invested in business will be able to make decision according to the audit report. Interest groups in relation to the business (stakeholders, banks, employees, suppliers, customers and various government agencies...) can have reliable information about the company and can review their relationship through this report. However, if there is no audit, the accuracy and reliability of information can get in hazard and that would bring information risk.

The causes of information risk can be summarized as; remoteness of information, conflict of interest between the users and the providers of information, too many and complex information about business. Remoteness of information means, in today's economy it is hard to get first-hand information about the business. When people get the information from others, the likelihood of misstatements increases. Conflict of interest between the users and information providers means, the goals of the decision maker and information provider are different. The reason can be the expectation from future events or intentional emphasis designed to influence users. Voluminous data can also cause information risk, because when organizations become larger, the transactions, that should be properly recorded, can unintentionally misstate (Arens, Elder and Beasley, 2012).

In Turkey, The Cabinet's Decree to Determine Companies Subject to Independent Audit was amended in January 2013, but this decree came into force on Jan. 1, 2014. According to this law (as recovered in 19 March 2016/ Law No. 8549) more companies will be undergoing independent audit. If the companies meet two of the requirements in two consecutive fiscal years, it should have an independent audit. The requirements to the companies are;

- The total assets of the company is equal to or above TL 40 million.
- The annual net sales revenue of the company is equal to or above TL 80 million.
- The number of employees is equal to or above 200.

In addition to the figure requirements, particular industries and/or companies specified in the decree are still subject to independent audit, regardless of the above criteria. These include companies subject to regulation and supervision of the Capital Markets Board (SPK); companies subject to regulation and supervision of the Banking Regulation and Supervision Agency (BDDK); and media service providers that own national TV broadcasting stations.

The outcomes, which come out of the quality audit service, are as below (Oktay, 2013, p.48);

- The responsibility has been meant to be performed adequately to the beneficiary parties. The audit firms and auditors, who are supposed to act with the awareness of social responsibility, are to complete the audit service with high quality in order to conduct common weal.
- The reliability of the audit firm and the dignity comes along with this reliability are well preserved and improved. It should always be remembered that the dignity in the market is the vital asset for the audit firm (Taylor and Glezen, 1997). It also has been experienced that the compensation given up on the quality caused serious consequences on the dignity, according to investigations in audit profession within the past 10-12 years.
- The competition strength grows bigger. Thus market share and profitability gets bigger (Yerli, 1997). As putting the important factor to choose the audit firm, the audit fee a side; the companies which are lead with the corporate management mindset always prefer audit firms that provide quality audit service. On the other hand it should also be minded that the profit based audit firms compromises in the competitive environment.
- The current customer portfolio is maintained (Yerli,1997). The customers, who are well satisfied with the quality audit service, do not intend to change their audit firms unless there is obligation (rotation etc.) or important reason.
- Increases the success of the capital market, which performs continuous improvement and change due its dynamic structure. As already known the success of the capital market is based on;
 - The financial statements approved after the quality audit procedures performed.
 - The complete and accurate information published.
 - And the protection of the rights of the investors who are going to invest on capital market tools.

- Possibility of suing the audit firm is minimized. Sues against the audit firm according to the claim of audit failure is the potential danger element (Ricchiute, 1982). In case of an audit firm losing a lawsuit causes; loss of a dignity, big amount of compensation payments, loss of customers, legal costs. In order to minimize the risk of the lawsuit, quality audit service is an essential. Even though there are many examples of suing audit firms outside of Turkey, it is rarely seen suing audit firms in Turkey. Thus audit firms carry the knowledge of the responsibility only for the professional organizations and regulatory authorities in Turkey.
- Possibility of being imposed a sanction by the professional organizations and regulatory authorities are minimized. Magnitude of the sanctions varies among the countries and this is definitely undesired situation by the audit firms.
- Audit firms become preferable by the qualified people to work in (O'Reilly et al., 1998). There is no doubt that the most valuable source for the audit firm is the labor. Without having well qualified labor, it is hard to “guarantee the quality of the audit procedure” (Sanlı, 2007). It could also be stated that qualified labor is a prerequisite for audit quality.

It has been experienced all around the world that all of the problems have been faced in the audit sector is due to the deficiencies related to audit quality (http://www.dunyagazetesi.com.tr/news_display.asp?upsale_id=10023, 09.12.2015).

Audit provides different benefits to various groups in society and organizing economic life. The benefits of audit have been analyzed in three aspects; view of businesses audited, other members of the business world and public organizations (Güredin, 2014).

1.2.1 Benefits Provided to the Audited Business

Audit provides some benefits to businesses. These benefits described as (Güredin, 2014);

- Increase the reliability of the financial statements.

- Helps to reduce the propensity to fraud of business managers and employees.
- Audited financial statements are the basis of financial statements and tax returns submitted to governmental agencies, also this increases the reliability of these statements.
- The audited financial statements provide an extension of the credit facilities.
- Audit reveals material errors in the accounting records of the audited company. In this way, it is helpful to display accurate revenues and expenses.
- Audit provides assurances that the policies and procedures of the holding companies are prepared and implemented for the benefit of the community.
- In the world, the financial statements of publicly traded companies are obliged to undergo an audit.

1.2.2 Benefits Provided to the Other Members of Business World

Each passing day economy becomes more complex. In order to determine appropriate and consistent decision, the information used should be reliable and valid. Unreliable information prevents the efficient use of resources and damage society and decision-makers (Güredin, 2014).

Audit benefits to the other members of the work life are;

- Audited financial statements assist to credit institutions in giving decision about lending credits.
- Audited financial statements shed light on the investment decisions of the present and the future small-scale investors.
- In case of selling, buying or merger of a business, auditing provides reliable information to all sides.

- Especially according to the widespread use of Basel II criteria in banking sector, independently audited financial statements of the companies will use low-cost loans.
- Audited financial statements provide reliable information to relevant parties about financial structure, efficiency and profitability of business.

1.2.3 Benefits Provided to Public Organizations

Audit benefits to public organizations are;

- Helps to increase confidence in financial reports and tax returns, which have prepared based on the audited financial statements.
- In case of indebtedness and bankruptcy, audited financial statements provide independent and reliable information to the judicial authorities in regulating the mandate and partnership contracts (Güredin, 2014).

1.3 Definition of Audit Quality

The term of “quality” is defined as the essential asset, distinctive nature and aspect. The quality is a level which a set of inherent characteristics of a product or service fulfillments to its requirements (International Organization for Standardization, 2013).

The researchers have defined audit quality in many different ways. According to the practical perspective audit quality is defined as long as the audit conforms to applicable auditing standards (Krishnan and Schauer, 2001; Tie, 1999). On the other hand the accounting researchers determine multiple ways of audit quality and these different ways usually lead to different definitions. Common definitions of audit quality as follows

(a) According to DeAngelo, audit quality is “the market-assessed joint probabilities that an auditor will both detect a breach in the client’s accounting system, and report the breach” (DeAngelo, 1981). This definition shows that audit quality has

two parts in it. The first component is the probability that an auditor finds existing misstatements. Also, it links to auditor's ability and talent. The second component is about acting properly on the discovery of misstatements. This component means that audit quality depends also on auditor's objectivity, professional skepticism, and independence. According to Knechel, "These two components also suggest that different aspects of the audit can influence overall audit quality. The discovery of a misstatement requires that appropriate resources be effectively utilized in the audit process, while reporting a misstatement requires an auditor to take appropriate action given the current context at the end of the audit. The following problems arise from this definition, however, (1) it has not been reconciled with the audit risk model, which is used to guide the audit and reflects the auditor's perceptions, and (2) the perception of market participants can be erroneous. Despite these limitations, the DeAngelo (1981) definition of audit quality identifies two important components of audit quality" (Knechel et al., 2013, 387).

(b) According to the Institute of Chartered Accountants in England and Wales (ICAEW), "audit quality is about delivering an appropriate professional opinion on the financial statements of a company, which is supported by the necessary evidence and objective judgments". The six key drivers of audit quality (identified in Audit Quality) are:

- Leadership, including tone at the top and audit firm strategy;
- People of competence, quality and integrity;
- Client Relationships, including effective management of client portfolios and working with individual clients;
- Working Practices and quality control procedures;
- Internal Monitoring by audit firms of leadership, people, client relationships and working practices; and
- External Monitoring under public oversight to encourage and assist firms to improve audit quality.

(c) The likelihood that an auditor will not issue an unqualified opinion for the financial statements, which contain material misstatements (Lee, Liu, & Wang, 1999);

(d) The accurate information provided by auditors (Titman & Trueman, 1986; Davidson & Neu, 1993);

(e) The level of assurances - the probability that audited financial statements contains no material omissions or misstatements (Dopuch & Simunic, 1982; Simunic & Stein, 1987);

(f) Fineness, bias, and noise are elements of proxies that require like attention to ensure the information quality of research findings (Ashbaugh et al., 2003)

(g) Audit Quality Inspections states that, “undertaking a quality audit involves obtaining sufficient and appropriate audit evidence to support the conclusions on which the audit report is based and making objective and appropriate audit judgments. A quality audit involves appropriate and complete reporting by the auditors, which enables the Audit Committee and Board properly to discharge their responsibilities” (AIU - 2004/5 Audit Quality Inspections, Public Report June 2005).

As a conclusion, according to the results of regulators and standard-setters research and publishes audit quality is hard to be defined. Also the Financial Reporting Council (FRC 2006, 16) states that “there is no single agreed definition of audit quality that can be used as a ‘standard’ against which actual performance can be assessed.” In the Consultation Report of International Organization of Securities Commissions (IOSCO 2009, 3), a similar sentiment is expressed that “audit quality is difficult to define and is specific to the stakeholder and consensus is difficult to achieve” (Knechel et al., 2013, 387).

Understanding the meaning and utility of audit quality is very important for financial statement users. Development of audit quality framework may enable to establish a common language to discuss the factors that drive audit quality.

1.3.1 Perceived Service Quality Component / Determinants of Quality

Quality is the measurement of the customer's attitude against products and services. But in this definition, it is not certain what the measurement is (as the customer may not be satisfied even though the service provided complies with specific standards).

Deming (1998), tries to explain this feature of the quality by asking that metaphoric question without an answer given; "What is definition of a pair of shoes' quality for a random person? Long-lasting? Shining? Comfort? Waterproof? The fee paid for whatever the understanding of quality is? What is the significant characteristic of the quality for a customer?"

By this question it is emphasized that the quality is a multidimensional concept. A characteristic of the quality, without any other explanation, ensures to answer the question "which is more quality?" or eases to decide about the quality of the product. Therefore quality characteristics could be defined as significant features of a product or service from the customer point of view. The products and services have different quality characteristics.

Parasuraman, Zeithaml, and Berry (1985), have conducted focus groups with consumers that revealed 10 key categories in evaluating service quality. These were labeled service quality determinants and are described at Table 1, which provides examples of service specific criteria.

Table 1: Determinants of Service Quality

RELIABILITY

- Involves consistency of performance and dependability
 - It means that the firm performs the service right the first time.
 - It also means that the firm honors its promises. Specifically, it involves:
-

-
- Accuracy in billing;
 - Keeping records correctly;
 - Performing the service at the designated time
-

RESPONSIVENESS

- Concerns the willingness or readiness of employees to provide service.
 - It involves timeliness of service:
 - Mailing a transaction slip immediately;
 - Calling the customer back quickly;
 - Giving prompt service (e.g., setting up appointments quickly).
-

COMPETENCE

- Means possession of the required skills and knowledge to perform the service.
 - It involves:
 - Knowledge and skill of the contact personnel;
 - Knowledge and skill of operational support personnel;
 - Research capability of the organization.
-

ACCESS

- Involves approachability and ease of contact.
 - It means:
 - The service is easily accessible by telephone (lines are not busy and they don't put you on hold);
 - Waiting time to receive service (e.g., at a bank) is not extensive;
 - Convenient hours of operation;
 - Convenient location of service facility.
-

COURTESY

- Involves politeness, respect, consideration, and friendliness of contact personnel (including receptionists, telephone operators, etc.).
- It includes:
 - Consideration for the consumer's property (e.g., no muddy shoes on the carpet);
 - Clean and neat appearance of public contact personnel.

COMMUNICATION

- Means keeping customers informed in language they can understand and listening to them.
- It may mean that the company has to adjust its language for different consumers increasing the level of sophistication with a well-educated customer and speaking simply and plainly with a novice.
- It involves:
 - Explaining the service itself;
 - Explaining how much the service will cost;
 - Explaining the trade-offs between service and cost;
 - Assuring the consumer that a problem will be handled.

CREDIBILITY

- Involves trustworthiness, believability, honesty.
 - It involves having the customer's best interests at heart.
 - Contributing to credibility are:
 - Company name;
 - Company reputation;
 - Personal characteristics of the contact personnel;
 - The degree of hard sell involved in interactions with the customer.
-

SECURITY

- Is the freedom from danger, risk, or doubt.
- It involves:
 - Physical safety
 - Financial security
 - Confidentiality

UNDERSTANDING/KNOWING THE CUSTOMER

- Involves making the effort to understand the customer's needs.
- It involves:
 - Learning the customer's specific requirements;
 - Providing individualized attention;
 - Recognizing the regular customer.

TANGIBLES

- Include the physical evidence of the service:
 - Physical facilities;
 - Appearance of personnel;
 - Tools or equipment used to provide the service;
 - Physical representations of the service, such as a plastic credit card or a bank statement;
 - Other customers in the service facility.

1.3.2 Indicators of Audit Quality

Although the responsibility of quality audit belongs to the auditors, audit quality is only possible with sufficient participation, interaction and support of all parties involved in the financial reporting environment.

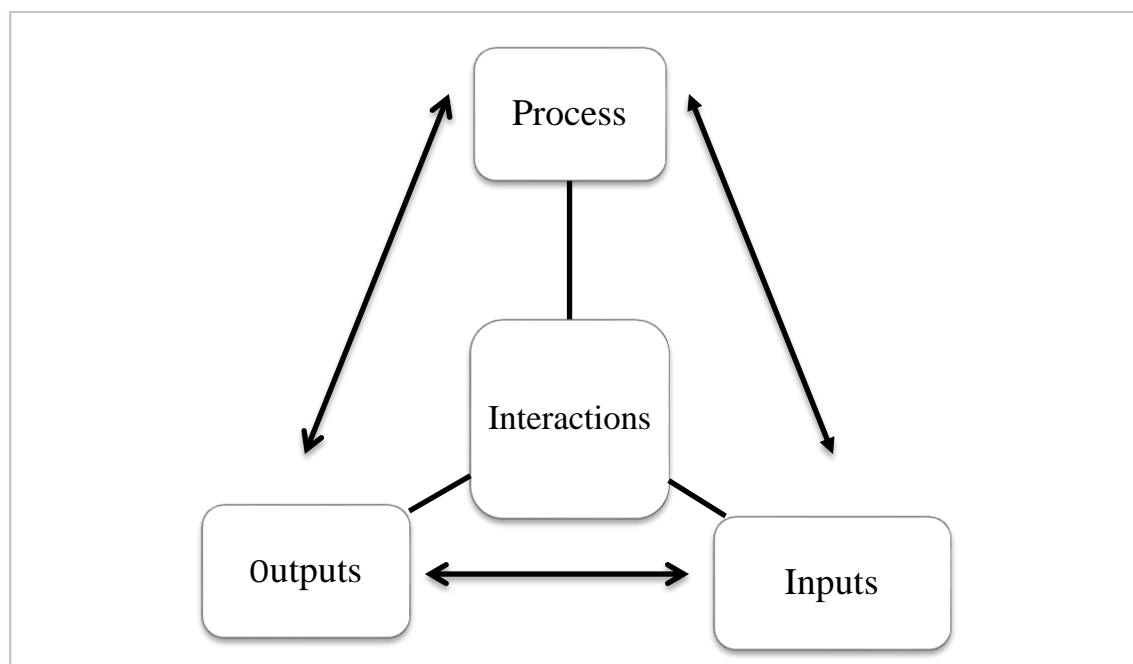
Some of the regulators have pronounced different frameworks for audit quality.

In February 2014, International Auditing And Assurance Standards Board (IAASB) has established a framework for audit quality. Through framework, the IAASB intended to provide facilities to increase awareness of the important elements of audit quality, encourage stakeholders to explore ways to enhance audit quality and make dialogues between stakeholders.

Through the framework of the IAASB, it aims to raise awareness about the key elements of audit quality and to support stakeholders in finding way to increase quality of audit.

IAASB has grouped the audit quality affecting factors into three categories as (1) Inputs, (2) Process and (3) Outputs. As input factors; (1) values, ethics and attitudes of auditors and (2) knowledge, skills and experience of auditors are mentioned. Outputs include reports and information that are formally prepared. The outputs from the audit are often determined by the context, including legislative requirements. While some stakeholders can influence the nature of the outputs, others have less influence (International Federation of Accountants, 2015).

Figure 1: IAASB's Perspective on Audit Quality



Interactions amongst key stakeholders include both formal and informal communications, which will be influenced by the context in which the audit is performed and allow a dynamic relationship to exist between inputs and outputs elements of the framework (International Federation of Accountants, 2015).

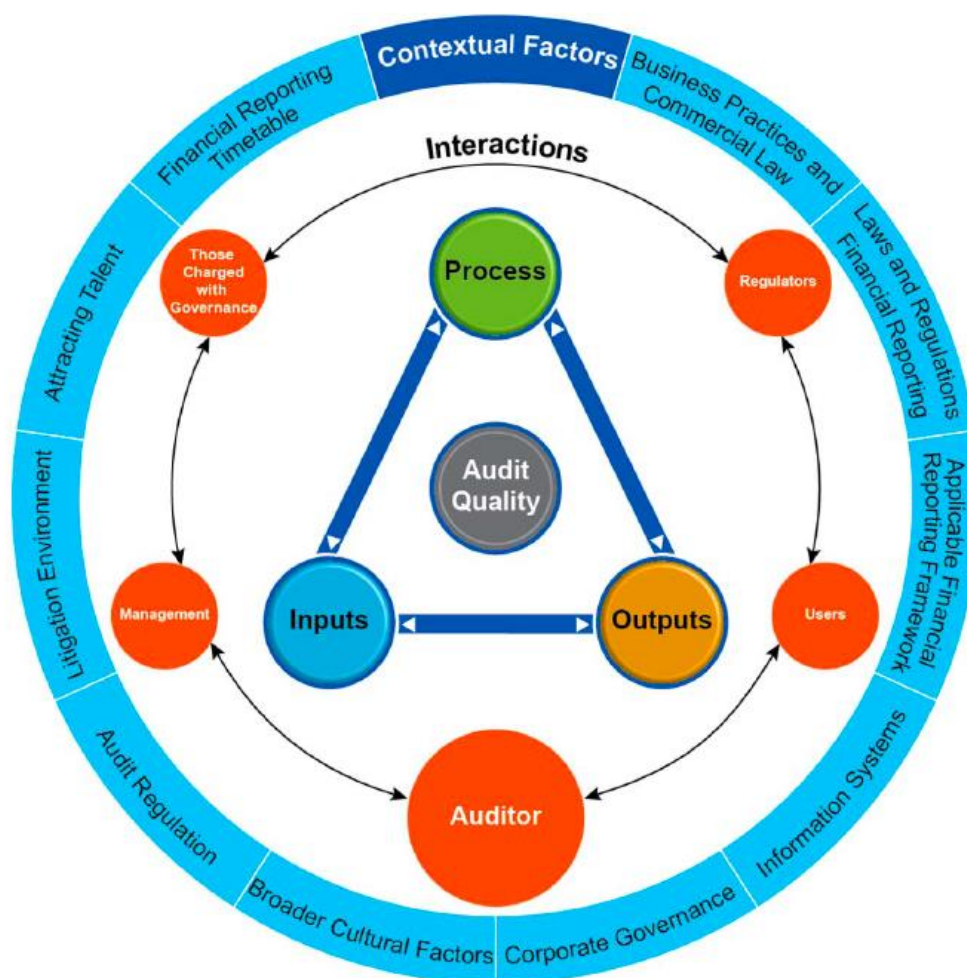
The Framework of IAASB distinguishes the following elements:

- a) Inputs
- b) Process
- c) Outputs
- d) Key Interactions within the Financial Reporting Supply Chain
- e) Contextual Factors

There are a number of environmental – or contextual – factors, such as laws and regulations and corporate governance, which have the potential to impact the nature and quality of financial reporting and, directly or indirectly, audit quality. Where appropriate, auditors respond to these factors when determining how best to obtain sufficient appropriate audit evidence.

It is important to also note there are different levels where audit quality indicators could apply, for example at the individual audit level, at the firm level and, potentially, at the network or global firm level. For an audit committee, audit quality indicators at the individual audit level may be the most relevant, whereas for an audit inspector audit quality indicators at the firm level may be most relevant. Further, in its simplest terms, one can consider an audit as involving inputs (the people), the process (systems, policies and procedures) and outputs (reports and other communications). One can see that there could be audit quality indicator for each of these elements of an audit and some may be more easily quantifiable than others. (<https://www.cpacanada.ca/en/connecting-and-news/blogs/audit-quality-blog/2013/november/made-to-measure-using-indicators-to-enhance-audit-quality>, 10.10.2015)

Figure 2: IAASB's Framework for Audit Quality



Resource: International Federation of Accountants, 2015

The IAASB's Framework contains the following attributes. Key attributes that foster audit quality are described below in the table 2. These attributes apply at the audit engagement level, at the audit firm level, and at a national (or jurisdictional) level. Each attribute and level is described in separate sections (International Federation of Accountants, 2015).

In the part of values, ethics and attitudes at engagement level the audit engagement partner is responsible for an audit engagement and therefore directly responsible for audit quality. In addition to taking responsibility for the performance of the audit, the audit engagement partner has a critical role in ensuring that the

engagement team exhibits the values, ethics and attitudes necessary to support a quality audit. Key attributes have been written on the figure 2.

In the part of values, ethics and attitudes at firm level the audit firm's culture has an important influence on the values, ethics and attitudes of audit partners and other members of the engagement team because the environment in which the engagement team works can materially affect the mindset of partners and staff, and consequently the way they discharge their responsibilities. While the audit is designed to protect the public interest, audit firms are often commercial entities. Each firm's culture will be an important factor in determining the extent to which its partners and staff function in the public interest as opposed to merely achieving the firm's commercial goals. Key attributes have been written on the figure 2.

In the part of values, ethics and attitudes at national level national audit regulatory activities have an important influence on the culture within firms and the values, ethics and attitudes of audit partners and other members of the engagement team. Key attributes have been written on the next table.

In the part of knowledge, experience and time at engagement level, the audit engagement partner is responsible for being satisfied that the engagement team collectively has the appropriate competences and that the team has sufficient time to be able to obtain sufficient appropriate audit evidence before issuing the audit opinion.

In the part of knowledge, experience and time at firm level, the audit firm's policies and procedures will impact the required knowledge and experience of audit engagement partners and other members of the engagement team, and the time available for them to undertake the necessary audit work.

In the part of knowledge, experience and time at national level, national activities can impact the competences of auditors and the time spent

At engagement level of audit process and quality control procedures, audits need to be performed in accordance with auditing standards and are subject to the audit

firm’s quality control procedures, which comply with the IAASB’s ISQC1. These provide the foundation for a disciplined approach to risk assessment, planning, performing audit procedures and ultimately forming and expressing an opinion. Sometimes, audit firms’ methodologies and internal policies and procedures provide more specific guidance on matters such as who undertakes specific activities, internal consultation requirements, and documentation formats.

At firm level of audit process and quality control procedures, the audit firm’s policies and procedures will impact the audit process.

At national level of audit process and quality control procedures, national audit regulatory activities can impact the audit process.

Table 2: Input and Process Factors of IAASB's Framework of Audit Quality

	Engagement Level	Firm Level	National Level
<i>Input Factors</i>			
<i>Values, Ethics and Attitudes</i>	<ul style="list-style-type: none"> *The engagement team recognizes: that the audit is performed in the wider public interest; and the importance of complying with ethical requirements. *The engagement team exhibits objectivity and integrity. *The engagement team is independent. *The engagement team exhibits professional 	<ul style="list-style-type: none"> *Governance arrangements are in place that establishes the appropriate “tone at the top”. *Necessary personal characteristics are promoted through appraisal and reward systems supporting audit quality. *Financial considerations do not drive actions and 	<ul style="list-style-type: none"> *Ethics requirements are promulgated that make clear both the underlying ethics principles and the specific requirements that apply. *Regulators, national standard setters and professional accountancy organizations are active in ensuring that the ethics principles

	<p>competence and due care.</p> <p>*The engagement team exhibits professional skepticism</p>	<p>decisions that impair audit quality.</p> <p>*The firm emphasizes the importance of providing partners and staff with continuing professional development opportunities and access to high-quality technical support.</p> <p>*The firm promotes a culture of consultation on difficult issues.</p> <p>*Robust systems exist for making client acceptance and continuance decisions.</p>	<p>are understood and the requirements are consistently applied.</p>
<p><i>Knowledge, Skills, Experience and Time</i></p>	<p>*Partners and staff have the necessary competences.</p> <p>*Partners and staff understand the entity’s business.</p> <p>*Partners and staff make reasonable judgments.</p> <p>*The audit engagement partner is actively involved in risk assessment, planning, supervising, and reviewing the work performed.</p>	<p>*Partners and more senior staff provide less experienced staff with timely appraisals and appropriate coaching or “on-the-job” training.</p> <p>*Sufficient training is given to audit partners and staff on audit, accounting and, where appropriate, specialized industry issues.</p>	<p>*Robust arrangements exist for licensing audit firms/individual auditors.</p> <p>*Education requirements are clearly defined and training is adequately resourced and effective.</p>

Process Factors				
<i>Audit Process and Quality Control Procedures</i>	<p>*The engagement team complies with auditing standards, relevant laws and regulations, and the audit firm’s quality control procedures.</p> <p>*The engagement team makes appropriate use of information technology.</p> <p>*There is effective interaction with others involved in the audit.</p> <p>*There are appropriate arrangements with management so as to achieve an effective and efficient audit process.</p>	<p>*The audit methodology is adapted to developments in professional standards and to findings from internal quality control reviews and external inspections.</p> <p>*The audit methodology encourages individual team members to apply professional skepticism and exercise appropriate professional judgment.</p> <p>*The methodology requires effective supervision and review of audit work and audit documentation.</p>	<p>*Auditing and other standards are promulgated that make clear the underlying objectives as well as the specific requirements that apply.</p> <p>*Bodies responsible for external audit inspections consider relevant attributes of audit quality, both within audit firms and on individual audit engagements.</p> <p>*Effective systems exist for investigating allegations of audit failure and taking disciplinary action when appropriate</p>	

Resource: International Federation of Accountants, 2015, pp. 24-44.

In June 2015, Public Company Accounting Oversight Board (PCAOB) has released a total of 28 potential audit quality indicators. They have been identified in the concept covering three broad categories:

Audit Professionals — measures dealing with the availability, competence and focus.

Audit Process — measures concerning an audit firm's tone at the top and leadership, incentives, independence, investment in infrastructure needed to support quality auditing, and monitoring and remediation activities.

Audit Results — measures relating to financial statements (such as the number and impact of restatements, and measures of financial reporting quality), internal control over financial reporting, going-concern reporting, communications between auditors and audit committees, and enforcement and litigation.

Table 3: PCAOB's Audit Quality Framework on Audit Professionals

Availability	Competence	Focus
*Senior auditor' time in total audit jobs *Workload of audit partner *Workload of audit manager and other members of the audit team	*Experience of auditors Sectorial experience of auditors *Hours of training received by the audit staff *Turnover rate of audit staff	*Expendable audit hours and risk areas *The distribution of the different stages of the audit of the audit hours

Resource: International Federation of Accountants, 2015, pp. 24-44

Table 4: PCAOB's Audit Quality Framework on Audit Process

Audit firm's tone at the top and leadership	Incentives	Independence	Investment in infrastructure	Monitoring and remediation activities
*The results of the survey conducted with audit firm staff	*Quality ratings and fees *Audit costs, endeavoring and customer risk	*Compliance with the independence requirement	*Infrastructure investments to support audit quality	*Internal quality assessment results of the audit firm *PCAOB monitoring results *Technical competency exams

Resource: International Federation of Accountants, 2015, pp. 24-44

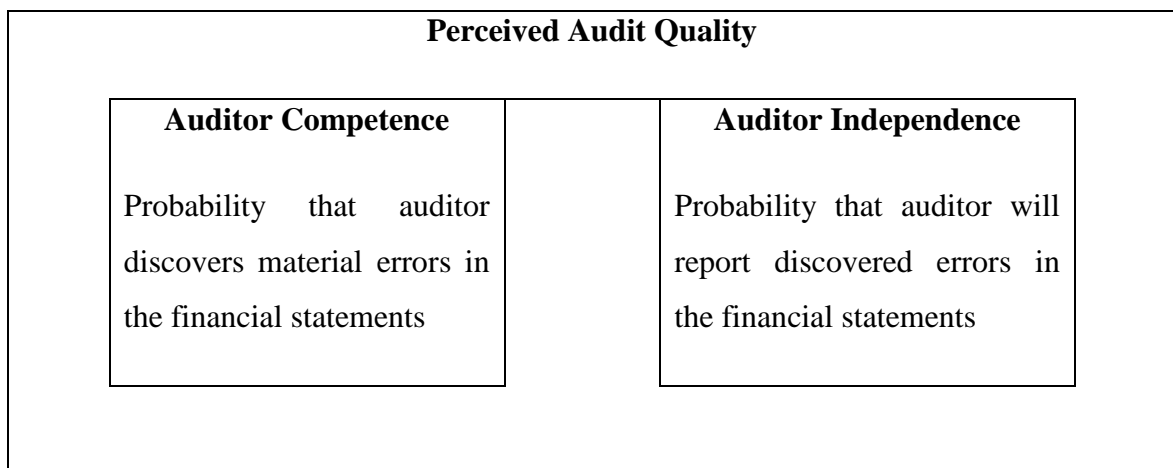
Table 5: PCAOB's Audit Quality Framework on Audit Results

Financial statements	Internal Control	Going-concern reporting	Communications between auditors and audit committees	Enforcement and litigation
*The prevalence of the condition to publish again due to failures of the financial statements and their effects *Abuse or other financial reporting frauds	*Timely reporting of internal control weaknesses	*Timely reporting on going concern	*The results of an independent survey conducted by the members of the Audit Committee	*PCAOB and SEC lawsuits against the audit firm *Private lawsuits against the audit firm

*Make conclusions about audit quality regarding the quality of the financial reporting				
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Resource: International Federation of Accountants, 2015, pp. 24-44

Figure 3: Perceived Audit Quality of DeAngelo



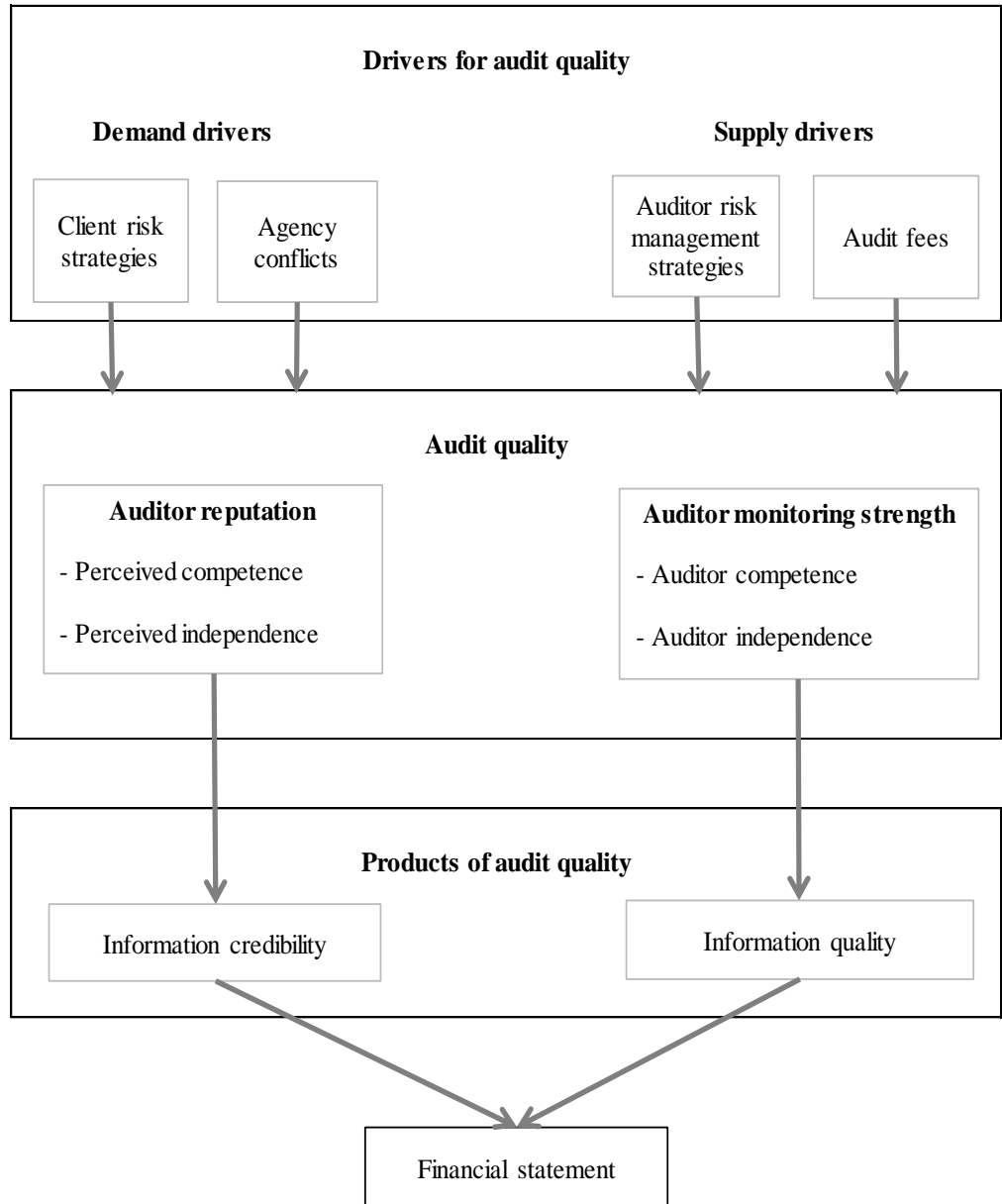
DeAngelo’s (1981a; 1981b) definition of perceived audit quality is depicted in Figure 3. As it has been mentioned in the first part of the thesis DeAngelo defines audit quality as the market assessed probability that, given that the financial statements contain material errors, they are discovered and reported. According to the definition the probability of discovery depends on the auditor’s competence, whereas the probability of reporting refers to the auditor’s independence from the auditee. According to the framework independence is compromised if the auditor allows the client to use a reporting policy that he or she believes would be viewed as an audit failure. DeAngelo argues that auditor’s decision to retain his or her independence would be impaired if the auditor fears dismissal. Losing a client would mean that the auditor would lose the economic revenue that otherwise would accrue to him or her from

repeatedly auditing the same client. The revenue are a result of gaining client specific knowledge. The revenue serves to bind the auditor to the client because client specific knowledge results in audit costs falling while audit fees rise over time (DeAngelo 1981a; DeAngelo 1981 b).

However, potential loss of reputation from perceived non-independence is seen as counteracting the bonding between auditor and client. Thus, auditor's loss of reputation can reduce the size of auditors' client portfolio. Ultimately the decision to remain independent results from a comparison of the gains resulting from choosing to lose one's independence with those obtainable from remaining independent (DeAngelo 1981a; DeAngelo 1981 b). In addition DeAngelo argues that large audit firms are better to remain independent of the audit client because they have more audit clients than small audit firms. Therefore economic revenues received from one client are typically not as significant to a large audit firm as to a small audit firm (Miettinen, 2008).

The framework by Watkins et al. (2004) extends the definition of audit quality provided by DeAngelo. The framework discusses drivers, dimensions as well as products of audit quality. This framework is presented in Figure 4. Drivers for audit quality are divided into demand and supply drivers. Demand drivers include client risk strategies and agency conflicts and supply drivers include auditor risk management strategies and audit fees. Audit quality is divided into auditor reputation and auditor monitoring strength. Auditor reputation refers to perceptions of audit quality and auditor monitoring strength refers to actual audit quality. Consistent with DeAngelo, both auditor monitoring strength and auditor reputation can be divided into dimensions of competence and independence. In other words, auditors' monitoring strength (reputation) is dependent on auditors' actual (perceived) competence and actual (perceived) independence. Monitoring strength and reputation are expected to be determinants of information credibility and information quality. Consistently information credibility refers perceptions of financial reporting quality and information quality refers to actual financial reporting quality in the framework (Miettinen, 2008).

Figure 4: Determinants of Audit Quality



Resource: Watkins et al, 2004

Common ingredients of the quality indicators published by the World 9 different authorities:

Table 6: Other Audit Quality Indicators

Indicators	How many Frameworks has it?
1. Hours of training received by the audit staff	8
2. Views on audit quality	6
3. Number of auditors per audit partner	6
4. Length of experience	6
5. The regulatory bodies examination	6
6. Workload of audit partner	5
7. Industry experience of auditors	5
8. Workload of audit staff	5
9. Investments to develop new audit methodologies and tools	4
10. Auditors turnover rate	4
11. Independence	4
12. Surveys on audit staff satisfaction	3
13. Technical resources support	3
14. The approach of the board of management	3

1.4 Audit History of Turkey

From 1923 to 1929 in Turkey, a fully liberal economic policy was implemented. The name of the first public company of the country was Turkish National Import and Export Corporation (in Ottoman language called as TEMAVAŞ). TEMAVAŞ Company has been built with the money, which has been collected from the government officers. The company became very large that can import and export. However, management of the company has not been developed with the relevant procedures and with lack of audit, Turkey's first publicly traded company went bankrupt in 1938. With the collapse of the company, the need for audit emerged (<http://tmud.org.tr>, 12.08.2015).

The most important factors for the start and the development of the audit profession in Turkey were the demand of banks and other financial institutions operating in the financial markets. Since the mid-1960s the bank operating in financial markets and organizations providing funds from abroad have begun to make audit of their financial statements according to the request of foreign sources of funds. Originally independent auditing firms from abroad were carrying out these audits, but since the late 1960s these audits are being carried out in Turkey by the resident member firms of international audit companies (https://www.tbmm.gov.tr/develop/owa/Tutanak_B_SD.birlesim_baslangic_yazici?P4=1966&P5=B&page1=11&page2=11, 20.10.2015). In 1967 the international audit firm Touch Ross has been established in Turkey under the name MUHAŞ, with some Turkish partners. And four years later, the first global audit firm, AR-İŞ, has been established.

Capital Market Board (CMB), has made the first extensive regulation on auditing. In year 1987, “the Regulations on External Auditing in Capital Market” entered into force. After that “Notification on Auditing in Capital Market” and in 2006, “Communiqué on Auditing Standards in Capital Market” have been published in Official Gazette.

Turkish translations of International Auditing Standards were made and issued in 2004. In 2011, Public Oversight, Accounting and Auditing Standards Authority (POA) has been established. As of 2015, 1 Conceptual Framework for Financial Reporting, 42 Turkish Accounting/Financial Reporting Standards (TASs/TFRSs) and 24 TASs/TFRSs 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.

SECTION TWO

STANDARDS AND REGULATORS RELATED TO AUDIT

QUALITY

In this part two standards directly related with audit quality have been clarified; ISQC 1-Quality Controls for Firms that Performs Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and ISA 220-Quality Control for an Audit of Financial Statements and regulatory operating bodies on accounting/auditing in global and in the Turkey have been indicated. The aims of the regulatory bodies have been outlined on this part of the research. It is important to understand the duties of regulatory bodies and their various rules for applying properly.

2.1 Standards Related with Audit Quality

ISA 220 Quality Control for an Audit of Financial Statements and ISQC1 International Standard on Quality Control are two standards related directly with audit quality.

Audit company should establish a quality control system, which is designed for providing appropriate assurance, ensuring compliance of its employee to the legal requirements and regulations and creating reliable statements. The person or people be appointed to conduct quality standards should be have sufficient and appropriate experience and necessary skills and competence.

In IFAC, especially related to audit quality standards, all of the audit firms are responsible to implement and maintain quality control system during the audit periods according to ISQC 1. In ISA 220, there are special responsibilities have been determined for the staff of the audit firms. Also in line with this subject there are IFAC professional ethics norms specified.

Quality control standards are the supporting procedures in order for the audit firms to practice the generally accepted audit standards during each audit period. ISQC 1 has been published as “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”. According to ISQC 1, audit firm is responsible to implement quality control system in order to provide appropriate assurance, to ensure that the firm and its staff comply with the occupational standards, regulatory and legal conditions, and to ensure that the reports which are published by the audit firm and the contractors are consistent under these circumstances. On the other hand the person who is responsible to manage quality control system, is also required to have sufficient and appropriate experience, ability and authority.

ISA 220 determines the quality rules which are to be adapted throughout the audit study. The quality and control rules, which are expected to be adapted, are specified as; leadership responsibilities for quality on audits, relevant ethical requirements, acceptance and continuance of client relationships and audit engagements, assignment of engagement teams, engagement performance and monitoring. Above definitions have also been used in ISQC 1 which determines the quality control rules to be adapted by the audit firms. As these two standards explain similar subjects, scopes of the standards are defined as audit firm and audit practice, respectively.

Table 7: Comparison of contents of ISQC 1 and ISA 220

ISQC 1: International Standard on Quality Control 1	ISA 220: Quality Control For Audits Historical Financial Information
<p>Content: The firm shall establish and maintain a system of quality control that includes policies and procedures that address each of the following elements:</p>	<p>Content: The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on specific responsibilities of firm personnel regarding quality control procedures for audits of historical financial information, including audits of financial statements.</p>

ISQC 1: International Standard on Quality Control 1	ISA 220: Quality Control For Audits Historical Financial Information
<ol style="list-style-type: none"> 1) Leadership responsibilities for quality within the firm 2) Relevant ethical requirements <ol style="list-style-type: none"> a) Independence 3) Acceptance and continuance of client relationships and specific engagements 4) Human resources <ol style="list-style-type: none"> a) Assignment of Engagement Teams 5) Engagement performance <ol style="list-style-type: none"> a) Consultation b) Engagement Quality Control Review c) Criteria for the Eligibility of Engagement Quality Control Reviewers d) Documentation of the Engagement Quality Control Review e) Differences of Opinion f) Engagement Documentation <ol style="list-style-type: none"> i) Completion of the assembly of final engagement files ii) Confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation iii) Retention of engagement documentation 6) Monitoring <ol style="list-style-type: none"> a) Monitoring the firm's quality control policies and procedures b) Evaluating, Communicating and Remediating Identified Deficiencies c) Complaints and Allegations d) Documentation of the System of Quality Control 	<ol style="list-style-type: none"> 1) Leadership responsibilities for quality on audits <ol style="list-style-type: none"> a) Relevant ethical requirements b) Independence 2) Acceptance and continuance of client relationships and specific engagements 3) Human resources 4) Engagement performance <ol style="list-style-type: none"> a) Consultation b) Differences of Opinion c) Engagement Quality Control Review 5) Monitoring

In practice, it is seen that the audit firms have designated their workflows in order to perform these quality control procedures. At the last stage, a set of quality control procedures are performed on the draft report prepared so that this is the review of the person who is either the financial reporting specialist or experienced auditor who

has not attended to the audit work. The principal is the preparation of the forms in which the best practice examples such as quality control, audit prosecution, work ethic, education etc. has been discussed.

As mentioned above audit firms has to comply with ISA, act according to the quality control standards in ISQC 1 and develop their own internal observation programs. In the scope of audit work, the management responsible (usually audit partner) has to accept the projects in which audit responsibilities to be defined according to ISA, set up a suitable audit team for the related business sector, ensure that the audit team members has adopted the codes of conduct, observe that audit procedures are performed in line with ISA during the customer acceptance process. It is only possible to prepare reliable audit report once the work has performed with high quality. Audit team is expected to have this awareness.

Efficient communication network has to be implemented among the audit firms. Audit has to be performed by the people who are well qualified and well paid. Labor is not supposed to be neglected in line with the system. Even though the perfect system is implemented labor is there to work it out and make it perform well. Thus work ethic is never to be ignored. An audit work, which would be performed according to ISA, is a process. In order to achieve the success with the presentation of reliable report, solid infrastructure should be the implemented as well as adopting the responsibility, objectives, codes of conduct and quality to the audit team members. In practice it is always possible to benefit out of ISA guidance during the audit process, which begins with the customer acceptance. ISA contributes to create audit quality and common sense by supporting its rules with the examples and practical guide. (<http://www.ifac.org/system/files/downloads/a010-2010-iaasb-handbook-isa-220.pdf>, 08.08.2015)

2.2 International Standard on Quality Control (ISQC I)

The quality control standards for the companies which intend to provide audit, examination, compilation, agreed processes and etc. have been determined within the

scope of the ISQC 1- Quality Controls for Firms that Performs Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements. ISQC 1 obliges the firms and their staff to comply with occupational standards, regulations and legal requirements and also to establish the quality control system in order to ensure the audit report is completed reliably. Engagement team accomplishes the quality control procedures, which could be applied to individual audit agreement, and these procedures are applied unless another proposal has been raised from the firm and other parties (<http://www.ifac.org/system/files/downloads/a007-2010-iaasb-handbook-isqc-1.pdf>, 08.08.2015).

Quality control standards have first been formed and published by AICPA in 1978 and are obligatory for the audit firms to comply with. Quality control standards in terms of audit have as much importance as generally accepted auditing standards (“GAAS”). As GAAS is related to audit work completion, quality control standards comprise full audit work procedures.

Quality control standards constitute the full policy and procedures in order to perform the research and investigation about the customer company and improvement of the audit efficiency during the audit work is being undertaken. Quality control standards also assist the firm to decide whether to continue provide audit service to the current customer companies.

Quality control standards’ role of the audit efficiency improvement could never be underestimated. This role is carried out by the auditors, who adopt GAAS and perform them during the audit work procedures. Quality control standards could be implemented by establishing the quality control system in the audit firm. Quality control system is established by quality control standards, which is associated with GAAS and harmonized with audit firm structure, policy and procedures. Quality control systems established in the audit firms vary due the differences related to the structure differences of the audit firms.

The purpose of an audit is to increase the degree of reliance of financial statement users. The objective of an audit of financial statements is for the auditor to

form an opinion on the financial statements based on having obtained sufficient appropriate audit evidence about whether the financial statements are free from material misstatement and to report in accordance with the auditor's findings. A quality audit is likely to have been achieved by an engagement team that (<http://www.ifac.org/system/files/downloads/a007-2010-iaasb-handbook-isqc-1.pdf>, 08.08.2015):

- Exhibited appropriate values, ethics and attitudes;
- Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work;
- Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards;
- Provided useful and timely reports; and
- Interacted appropriately with relevant stakeholders

When an audit has high quality, stakeholders and financial statement users can have increased reliability and credibility of the audit reports. Quality means a degree to which a set of inherent characteristics of a product or service fulfills its requirements.

2.2.1 Objective of Quality Control

The overriding objective to be achieved is to ensure that all companies, which have a quality control system, should provide reasonable assurance that the company and its personnel follow the professional standards, regulations and legal requirements and reports appropriate in the circumstances.

According to ISQC I there are six areas, which should be in the firm's quality control policies and procedures (<http://www.ifac.org/system/files/downloads/a007-2010-iaasb-handbook-isqc-1.pdf>, 08.08.2015):

- Leadership responsibilities for quality within the firm,
- Ethical requirements,
- Acceptance and continuance of client relationships and specific engagements,

- Human resources,
- Engagement performance and
- Monitoring.

2.2.2 Key Drivers of the Quality Control Standard

Many of the requirements in the ISQC 1 are not new – they are requirements of the existing Professional Standard No 1 (PS-1), which has been on issue since 1998.

According to ISQC 1 audit companies should generate a quality control system. The system should give reasonable assurance about appreciation of the audit firm’ and its employees’ to the standards. Audit company and its employees should behave in accordance with regulations and legal requirements. (ISQC, Sec. 11.)

Table 8: Key Drivers of the Quality Control Standard

KEY DRIVERS OF QUALITY CONTROL STANDARD
<p>1. Leadership</p> <p>Audit company forms procedures and policies to promote a corporate culture that accepts quality as an indispensable element in the execution of audit. These policies and procedures require to general managers of the audit company (or equivalent person) or if appropriate the board of directors (or equivalent) to assume ultimate responsibility for quality control system. Audit company creates policy and procedures to ensure that appointed person or people have sufficient and appropriate experience, skills and authority. Audit company should identify leadership responsibility for the quality control system.</p>
<p>2. Ethical and Professional Requirements</p> <p>Audit company creates policies and procedures to provide reasonable assurance regarding compliance of itself and its personnel to relevant ethical</p>

requirements. Audit company in accordance with the relevant ethical provisions creates policies and procedures to provide reasonable assurance regarding the independence of itself, its personnel and any other persons subject to distinct provisions (including other company personnel involved in auditing network).

3. Acceptance and Continuance of Client Relationships and Specific Engagements

Audit company creates policies and procedures intended for acceptance of the client relationship and audit contracts. The audit company creates those policies and procedures to provide reasonable assurance as to as long as it fulfills the following statements.

- Client integrity,
- Competence to perform the engagement, and availability of time and appropriate resources for the engagement,
- Ability to comply with relevant ethical requirements.

4. Human Resources

Maintain human resources appropriate to engagements the firm undertakes.

Determination of the Audit Team;

- Forward the responsible auditor's identity and mission to the responsible key manager and senior manager of the customer,
- Ensure that the responsible auditor has authority, ability and competence to fulfill its mission,
- Ensure the responsible auditor's responsibilities clearly defined and communicated to the responsible auditor,
- Conduct audits in accordance with current laws and professional standards,
- Ensure the audit company or responsible auditor issue the audit report in accordance with the conditions.

5. Engagement Performance

Perform engagements to a high quality standard. Ensure proper consultation occurs on difficult or contentious matters and when differences of opinion arise.

- Consultation
- Matters relevant to promoting consistency in the quality of engagement performance
- Supervision responsibilities
- Differences of opinion

6. Monitoring

- Monitoring the quality control procedures and policies of the audit company.
- Evaluation of deficiencies detected, reported and corrected.
- Complaints and claims.

2.3 ISA 220 Quality Control for an Audit of Financial Statements

ISA 220 deals with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements. It also addresses, where applicable, the responsibilities of the engagement quality control reviewer. The requirements are on the leadership responsibilities for quality on audits, relevant ethical requirements, acceptance and continuance of client relationships and audit engagements, assignment of engagement teams, engagement performance, monitoring and documentation. Quality control systems, policies and procedures are the responsibility of the audit firm.

The purpose of this standard is to determine the principle, method and fundamentals regarding the control of the audit quality. Audit firms are obliged to establish the monitoring system, which comprises adequate, and efficient quality control policy and procedures, in order to ensure the quality control of the audit work. This standard explains the responsibility of both the responsible engagement partner to

ensure the general quality of the audit work and auditor to monitor whether the audit work has been performed with required quality.

In general, audit quality is to present a proper opinion regarding the financial statements of the company, which has been audited and to support this opinion with necessary evidences and objective judgments. In different words, it is considered as a quality audit service if the auditors present audit reports supported by independent, reliable, sufficient and proper audit evidences.

Engagement team accomplishes the quality control procedures, which could be applied to individual audit agreement, and these procedures are applied unless another proposal has been raised from the firm and other parties.

The responsibilities of the engagement audit partner are;

- To have the responsibility of the general quality in every each audit engagement.
- To set an example in regards to audit quality of the each section in the audit contract.

Engagement partner should consider whether the engagement members comply with ethics requirements. Ethics requirements regarding the audit engagement consist of, in general, national requirements, which is more restrictor as well as IFAC rules requirements. IFAC rules basic occupational ethics requirements contain 5 fundamental elements as below (<http://www.ifac.org>, 08.07.2015);

- 1- Integrity
- 2- Objectivity
- 3- Professional competency and due care
- 4- Confidentiality
- 5- Professional behavior

Consequently, quality control systems applied based on ISQC1 and ISA220, reduce the auditors' audit risks as reducing the operational risks that the audit firms

could face and also increase credibility of the beneficiaries to the financial statements. These type of implementations that create positive effect in order to reduce the risks, should be considered extensively by the audit firms and their existing control systems should be developed and improved inevitably.

2.4 International Regulations related to Audit Quality

Since the second half of the 20th century, improvement of auditing function has been accelerated. With the beginning of globalization, entities turned into internationalized. As a result of this, accounting started to be required to get organized at international level. When accounting systems turns into international systems, a necessity for auditing systems to be internationally recognized emerged. The obstacle for combining the applications of accounting/auditing begins to exist through inter-country system differences. For understanding the accounting and audit forms of different countries, a common language becomes a necessary to be used in all kind of platforms. Therefore, it became a must to organize professional committees to bring them together and to establish international accounting and auditing associations to get rid of the inter-country differences in the applications of accounting/auditing profession (Uçma & Beycan, 2008).

Associated with globalization, the world becomes smaller and making businesses and investments around world become easier. Using a mutual set of international standards on accounting and auditing initiates advantages to owners, who want to expand their business internationally, investors, regulators and auditors. An investor can benefit from international standards, when they need to interpret global investment opportunities or value a performance of a global portfolio. If they get better understanding of financial information of companies, they can make better choices on their investments. For international regulators, it is simpler to check if domestic standards are similar with international ones. For the international auditing firms, the advantages are efficiency associated with applying a common audit approach and knowing that it complies with relevant standards.

International regulatory institutions on accounting and auditing are constituted for being guidance to creating one common language across national boundaries.

It is important to understand how all these organizations and their various rules are interconnected in order to understand their role in the convergence projects.

In this part of the study, from the global side of the regulatory, the duties of the Monitoring Group (MG), Public Interest Oversight Board (PIOB), The International Federation of Accountants (IFAC), The International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), Compliance Advisory Panel (CAP), International Accounting Standards Board (IASB), Federation of European Accountants (FEE), The International Forum of Independent Audit Regulators (IFIAR), The Securities and Exchange Commission (SEC), American Institute of Certified Public Accountants (AICPA), Auditing Standard Board (ASB), Green Paper, International Organization of Supreme Audit Institutions (INTOSAI), Public Company Accounting Oversight Board (PCAOB). From the Turkish regulatory institutions the duties of Capital Market Law, The Union of Chambers of Certified Public Accountants of Turkey (TURMOB) and Public Oversight Board of Turkey (KGK) have been mentioned.

2.4.1 MG - The Monitoring Group

The monitoring group (MG), is an organization of international financial institutions and administrative branches (regulatory bodies) committed to progress the public interest among international audit standard setting and audit quality (https://www.iosco.org/about/?subsection=monitoring_group, 06.08.2015).

MG supervises audit and accounting standardization activities of the International Federation of Accountants (IFAC), observes the Public Interest Oversight Board (PIOB) activities, arranges meetings to discuss the topics and contribute different opinions regarding international audit quality and regulatory in order to improve auditing for the market development.

The members of the Monitoring Group are the Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and the World Bank.

The Monitoring Group's Mission is to https://www.iosco.org/about/?subsection=monitoring_group, 06.08.2015) :

- Support high-quality on international auditing and assurance, ethical and education standards for accountants;
- Observe the application and influence of the IFAC reforms, in a mean time, to initiate the capability appraisal of IFAC Reforms and other features of IFAC's operations that associate the public interest;
- Assign the members of the Public Interest Oversight Board (PIOB) through the Nominating Committee;
- Observe the mandatory actions of PIOB;
- Give consultancy and advisory to the PIOB to implement administrative, legal and procedure developments, which are relevant to the PIOB's public interest oversight; and
- Arrange meetings to discuss the topics and contribute different opinions regarding international audit quality and regulatory in order to improve auditing for the market development.

2.4.2 PIOB – Public Interest Oversight Board

According to Public Interest Oversight Board, “The PIOB is an organization, which seeks to improve the quality and public interest focus of the international standards formulated by the Standard Setting Boards supported by the International Federation of Accountants in the areas of audit and assurance, education, and ethics.” The PIOB monitors independently the whole process of standard setting. The main duty of PIOB is to ensure that standards development is fully transparent and prepared according to stakeholder needs (<http://www.ipiob.org>, 23.09.2015).

The most important about the oversight is to build the investors' trust to the financial markets. Before making some investments, investors want to know if the information they get is reliable or not. By overseeing, PIOB make people to believe to the financial statements and they can invest without any doubt.

The PIOB explores further to become global with the standardization and improvement of comparability of financial statements around the world.

As seen at Figure 1, Monitoring Group (MG) monitors Public Interest Oversight Board (PIOB) and PIOB, oversees the International Federation of Accountants (IFAC), the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), the International Ethics Standards Board for Accountants (IESBA), and IFAC's Compliance Advisory Panel (<http://www.ipiob.org>, 23.09.2015)

2.4.3 IFAC – The International Federation of Accountants

IFAC is the global organization for the accountancy profession. One of the duties of IFAC is to strengthen the accounting profession and to contribute to the development of strong international economies (www.ifac.org, 25.09.2015). Developing high-quality international standards on auditing and assurance, public sector accounting, ethics, and education is the most effective way of strengthens the accounting profession. IFAC is facilitating collaboration and cooperation among its member bodies and with other international organizations.

IFAC consists of 175 members and associates in 130 countries and represents 3 million professional accountants in public practice, education, government service, industry and commerce since 1977. IFAC's vital role is to assist the improvement of international standards by independent and expert standard setting boards (www.ifac.org, 25.09.2015).

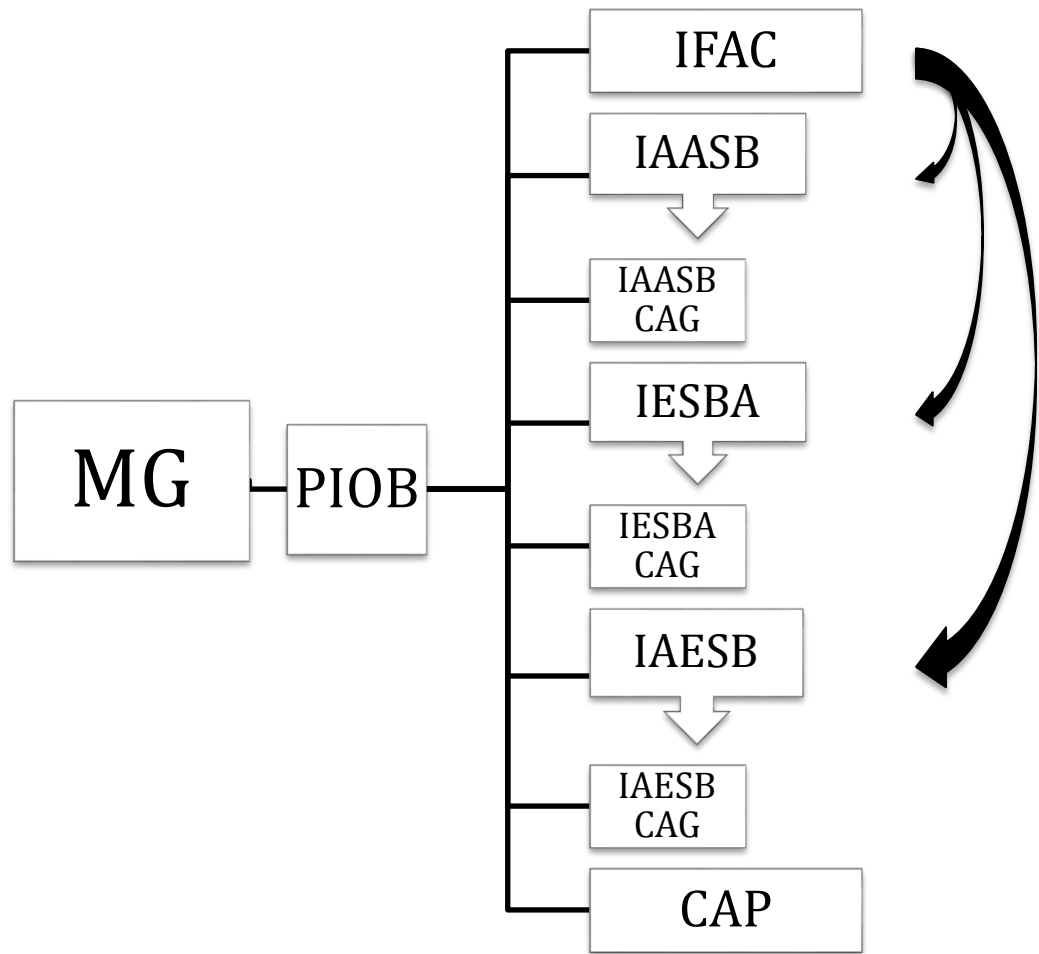


Figure 5: Relationship of Organizations with PIOB

The Monitoring Group; PIOB= Public Interest Oversight Board; CAP= Compliance Advisory Panel, IFAC= International Federation of Accountants; IAASB= International Auditing and Assurance Standards Board; IESB= International Ethics Standards Board for Accountants; IAESB= International Accounting Education Standards Board; CAG= Consultative Advisory Group

IFAC members are professional accounting organizations like; AICPA in the United States, the Confederation of Asian and Pacific Accountants, the Federation of European Accountants (FEE), and the Pan African Federation of Accountants.

The independent standard-setting boards established by IFAC include the International Auditing and Assurance Standards Board (IAASB), the International Public Sector Accounting Standards Board (IPSASB), the International Accounting

Education Standards Board (IAESB), and the International Ethics Standards Board for Accountants (IESBA).

The final set of clarified standards comprises 36 International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC) 1. A full list of the ISAs and ISQC 1 is below.

Table 9: List of ISAs and ISQC 1 (2015)

<i>INTERNATIONAL STANDARDS ON QUALITY CONTROL</i>	
ISQC 1	<i>Quality Controls for Firms that Performs Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>
<i>AUDITS OF HISTORICAL FINANCIAL INFORMATION</i>	
ISA 200	<i>Overall Objectives of Independent Auditor and the Conduct of an Audit in Accordance with International Standards Auditing</i>
ISA 210	<i>Agreeing the Terms of Audit Engagements</i>
ISA 220	<i>Quality Control for an Audit of Financial Statements</i>
ISA 230	<i>Audit Documentation</i>
ISA 240	<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>
ISA 250	<i>Consideration of Laws and Regulations in an Audit of Financial Statements</i>
ISA 260	<i>Communication of Audit Matters with Those Charged with Governance</i>
ISA 265	<i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i>

Risk Assessment and Response to Assessed Risks

ISA 300 *Planning an Audit of Financial Statements*

ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

ISA 320 *Materiality in Planning and Performing an Audit*

ISA 330 *The Auditor's Responses to Assessed Risks*

ISA 402 *Audit Considerations Relating to an Entity Using a Service Organization*

ISA 450 *Evaluation of Misstatements Identified During the Audit*

Audit Evidence

ISA 500 *Audit Evidence*

ISA 501 *Audit Evidence - Specific Considerations for Additional Items*

ISA 505 *External Confirmations*

ISA510 *Initial Audit Engagements - Opening Balances*

ISA 520 *Analytical Procedures*

ISA 530 *Audit Sampling*

ISA 540	<i>Audit of Accounting Estimates Including Fair Value Accounting Estimates and Related Disclosures</i>
ISA 550	<i>Related Parties</i>
ISA 560	<i>Subsequent Events</i>
ISA 570	<i>Going Concern</i>
ISA 580	<i>Written Representations</i>
<i>Using Work of Others</i>	
ISA 600	<i>Special Considerations – Audits of Group Financial Statements</i>
ISA 610	<i>Using the Work of Internal Auditors</i>
ISA 620	<i>Using the Work of an Auditor’s Expert</i>
<i>Audit Conclusions and Reporting</i>	
ISA 700	<i>Forming an Opinion and Reporting on Financial Statements</i>
ISA 705	<i>Modifications on the Opinion in the Independent Auditor’s Report</i>
ISA 706	<i>Emphasis of Matter Paragraphs and Other Matte Paragraphs in the Independent Auditor’s Report</i>
ISA 710	<i>Comparative Information – Corresponding Figures and Comparative Financial Statements</i>

ISA 720	<i>The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements</i>
<i>Specialized Areas</i>	
ISA 800	<i>Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i>
ISA 805	<i>Special Considerations – Audits of Single Financial Statements and Specifics Elements, Accounts or Items of a Financial Statement</i>
ISA 810	<i>Engagements to Report on Summary Financial Statements</i>

2.4.4 IAASB - The International Auditing and Assurance Standards Board

The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body designated by, and acts under the authority of, the International Federation of Accountants (IFAC). IAASB is contingent on the monitoring of the international Public Interest Oversight Board (PIOB) for accountancy.

The duty of IAASB is to issue high quality international standards on auditing and assurance, quality control and related services. It also facilitates convergence of national and international standards. In doing so, the IAASB enhances the quality and consistency of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.

In 1978, IAASB has been established. Until 2002, the name of the board was the International Auditing Practices Committee (IAPC). The IAPC's leading objective was dealing with: object and field of financial statements' audit, commitment letters, and general auditing guidelines. In 1991, the IAPC's instructions were classified as International Standards on Auditing (ISAs).

To facilitate the understanding and use of standards, IAASB initiated the Clarity Project in 2004 and the project was completed in 2008. This program involved the application of new conventions to all ISAs, either as part of a substantive revision or through a limited redrafting to reflect the new conventions and matters of clarity generally (<http://www.ifac.org/news-events/2006-01/iaasb-proposes-enhanced-requirements-auditors-consider-related-parties>, 17.10.2015).

2.4.5 IESBA – International Ethics Standards Board for Accountants

“International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting body that serves the public interest by setting robust, internationally appropriate ethics standards, including auditor independence requirements, for professional accountant worldwide. These are compiled in the Code of Ethics for Professional Accountants” (<http://www.ethicsboard.org/about-iesba>, 17.10.2015).

IESBA and its CAG (Consultative Advisory Group) are contingent on the monitoring of the international Public Interest Oversight Board (PIOB).

IESBA’s vital role is to establish ethical requirements for professional accountants, which is named as the Code of Ethics for Professional Accountants. The Board’s another duty is to assist the improvement of international ethical applications and expert globally for implementation of standards (<http://www.ethicsboard.org/about-iesba>, 17.10.2015).

2.4.6 IAESB – International Accounting Education Standards Board

“The International Accounting Education Standards Board (IAESB) is an independent standard-setting body that serves the public interest by establishing standards in the area of professional accounting education that prescribe technical competence and professional skills, values, ethics, and attitudes” (<http://www.iaesb.org/about-iaesb>, 18.10.2015).

IAESB and its CAG are contingent on the monitoring of the international Public Interest Oversight Board (PIOB) to ensure that the activities of the IAESB follow due process and are responsive to the public interest.

IAESB implements International Education Standards to improve education. Through developed education, competence of the global accountancy profession increases.

The IAESB follows a difficult period in enhancing its formal announcements. Input is obtained from the IAESB's Consultative Advisory Group (CAG), regulators, IFAC member organizations and their members, other professional accountancy organizations, and the general public.

2.4.7 CAP- Compliance Advisory Panel

Compliance Advisory Panel (CAP) is a member of IFAC Board. The mission of the CAP is to monitor the practice and activity of the IFAC Member Body Compliance Program (Program). Public Oversight Board monitors the Compliance Advisory Panel.

Nonetheless, the duty of CAP is to monitor and give consultation to the IFAC Compliance staff (<http://www.ifac.org/about-ifac/membership/compliance-program/compliance-advisory-panel/terms-reference>, 08.07.2015). The activities of CAP can be divided into three groups; membership activities, compliance activities and activities related to regional organizations and accountancy groupings.

Membership activities of CAP are (<http://www.ifac.org/about-ifac/membership/compliance-program/compliance-advisory-panel/terms-reference>, 08.07.2015):

- To settle implementation to membership to IFAC,
- Undertaking periodic reviews of the criteria for admission to IFAC membership and related recommendations to the IFAC Board.

Compliance activities of CAP are (<http://www.ifac.org/about-ifac/membership/compliance-program/compliance-advisory-panel/terms-reference>, 08.07.2015):

- Applying self-evaluation process to find out whether IFAC members in accordance with applicable SMOs,
- Confirming action plans of IFAC members,
- Revealing observance self assessments and action plans,

Activities related to regional organizations and accountancy groupings (<http://www.ifac.org/about-ifac/membership/compliance-program/compliance-advisory-panel/terms-reference>, 08.07.2015):

- Assessing applications for the recognition of Regional Organizations and the acknowledgement of Accountancy Groupings and related recommendations to the IFAC Board,
- Preparing recommendations to the IFAC Board for withdrawal of recognition or acknowledgement for Regional Organizations and Accountancy Groupings for failure to meet their obligations to IFAC,
- Involving IFAC Recognized Regional Organizations and Acknowledged Accountancy Groupings in the implementation of the compliance program, as appropriate.

2.4.8 IASB – International Accounting Standards Board

The IASB is an “independent, not-for-profit private sector organization working in the public interest. Its principal objectives are to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB, and to promote the use and rigorous application of those standards” (International Financial Reporting Standards).

The International Accounting Standards Board (IASB) is a member of IFRS Foundation. IASB is the independent standard-setting body of the IFRS.

IFRS foundation monitors the operations of IASB. Since 2001, International Accounting Standard Board is the new name of International Accounting Standards Committee.

2.4.9 FEE - Federation of European Accountants

Federation of European Accountants (Fédération des Experts-comptables Européens – FEE) is established in 1987. It is an international non-profit organization, which is a representative of accountancy profession in Europe since 1987.

FEE stands for 50 institutions of professional accountants and auditors from 37 European countries. FEE has at total over 875,000 professional accountants, who are members of different institutions in Europe and work for more efficient and transparent European economy (www.fee.be, 04.05.2015).

FEE is dedicated to apprise the European public policy. The foundation presents technical knowledge and regulated vision on improving the European economy.

FEE supports on professional practice, which accountants obtain everyday. FEE also supports public interest in Europe.

FEE is also a Regional Organization, member of the International Federation of Accountants (IFAC). Since 2013, TURMOB is a member of FEE.

2.4.10 IFIAR - The International Forum of Independent Audit Regulators

Since 2006, the aim of The International Forum of Independent Audit Regulators (IFIAR) is to serve the public interest and to provide investor protection by enhancing audit quality globally. IFIAR procures a place, where associates can share their experience and knowledge on audit and audit oversight. On that place accountants

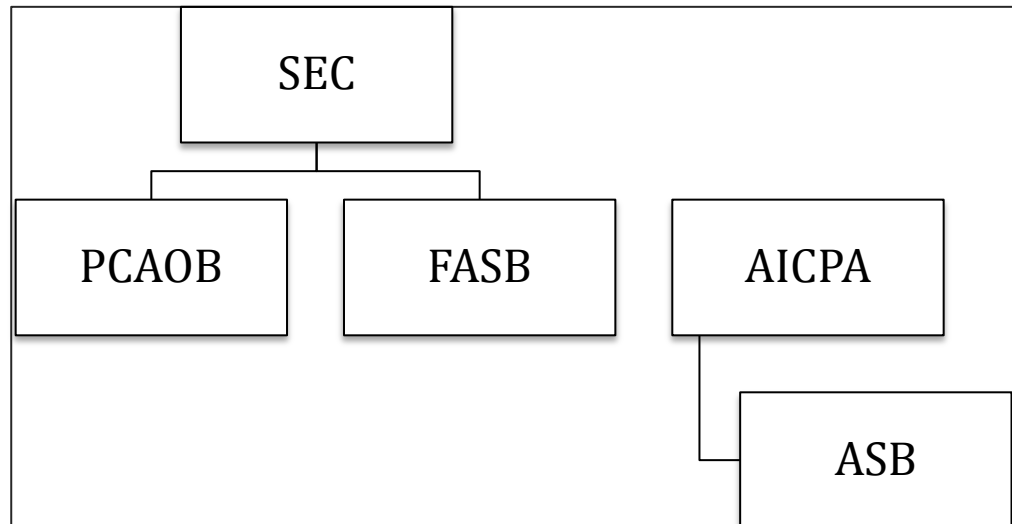
also can communicate with stakeholders on audit quality matter (<https://www.ifiar.org>, 27.08.2015).

Since the establishment of IFIAR, the number of members is increasing globally. This association brings audit regulators together.

IFIAR focuses on sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspections of auditors and audit firms, promoting collaboration and consistency in regulatory activity, and providing a platform for dialogue with other international organizations that have an interest in audit quality (<https://www.ifiar.org>, 27.08.2015).

Since 2011, IFIAR is a component of the Monitoring Group (<https://www.ifiar.org>, 27.08.2015).

Figure 6: Organizations Affecting Financial Statement Audits in United States



Resource: <https://www.ifiar.org>, 27.08.2015.

2.4.11 SEC – The Securities and Exchange Commission

In year 1929, USA stock market went bankrupt and people believes had change on that market. Investors lost confidence in capital markets. That time called as Great Depression and investors, companies and even banks lost lots of money. For recovering the market back, investors’ thoughts should be change and regulators should make investors believe to the capital market again. Congress began to work to correct the situation and began to search solutions.

The Securities and Exchange Commission has been established in 1934 with Securities Exchange Act. The aim of this law was to restore investors’ confidence in stock markets. The main subject of the law was to provide reliable information in markets. The main responsibilities of these laws can be summarized in two points:

- There should be transparency in companies’ statements. If a company is public limited company, it should be clear about the worth of its securities. So that investors can know the risks involved in investing.

- When selling securities, sellers should behave fairly to investors and have a clear understanding.

It is the responsibility of the Commission to interpret and enforce federal securities laws, issue new rules and amend existing rules, oversee the inspection of securities firms, brokers, investment advisers, and ratings agencies, oversee private regulatory organizations in the securities, accounting, and auditing fields, and coordinate U.S. securities regulation with federal, state, and foreign authorities.

2.4.12 AICPA – American Institute of Certified Public Accountants

In 1887 American Institute of Certified Public Accountants has been established. The American Institute of Certified Public Accountants is the national, professional association of CPAs. The foundation has approximately 330,000 members.

AICPA represents the accountant profession nationally. The mission of the foundation is to develop standards for companies' audit. The foundation also provides educational guidance materials to its members and prepares the CPA Examination. Another mission of AICPA is to oversee and impose accordance with the profession's technical and ethical standards (<http://www.aicpa.org/Pages/default.aspx>, 13.08.2015).

2.4.13 ASB - Auditing Standard Board

The Auditing Standard Board (ASB) has established in 1978. The Board mission is to announce the standards on auditing and declare the procedures to be observed by the members of the American Institute of Certified Public Accountants.

The Auditing Standard Board is the senior committee of the AICPA and appointed to determine standards for auditing, attestation and quality control and form a practical guidance to perform and report properly. No authorization required from the Council and Board of Directors to publish the statements regarding the issues related to audit, attestation and quality to the public (<https://www.aicpa.org/research/standards/auditattest/asb/pages/auditingstandardsboard.aspx>, 12.08.2015).

The aim of ASB is to progress, update and issue standards for public profit. The board also practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to non issuers in an effective and efficient manner.

The ASB accomplishes this mission by (1) developing auditing, attestation, and quality control standards that inspire public trust, (2) contributing to the development of high quality international auditing and assurance standards, and (3) responding timely to the need for guidance and communicating it clearly to the profession and to users (<https://www.aicpa.org/research/standards/auditattest/asb/pages/auditingstandardsboard.aspx>, 12.08.2015).

The ASB also recognizes the importance of standards harmonization, both within the US and between countries. The pervasiveness of international business activity supports the closer harmonization of audit and attest services to provide efficient, quality audit services that meet the needs of a wide community of users. The integrity of reporting on financial information is strengthened when auditing standards are harmonized to a high level of quality. Thus, the ASB seeks cooperative standard setting discussions and projects with regulators and other standard setting bodies.

2.4.14 PCAOB - Public Company Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

PCAOB is a private sector, non-profit corporation, created by the Sarbanes-Oxley Act of 2002 to oversee auditors of public companies in order to protect investors and the public interest by promoting the preparation of informative, fair, and independent audit reports.

All PCAOB rules adopted by the Board and approved by the Securities and Exchange Commission.

2.4.15 ICAEW – Institute of Chartered Accountants in England and Wales

ICAEW is a world leading professional membership organization that promotes, develops and supports more than 144,000 chartered accountants in 160 countries. They provide their members with knowledge and guidance, and ensure ICAEW Chartered Accountants are meeting the highest ethical and technical standards. As financial experts they act in the public interest offering insights into business and the economy that help to shape government policy and regulation.

2.4.16 Green Paper

A green paper released by the European Commission is a discussion document intended to stimulate debate and launch a process of consultation, at European level, on a particular topic. A green paper usually presents a range of ideas and is meant to invite interested individuals or organizations to contribute views and information.

The Green Paper submits the following considerations for public consultation (<http://ec.europa.eu/green-papers/>, 12.08.2015):

- Determining whether there are possible ways to lower any gap between what investors expect from an auditor and what the auditor actually delivers, and whether the role of the auditor should be revisited;
- Exploring possible ways to improve the auditors' communication to stakeholders and regulators on what work they have carried out and what they have 'discovered' during their audit;
- Examining whether there are conflicts of interest in the current system e.g. when a firm both audits a company's results and offers it consultancy services; if so, what would be the appropriate manner to eliminate such intrinsic conflicts of interest so as to ensure complete auditor independence;

- Ensuring effective and independent supervision throughout the EU;
- Identifying if the current system entails any systemic, too big to fail risks because of the concentration in the audit market. What impact would the failure of one of the big audit firms have on the rest of the financial system? How could such accumulation of such risks be addressed?
- Improving the internal market of audit by ensuring further mobility for audit professionals and firms within the EU, possibly by creating a European Passport in this area;
- Addressing the proportionality of the application of regulatory requirements to reduce administrative burden for SMEs where possible.

2.4.17 INTOSAI - International Organization of Supreme Audit Institutions

The International Organization of Supreme Audit Institutions (INTOSAI) recognizes the importance of the need to harmonize auditing standards among the various professional bodies, both regionally and internationally. Working in partnership with the IFAC and other professional bodies, that spirit is further enhanced with the adoption of various IFAC standards by INTOSAI. It is through this arrangement that INTOSAI has adopted the quality standards as issued by IFAC that cover the aspects of quality in audit.

2.5 Regulations Related with Audit Quality in Turkey

In Turkey, despite the fact that auditing has been known for many years, the application of auditing exists for a short time. In this part regulations guiding the relevant application with quality control system in Turkey is explained.

The most important regulations about auditing in Turkey are The New Turkish Commercial Code (No:6102), Capital Market Law, The Law no.3568, Regulations of the Union of Chambers of Certified Public Accountants of Turkey, Regulations of

Public Interest Oversight Board, Regulations of Banking Regulation and Supervision Agency and Regulations of Undersecretariat of Treasury. (Turkish Commercial Code)

2.5.1 The New Turkish Commercial Code (No: 6102)

The New Turkish Commercial Code (No: 6102) was promulgated in the Official Gazette on 14 February 2011.

Since July 1, 2012 Turkey has a new accounting and auditing system, which came through the new Turkish Commercial Code. At the beginning, the procedure was unknown and there were some uncertainty about the regulation. From day to day the law had been understood by companies and appliers and the market becomes more transparent. The new Turkish accounting standards are mostly similar with International Financial Reporting Standards (IFRS) rules.

The Turkish Commercial Code numbered 6102 (“TCC”) sets forth two (2) mandatory organs, which are consisting of the general assembly and board of directors. In other words, the mandatory organ status of statutory auditor is abandoned under TCC and the audit activity is delegated to independent professionals completely organized out of the company’s structure. (Bulut & Mete, 2015)

The audit in joint stock companies can be carried out in two (2) different ways. The first type of such is the internal audit. As per the PTCC, the statutory auditing organ (auditors) was considered, as one of the mandatory organs of the company and non-existence of such organ was determined as a reason for the dissolution of the company. However, the statutory auditor is no longer recognized as a mandatory organ under the TCC and thus, non-existence of such organ does not constitute a reason for dissolution. Having said that, it is also possible to establish a sub-organ or a committee/commission by the board of directors to serve thereunder. Accordingly, the board of directors may, at its discretion, establish internal audit committees for financial auditing in this regard. Likewise, paragraph 2 of Article 366 of the TCC explicitly states that the board of directors may establish committees in order to supervise the company’s affairs and to

prepare a report on matters, which are brought to its attention and enforcement of its resolutions or internal audit (Bulut & Mete, 2015).

The second type of audit is the external audit. Such audit is performed by the independent and objective third parties who are not related to the company. Prior to the recent amendments made in the TCC with the Law numbered 6335, all joint stock companies were subject to the independent audit regime. However, Article 397 of the TCC has introduced a new principle outlining that the companies, which are subject to the audit under Article 398 of the TCC, shall be determined by the Council of Ministers. “Resolution of Council of Ministers Regarding the Determination of Companies Being Subject to the Independent Audit” (“Resolution of Council of Ministers”) which was prepared in accordance with the law that entered into force as of January 23, 2013 and standards required for companies subject to independent audit were determined by “Procedures and Principles of Resolution of Council of Ministers on the Determination of Companies Subject to Audit” (Bulut & Mete, 2015).

In compliance with new Turkish Commercial Code, companies are required to keep their commercial books and prepare their financial statements according to regulations declared by the Ministry of Finance.

Consequently, corporate governance is the key concept in the New Turkish Commercial Code. Corporate governance means a system of rules applicable for all enterprises. The New Turkish Commercial rule made some radical changes within the context of corporate governance such as democracy among shareholders, responsibilities of board of directors, group of companies, the use of information technology, internal controls, internal audit, risk management, international standards in accounting, auditing and financial reporting.

2.5.2 CMB - Capital Market Board

Capital Markets Board of Turkey (CMB) is governing and supervisory board of Turkish stock exchange market. The Board has been authorized by the Capital

Markets Law (CML). Since 1981, the board prepares regulations to develop and organize securities market in Turkey.

The Board has liability on protecting investors' rights and establishes reliable and impartial stock market. The main aim of the board is to assist development of capital markets and protect the investors' rights.

The Board is authorized and competent on (<http://www.spk.gov.tr>, 15.07.2015);

1. To designate the financial statements and reports, which belong to the capital market institutions and organizations along with the partnerships, those are dependent on capital market law, to be subjected to the audit procedure according to Turkish audit standards.
2. To determine the required additional conditions from the audit firms which are authorized by the public oversight, accounting and audit standardization board and capital market board.
3. To perform quality control and audit studies over the audit firms, which are, placed in the list of the authorized audit firms in the capital market.
4. To cooperate with national and international firms about the audit subjects.

2.5.3 The Law No. 3568

The most important legal regulation, which has been accomplished regarding to proficiency of Accounting and Audit in Turkey is the law numbered 3568 "Law on Certified General Accountancy, Certified Public Accountancy and Sworn-in Certified Public Accountancy" and has been accepted in July 1st, 1989.

The objectives of this Law are to ensure the healthy and reliable functioning of operations and transactions in enterprises to audit and evaluate the results of the operations within the framework of the relevant legislation, to present the actual facts to the use of the concerned persons and authorities, to regulate the fundamentals

concerning the establishment, organization, operations, activities and the elections of the principle organs of "Certified Public Accountancy" and "Sworn-in Certified Public Accountancy " and the Chambers of Certified Public Accountants and Sworn in Certified Public Accountants.

The purpose of this law is (<http://www.turmob.org.tr/TurmobWeb/MBS/TurmobMevzuatDetay.aspx?param=CzOcfyLkksM=>, 17.07.2015);

- To ensure the operations are running reliably.
- To present the current situation to the beneficiaries and authorities objectively after auditing and evaluating the operational results within the scope of related legislation.
- To organize establishing the chambers of Certified Public Accountancy and Sworn-in Certified Public Accountancy, association of the chambers of Certified Public Accountancy and Sworn-in Certified Public Accountancy along with the professions and services of Certified Public Accountancy and Sworn-in Certified Public Accountancy, their operations and audits, as well as the selection of their units in order to realize high occupational standards.
- To state the caption of the profession qualifiers as “Certified Public Accountant and Sworn-in Certified Public Accountant”.

This law states the duties of Certified Public Accountant as (<http://www.turmob.org.tr/TurmobWeb/MBS/TurmobMevzuatDetay.aspx?param=CzOcfyLkksM=>, 17.07.2015);,

- To keep the books of the individual and corporate enterprises in accordance with generally accepted accounting principles and related legislations.
- To finalize the balance sheet, profit-loss, declarations and other documentations.
- To establish and develop the accounting system for the corporations.

- To organize management, accounting, finance, fiscal legislation in practice. To examine, analyze and audit according to the evidences in related to these subjects.
- To give an opinion about the financial statements and declarations.
- To organize reporting.
- To give an arbitration, expertise and etc.

Duties of Sworn-in Certified Public Accountant contains, in addition to above lines, handling the approval contracts, which is a type of compliance audit. On the other hand their duties are exempted book keeping, opening accountant firm or establishing partnership with the accountancy firms.

Within the scope of Turkish legislation, along with the law numbered 3568, authorization of auditing is given to the individuals qualified as Certified Public Accountants and Sworn-in Certified Public Accountants. Thus this legislation has determined the regulations regarding to the auditors qualifications. Therefore the education level, exam and internship obligations, general framework of the rules to follow have been designated for the members of accounting profession.

2.5.4 TURMOB - The Union of Chambers of Certified Public Accountants of Turkey

TURMOB (the Union of Chambers of Certified Public Accountants of Turkey) is the unique organization of Turkey, which has the authority to give professional license. The objective of TURMOB is to give skills to people, who have capability and are candidate to have a career in accountancy, tax or management. The Association supports approximately 93.000 members in Turkey. The aim of the union is to help people in their career at accounting, auditing or business field (<http://www.turmob.org.tr/TurmobWeb/Kurumsal/Turmob/Hakkinda.aspx>,14.08.2015).

In Turkey, the terms of CPA and Sworn-in CPA are given to the accountants. CPA Chambers are Chambers of professional accountants who are CPA. Sworn-in CPA

Chambers are Chambers of professional accountants who have specialized on tax auditing, after they who are CPAs and have 10 years experience, had passed additional examinations.

TURMOB and its Chambers have 755 staff members at total. The primarily mission of the union is to provide professional qualifications to give a license, to make professional examinations and to carry out activities to insure the development of the profession and the protection of due interests of the members of the profession and the preservation of professional dignity, ethics, order and traditions (<http://www.turmob.org.tr/TurmobWeb/Kurumsal/Turmob/Hakkinda.aspx>,14.08.2015).

The Association also have some more duties such as practical training, licensing, professional rules and regulations, publishing and membership and participates in the activities of international professional organizations.

2.5.5 POA - Public Oversight Board of Turkey

In recent years, audit oversight bodies have become more active and internationally cooperative. Public Oversight, Accounting and Auditing Standards Authority is established by “Public Oversight, Accounting and Auditing Standards Authority’s Organization and Responsibilities Decree Law” numbered 660, issued on November 2, 2011 (<https://www.kgk.gov.tr>, 17.08.2015).

KGK’s vital duty is to be responsible for setting and issuing Turkish Accounting Standards. The Board’s eventual objective is to regulate and actualize highly qualified and trustable financial reporting and auditing in Turkey concerning investors and the public interest.

The other duty of POA in Turkey is to issue Turkish Accounting Standards compliant with the international standards, to ensure uniformity, high quality and confidence in statutory audits, to set the auditing standards, to approve statutory auditors and audit firms and to inspect their audits, and perform public oversight in the field of statutory audits.

Another responsibility of the Public Oversight, Accounting and Auditing Standards Authority (POA) is to determine Turkish Standards on Auditing (TSAs) in accordance with international standards. The auditing standard setting process has been directed on the basis of IFAC's Policy for Translating Reproducing Standards and consultation commissions and a review committee has been composed for the adaption of the standards.

Responsibilities of the Public Oversight Board are as follows (<https://www.kgk.gov.tr>, 17.08.2015):

a) Vital role of the Board is to develop and issue Turkish Accounting Standards in accordance with international standards. The Board should be sure about applicability, comparability and flexibility of prepared financial statements.

b) Taking important decision on application of Turkish Accounting Standards and affirm regulations to be arranged by authorities, which are competent in their own fields.

c) To determine and establish national auditing standards in accordance with international standards.

d) It's also the duty of board to authorize independent auditors and audit organizations.

e) To perform exams for accountants for registering profession.

SECTION THREE

LITERATURE REVIEW

Researchers have analyzed audit quality either directly or indirectly in their studies.

According to the article '10 years of research on auditing in Turkey: Literature Review', which is written by Selimoğlu & Uzay (2007) and the research made by reviewing Turkish academic search providers, only 4 researches have been made about audit quality in Turkey in between 1995 – 2006. (Ergun, Ü. (1999), Selimoğlu, S. K. (2000), Sayarı, M. (2002), Kavut, L. (2002)) In 10 years lots of things has been innovated on auditing globally and locally. According to this changings lots of researches have been made. It is better to analyze the past and present studies together.

This section provides literature review on audit quality. Influencing factors of audit quality have been identified related to literature review. The present study extends this line of investigation by focusing on auditor independence, audit fee, mandatory rotation, employee turnover, auditor tenure, provision of non-audit services, size of audit firms, being knowledgeable, having experience and audit effort.

Figure 7: Indicators of Audit Quality



3.1 Independence and Audit Quality

According to ISQC 1, the audit firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel subject to independence requirements maintain independence where required by relevant ethical requirements.

Auditors are expected to act independent, impartial and honest during their professional activities, as it is the most fundamental element of audit profession. This is the most distinctive feature of audit profession compared to the other occupations. Reliability and accuracy of the audit report is in direct proportion to the independence,

impartiality and honesty characteristics of the auditor. Any doubt or hesitation regarding the auditor does not have these characteristics would cause question mark in related to reliability and accuracy of the audit report. Existence of audit quality cannot be considered in the audit process without accurate and reliable audit report. Also, in recent years, independence of auditor has become one of the most important topics of auditing law.

The concern over the independence of auditors has grown in recent years. According to Pike (2003), it is difficult to disentangle independence and quality since if the auditor is not independent, the incentive to do a high quality audit is weakened, as misstatements will not be reported even if found.

Regulatory bodies set some rules to maintain independence of auditors. In Turkey, the new Commercial Code had brought rotation of audit companies on April 2014. According to this, after the same audit firm has been used for 7 years in a row, another has to be employed for at least 3 years.

Auditor independence has an important impact on audit quality. The most effective reason behind that is if the auditor does not remain independent, he or she will be less likely to report irregularities, also the quality of audit will be disrupted. Since the independence of the auditor is a critical issue for auditing profession, many studies have been made in this area.

Literature reviews on independence of auditors mostly cover the issues client importance on being economically dependent, non-audit services, and auditor tenure.

Auditors are economically dependent on the client. If one client dominates a relatively large part on auditor's portfolio, the independency of auditor should be considered under risk. The reason behind that is the auditor becomes financially dependent to this client.

Non-audit services can have an affect on auditor independence. When the auditors provide non-audit service to the client, they receive more income, which may

result in greater economic dependence. Furthermore, the joint provision of audit and non-audit service by the same auditor may cause conflict of interest since he may become less skeptical in reviewing his own work. Simunic (1984), has examined in his work whether the cost of producing the two services are independent. The result of his work shows that there can be a spillover of knowledge between both services.

Auditor tenure can lead to impairment of independence. When the length of audit agreement increase, the relationship with auditor and the client more likely to be close and that can cause auditor fail to notice the mistakes or act in favor. Being close to client can result in reduced objectivity.

Table 10 shows the literature review on auditor' independence and the summary of those articles.

Table 10: Articles on Independence of Auditor and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
David Lavin / 1976	Perceptions of the Independence of the Auditor	This paper investigates the concept of independence by examining particular client-auditor relationships. The research verifies how an informed third party, such as present and prospective investors, creditors, employees and governmental agencies perceive the auditor's independence. According to Securities and Exchange Commission an accountant cannot objectively audit books and records, which he or

		<p>she has maintained for a client. The AICPA has an opposite opinion about auditing and recording books. According to AICPA a member can and will objectively audit books and records regardless of the fact that he has maintained them for a client. The result examines that the consensus of the users and CPAs participating in the study agrees more with AICPA than with the SEC, and that the authorities, at times, characterize relationships as not independent that the consensus considers independent.</p>
<p>Kurt Pany, Philip M. J. Reckers / 1980</p>	<p>The Effect of Gifts, Discounts and Clients Size on Perceived Auditor Independence</p>	<p>This paper investigates the factors, which may influence actual and/or perceived auditor independence. This research investigates the perceptions of stockholders on the effect of relative client size, gifts, and purchase discount arrangements on auditor independence. The findings indicate that gifts and discount arrangements of even a minimal amount (3\$) significantly affected users' perceptions of auditor independence. The effect of client size was not significant.</p>
<p>Michael Firth / 1980</p>	<p>Perceptions of Auditor Independence and Official Ethical Guidelines</p>	<p>This research is about the perception of the role and importance of auditor independence as perceived by various interested parties in the United Kingdom. The questionnaires, which are about their thought on auditor independence, were asked to the preparers and the users of financial</p>

		<p>statements. The results of this study showed that for respondents being independent has an impact on investment and lending decisions. It was also found that the responses of preparers and the users of financial statements have differences in their perception of auditor independence. The results also show that the view of users of financial statements is more skeptical than the view of accountants working in professional practices.</p>
<p>Randolph A. Shockley / 1981</p>	<p>Perceptions of Auditors' Independence: An Empirical Analysis</p>	<p>This research investigates the perceived effects of competition, management advisory services, audit-firm size, and tenure on audit independence. According to results of the research, auditing has a highly competitive environment. If an audit firm provides management advisory service, they are perceived as having a higher risk of losing independence. An overall analysis ranks competition as the most important factor, followed by audit-firm size and management advisory services.</p>
<p>DeAngelo / 1981</p>	<p>Auditor Independence, 'Low Balling', and Disclosure Regulation</p>	<p>This research investigates the allegations of the Commission on Auditors' responsibilities and the Securities and Exchange Commission that 'low balling' on initial audit engagements impairs auditor independence. According to the paper, 'low balling' does not have a negative effect on independence.</p>

<p>Hans J. Dykxhoorn and Kathleen E. Sinning / 1982</p>	<p>Wirtschaftsprüfer Perception of Auditor Independence</p>	<p>This research is about the perception of German auditors (Wirtschaftsprüfer) on auditor independence. The result of the research shows that most German auditors take a less strict view of auditors' independence than the SEC does (U.S. securities and exchange commission).</p>
<p>Dan A. Simunic /1984</p>	<p>Auditing, Consulting, and Auditor Independence</p>	<p>Clients that also purchase management advisory services as a non-audit service from their auditors paid higher audit fees than those who do not. One of the result of the research is companies, which purchase management advisory service are similar to companies which did not purchase. Second result shows that the purchase of management advisory services from the auditor is associated with a significant increase in the audit fee. The third result is the purchase of management advisory services from the auditor is not significantly associated with the cost of audit substitutes employed by the company.</p>
<p>Michael A. Pearson / 1985</p>	<p>Enhancing Perceptions of Auditor Independence</p>	<p>The paper points out that the users of financial statements should know that auditors are independent from company management. According to this research many individuals and groups perceive that auditing firms are not independent of their corporate clients. This research suggests making an auditor-administered educational program, complemented by corporate audit committee involvement to lend credibility to auditors' claims.</p>

<p>Timoty A. Farmer, Larry E. Rittenberg, and Gregory M. Trompeter / 1987</p>	<p>An Investigation of the Impact of Economic and Organizational Factors on Auditor Independence</p>	<p>This paper searches if non-accounting variables such as the potential of litigation and the loss of a client influence auditing judgments or not. The result shows that non-accounting variables can have an impact on audit judgments concerning accounting principles. Result shows three points. One of the results indicates that auditors' decisions can be effected by threat of losing client. Another result shows that the treat of litigation has a great effect on auditors' decision, when they want to give an unqualified opinion. The last result is acculturation effect exists only in mind support.</p>
<p>Nicholas Dopuch and Ronald R. King / 1991</p>	<p>The Impact of MAS on Auditors' Independence: An Experimental Markets Study.</p>	<p>The paper is on the effect of management advisory service. It investigates the effect of this service on demand and supply of audit services. The results indicate that if an auditor does not procure both management advisory service and audit services, it does not mean to improve efficiencies.</p>
<p>Vivien Beattie, Richard Brandt and Stella Fearnley / 1999</p>	<p>Perceptions of Auditor Independence: U.K. Evidence</p>	<p>This research focuses on the reality and perception of auditor independence in line with financial reporting. It investigates U.K. interested parties' perceptions of the influence on auditor independence. 153 U.K. listed company finance directors, 244 audit partners of U.K. listed companies and 18 financial journalists were participant of survey. The principal threat factors relate to economic dependence and non-audit</p>

		<p>service provision, while the principal enhancement factor is the existence of an audit committee. Perceptions regarding many independence factors are found to be contingent upon characteristics of the respondents' ongoing audit relationships (in particular, audit firm type and company size). According to results generic factors also have a significant impact upon perceptions of auditor independence for all groups.</p>
Tong Lu / 2004	Does Opinion Shopping Impair Auditor Independence and Audit Quality?	<p>This article searches companies's way of threats to dismiss auditors. It also investigates companies' engagement in opinion shopping influence auditor independence and audit quality. The result shows that switching decreases potential understatements and increases potential overstatements in financial statements, and the capital market's and the successor auditor's reactions to auditor switching reduce the benefits of opinion shopping to companies.</p>
Allen D. Blay / 2005	Independence Threats, Litigation Risk, and the Auditor's Decision Process	<p>This paper is on auditors' evaluation of information, which can be effected from independence threats and litigation risk. According to this research auditors, who have fear of losing their client, were more likely to suggest an unmodified audit report, consistent with client preferences. The relation between risk and auditor decision is fully moderated by financial assessment of the evidence.</p>

<p>Sarowar Hossain / 2013</p>	<p>Effect of Regulatory Changes on Auditor Independence and Audit Quality</p>	<p>This research is about the impact of Corporate Law Economic Reform Program on auditor independence and audit quality. The results show a significant and positive association between auditor-provided non-audit services fees and the propensity to issue a going-concern opinion for a financially distressed company post- Corporate Law Economic Reform Program, but an insignificant association pre-Corporate Law Economic Reform Program.</p>
<p>Abdul Halim, T. Sutrisno, Rosidi, M. Achsin / 2014</p>	<p>Effect of Competence and Auditor Independence on Audit Quality with Audit Time Budget and Professional Commitment as a Moderation Variable</p>	<p>This paper investigates the effect of auditors' competence and independence on audit quality. The research also tests whether audit time budget could moderate effect of auditors' competence and independence on audit quality. Another aim of the study is to test whether the professional commitment moderate effect of auditor's competence and independence on audit quality. It means the smaller audit time budget, the greater effect of auditor's competence and independence on audit quality. As the third aim, professional commitment strengthens effect of auditor's competence and independence on audit quality. It means the stronger professional commitment, the higher effect of auditor's competence and independence on audit quality.</p>

Ling Li and Nopmanee Kong Tepalagul / 2015	Auditor Independence and Audit Quality: A Literature Review	This paper is a review study of literature on auditor independence and audit quality. The topic of the study is based on four main threats to auditor independence. These are client importance, non-audit services, auditor tenure, and client's affiliation with CPA firms.
Bryan K. Church, J. Gregory Jenkins, Susan A. McCracken, Pamela B. Roush, and Jonathan D. Stanley / 2015	Auditor Independence in Fact: Research, Regulatory, and Practice Implications Drawn from Experimental and Archival Research	This paper provides a research on selected academic studies. The studies are related to auditor independence. This research analyze specific experimental and archival research. Auditors' judgment and audit process are the main effects of independence, that have been explore in the research. The examination of experimental studies suggests that cognitive and motivational biases have the potential to impair independence and, consequently, weaken the audit process. According to results, although judgmental biases may hinder the audit process, such biases do not necessarily degrade audit outputs.

3.2 Provision of Non-Audit Services and Audit Quality

The impact of provision of additional non-audit services on audit quality is different among researches. Some researches find out that non-audit services strengthen auditor competence and also non-audit services allows auditors to less dependent on audit client (Grout, Jewitt, Pong, & Whittington, 1994). Beside that belief Barkess &

Simnet studied out that auditors do not compromise their independence while they provide audit service and non-audit services to the same audit client (1994).

Concerns about audit quality in the existence of non-audit services may cause possible conflicts of interest. The Securities and Exchange Commission and The International Federation of Accountants code of ethics have expressed serious concern about this issue. Researchers (e.g., Lindsay, 1989; Lowe & Pany, 1995; Canning & Gwilliam, 1999) argued that the provision of additional non-audit services to audit client and auditors' tend to lowball prospective clients and regain initial audit fee reduction by subsequent lucrative non-audit services to an audit client may compromise the independence of the audit firm (Pham, et.al., 2014, pp.76).

Table 11: Articles on Provision of Non-Audit Services and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
Mark L. DeFond, K. Raghunandan, And K. R. Subramanyam / 2002	Do Non-Audit Service Fees Impair Auditor Independence? Evidence from Going Concern Audit Opinions	According to this article there is not any significant relationship between non-audit service fees and independence of auditor. The results show that there is not any relationship between going concern opinions and audit fees.
Duane M. Brandon, Aaron D.	Non-audit Fees, Auditor Independence,	This paper is about the perception of auditor's independence in the bond markets. The research investigates the effects of non-audit services of an

Crabtree, and John J. Maher / 2004	and Bond Ratings	auditor to his/her independence. The results show that is the amount of non-audit services provided by auditor is negatively related with client's bond rating.
William R. Kinney Jr., Zoe-Vonna Palmrose and Susan Scholz / 2004	Auditor Independence, Non-Audit Services, and Restatements: Was the U.S. Government Right?	This research is about the association of non-audit services fees provided by audit firm in between the years 1995 and 2000, and restatement of previously issued financial statements. The results show that there is not any positive relationship between fees of financial information systems design and either restatements or implementation. The research also find that there is a significant negative association between tax services fees and restatements.
Chee Yeow Lim, David K. Ding, and Charlie Charoenwo ng / 2013	Non-audit fees, institutional monitoring, and audit quality	This paper points out that non-audit fees of auditors are on the extent of institutional monitoring. According to findings of the research, when non-audit fees increase, audit quality decreases, only for clients with low institutional ownership.

3.3 Audit Fee And Audit Quality

There is an affect in regards to audit quality if the fee, received in return of the audit service, is lower than optimum level. Audit fee is generally calculated through multiplying the time required for the audit work by the fee defined per hour. Calculated amount may increase in case of travel, out of pocket and extraordinary expenses. In order to avoid any conflict about the responsibility of this type of expenses, it should clearly be defined during audit agreement preparation.

If the fee, which is offered by the client, exceeds the expected amount by the audit firm, various behaviors of the auditor especially their effort and legal responsibility would be affected as well as independency and impartiality would be called in question. Because of the high amount of payments done by the client, auditor would be financially dependent to the client and it would be encouraging for the auditor to agree with the client on the reporting decisions. In some occasions auditor's financial dependency becomes too high that even though their reputation would be damaged and there would be lawsuit risk they would take these risks in order to earn more. Consequently this type of behaviors causes the decrease of the audit quality.

On the other hand if the fee paid below the expectation of the auditor, auditors would not risk anything and deny all of the client's requests related to reporting. And this could be an element that increases the audit quality. Low fee also could prevent the auditor to concentrate on audit work and decrease the effort during the audit field. This also could be a factor that decreases the audit quality.

Table 12: Articles on Audit Fee and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
Dan A. Simunic / 1980	The Pricing of Audit Services: Theory and Evidence	Competition among auditors is the subject of this research. This paper is about a model on audit fee, which has variables such as auditee size, auditee complexity and audit risk. The results of the test show that there is a competition among auditors on audit fee and well-known audit firms are getting less fee than unknown audit firms.

<p>Charles Piot / 2001</p>	<p>Agency costs and audit quality: evidence from France</p>	<p>This study is about the effects of agency conflicts on audit quality at listed companies of France. There are two hypotheses tested. One of them is conflict of interest between owner as a shareholder and manager. The other one is leverage in high-Investment-Opportunity-Set companies, supposing an increased expropriation risk for debt holders. Auditors of big audit companies, national majors and local audit firms have been investigated. The results show that there is not any conflict between owner and manager and there is not any corroborate between debt holders and high-Investment-Opportunity-Set companies.</p>
<p>Allen Craswell, Donald J. Stokes, Janet Laughton / 2002</p>	<p>Auditor Independence and Fee Dependence</p>	<p>This research is about the effects of fee on auditor independence. The findings show that auditor fee is not dependent on auditor propensity to issue unqualified audit opinions.</p>
<p>Bin N. Srinidhi, Ferdinand A. Gul / 2007</p>	<p>The Differential Effects of Auditors' Non- audit and Audit Fees on Accrual Quality</p>	<p>This research contains empirical evidence on the association between fee variables and quality of accruals. ER-based and fee magnitude-based economic bond variables have been used to measure the auditors' economic dependence on their clients. According to findings non-audit fee has a significant negative effect while audit fee has a significant positive effect on accrual quality.</p>

		Both expected and unexpected non-audit fees have significant negative effects on accrual quality, but only expected audit fee results in a significant improvement effect in accrual quality.
Rohaida Basiruddin / 2011	The Relationship Between Governance Practices, Audit Quality and Earnings Management: UK Evidence	The research analyzed two empirical associations. First analyze was on three models of audit quality which are; audit fees, non-audit service fees and industry specialist auditors. This analyze was examining the the association between the effective monitoring characteristics of board and audit committee on audit quality. The result shows that there is a positive relationship between audit fees and the independent non-executive directors on board. The second analyze was on the roles of board of directors, audit committee and auditor quality in constraining opportunistic earnings. The findings show that firms paying higher audit fees and engaging industry specialist auditors are likely to be associated with lower levels of discretionary accruals, suggesting that a higher quality auditor constrains opportunistic earnings.
Sharad C. Asthana and Jeff P. Boone / 2012	Abnormal Audit Fee and Audit Quality	This paper is about the relationship between abnormal audit fee and audit quality. This research analyzes the effect of below-normal audit fees on the relationship of auditor and client. This situation can have a direct effect on audit quality. The findings of the research shows that audit quality, proxied by absolute discretionary accruals

		and meeting or beating analysts' earnings forecasts, declines as negative abnormal audit fees increase in magnitude, with the effect amplified as proxies for client bargaining power increase.
Dechun Wang and Jian Zhou / 2012	The Impact of PCAOB Auditing Standard No. 5 on Audit Fees and Audit Quality	The research is about the impact of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5 on audit fees and audit quality. Using a large sample of accelerated filers subject to Auditing Standard No. 5, it has been found that audit fees decrease upon the adoption of the standard. As a conclusion, the standard improves the efficiency of internal control audits.
Ely Suhayati /2012	The Influence of Audit Fee, Audit Time Budget Pressure and Public Accountant Attitude on The Public Accountant Dysfunctional Behavior and It's Implication On Audit Quality Survey On "Small" Scale Public Accounting Firm's In Java	The study is about the effect of audit fee, audit time budget pressure and the attitude of public accountant on public accountant dysfunctional behavior and how they impact audit quality. Descriptive methods have been used in this applied research. 167 public accounting firms have been made questionnaire. The findings show that audit fees and audit time budget pressure have impact on the behavior of public accountant. Also the audit time budget pressure and public accountant's behavior had impact on public accountant dysfunctional behavior and this can lead to increase of audit quality.

<p>Nicole V. S. Ratzinger-Sakel / 2013</p>	<p>Auditor Fees and Auditor Independence - Evidence from Going Concern Reporting Decisions in Germany</p>	<p>The research is on the relationship of auditor independence and existence of non-audit services in Germany. According to results on manufacturing companies, there is no significant relationship between German auditors' non-audit fees and their independence.</p>
<p>Ariel Markelevich, Rebecca L. Rosner / 2013</p>	<p>Auditor Fees and Fraud Firms</p>	<p>This research is about the auditor fees and fraud firms. Fraud firms are detected from SEC for having materially misstated/ fraudulent financial statements. The data have derived from the years between 2000 and 2005. The findings show that if a firm pays more money on non-audit services, it is likely to have materially/ fraudulent financial statements.</p>
<p>Karla M. Johnstone, Chan Li, and Shuqing Luo / 2014</p>	<p>Client-Auditor Supply Chain Relationships, Audit Quality, and Audit Pricing</p>	<p>This research is about the relationship between the decisions of auditors on supply chain, audit quality of companies and price of audit. The results indicate that when an auditor has knowledge on supply chain, there can be high audit quality and low audit fees.</p> <p>Such effects are stronger for supplier companies that derive a high proportion of revenue from their major customers, and when the revenue cycle for the supplier companies is more important.</p>

<p>Bin N. Srinidhi, Shaohua He, Michael Firth / 2014</p>	<p>The Effect of Governance on Specialist Auditor Choice and Audit Fees in U.S. Family Firms</p>	<p>Family firms are characterized by less separation between ownership and control (Type 1 agency problem), but greater conflict of interest between controlling insiders and non-controlling outside investors (Type 2 agency problem). Although strong board governance is known to decrease the Type 1 agency problem, its effectiveness in mitigating the adverse consequences of the Type 2 agency problem has not been well documented in the literature. We show that strongly governed family firms are more likely to choose specialist auditors and exhibit higher earnings quality than nonfamily firms. Weakly governed family firms demand lower audit effort and exhibit earnings quality that is no different from that of nonfamily firms. Within family firms, we show that strongly governed family firms choose higher quality audits in the form of a greater use of specialist auditors and higher audit efforts, and exhibit higher earnings quality than other family firms. These findings provide consistent evidence that strong board governance can effectively mitigate the adverse consequences of the Type 2 agency problem on financial reporting and transparency in family firms.</p>
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Steven F. Cahan and Jerry Sun / 2015	The Effect of Audit Experience on Audit Fees and Audit Quality	This study conducts an archival study to examine the effect of audit experience on audit fees and audit quality. Using unique data from China, where the signees of the audit report can be identified and linked with a government database containing personal information about certified public accountants, we find that experience is positively associated with audit fees and negatively associated with absolute discretionary accruals. The results suggest that the auditors' personal characteristics may serve as a signal of the level of care that will be exercised during the audit process.
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3.4 Rotation And Audit Quality

Rotation of the auditor or the audit firm is one of the most important elements, which affects the audit quality and has been discussed for about 30 years. Rotation improves the audit quality by helping to ensure and protect the independency and impartiality in audit activities. Rotation is obligatory in terms of auditors in some countries and audit firms in some other countries. For instance, rotation activity, which has been regulated in accordance with the law of Sarbanes-Oxley in USA in 2002, is based on the rotation of the auditor and the period is for 5 years. In the frame of SEC law for “the improvement of auditor’s independency”, which was accepted in 2003, 5 years have to pass in order for the audit firms, which should be rotated, to be reappointed for their current clients (Tanrıku, 2003). But the audit firms are exempt from this process, in case the number of their clients and audit partners are lower than 5 and 10, respectively (Güngör, 2003). According to the regulations applied by Capital Market Board, rotation is required based on the audit firms (exemption is applicable in some circumstances) within 7 years in Turkey. Initial implementations have been

processed in 2010 and about 150 companies have changed their audit firms (Yurdakul, 2010). And 2 years have to pass in order for the audit firm to be reappointed for the same client (Şehsuvaroğlu, 2002).

Table 13: Articles on Rotation and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
<p>Brian E. Daugherty, Denise Dickins, Richard C. Hatfield, and Julia L. Higgs /2012</p>	<p>An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality</p>	<p>This paper contains a study on perceptions of audit partners on mandatory partner rotation and cooling off periods. Interviews and surveys have been used for analyzing the research. According to findings mandatory rotation increases partners' workloads and the likelihood of relocation. Additionally, results suggest that in response to accelerated rotation (and an extended cooling-off period), partners would rather learn a new industry than relocate. Importantly, partners perceive audit quality suffers from retraining, but not from relocating. Thus these results suggest an indirect, negative impact, and unintended consequence, of accelerated rotation/extended cooling-off periods on audit quality.</p>

<p>Kabiru Isa Dandago, Nur Diyana Binti Zamro / Dec2012/Jan 2013</p>	<p>Effects Of Rotation On Auditor Independence And Quality Of Audit Service In Malaysian Banking Industry</p>	<p>The aim of the study is analyzing the auditor rotation in the Malaysian banking industry. The effects of auditor rotation on auditor independence and audit quality have been highlighted. The data from two banking institutions and one audit firm have been analyzed. The results demonstrate that there is not any significant change in the annual appointment of auditors in the Malaysian banking institutions over the last ten years.</p>
<p>Brian E. Daugherty, Denise Dickins, Richard C. Hatfield, and Julia L. Higgs /2013</p>	<p>Mandatory Audit Partner Rotation: Perceptions of Audit Quality Consequences</p>	<p>This paper summarizes the study, “An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality” (Daugherty et al. 2012). Audit partners perceptions on mandatory rotation and cooling off periods have been investigated. The study examines also how the more stringent partner rotation rules mandated by the Sarbanes-Oxley Act may negatively impact audit partners’ quality of life at the expense of audit quality. According to findings mandatory partner rotation increases partners’ workloads, as well as the likelihood of partner relocation. The audit partners who participated to the research are agreed on rather learn a new industry than relocate is a better option. Importantly, partners perceive that audit quality suffers from retraining, but not from relocating. Taken together, the study’s results suggest that the partner rotation</p>

		provisions create an unintended consequence—specifically an indirect, negative impact on audit quality.
Corinna Ewelt Knauer, Anna Gold & Christiane Pott / 2013	Mandatory Audit Firm Rotation: A Review of Stakeholder Perspectives and Prior Research	The paper contains the view of stakeholders on mandatory rotation. The results indicate that the impact of mandatory rotation of audit firm on audit quality and auditor independence is inconclusive. There are some opinions about the impact of rotation. One of them is that the rotation has a positive impact on auditors' independence, but most of the investigation fails to have this finding. Some researches even find out that rotation has a negative effect on auditors' independence. Because of inadequate evidence on the effect of mandatory audit firm rotation on audit quality, regulatory has to explain the long-term aim of the mandatory rotation requirement.
Barri Litt, Divesh S. Sharma, Thuy Simpson, and Paul N. Tanyi /2014	Audit Partner Rotation and Financial Reporting Quality	The effect of mandatory rotation on financial reporting quality has been examined. The evidences show that in U.S. lower financial reporting quality following an audit partner change. According to findings lower financial reporting quality during the first two years with a new audit partner relative to the final two years with the outgoing partner.
Ahmed Anis / 2014	Auditors' Perceptions of Audit Firm	The research is about auditors' perception on audit firm rotation in Egypt. At first, the study tries to find out benefits and determining factors

	Rotation Impact on Audit Quality in Egypt	of mandatory rotation. The results provide positive evidence for the effect of mandatory rotation on audit quality and on auditors' independence.
Eugen Nicolaescu / 2014	The Effects of Audit Firm Rotation on Earnings Quality	The paper is about the effects of audit firm rotation on earnings quality. Objects of the study are the cost of mandatory auditor rotation, earnings management and auditor rotation in the public sector, and effects of audit firm rotation on financial accounting and audit quality. According to the findings there is positive relationship of mandatory rotation and audit engagement hours and audit fees.
Yu-Shan Chang, Li-Lin (Sunny) Liu & Dana A. Forgione / 2014	The Effects of Mandatory Auditor Rotation on Audit Quality In Taiwan: A Hierarchical Linear Modeling Analysis	This research conducts a study to examine the effects of mandatory auditor rotation on audit quality with Hierarchical Linear Modeling (HLM) technique. The aim of the study is to understand whether there is a relationship between mandatory audit rotation and audit quality. The results show that prior to rotation audit partner tenure is not significantly associated with discretionary accruals. Comparing the results of HLM with Ordinary Least Squares (OLS) results it has been discovered that the relationship between audit firm tenure and audit quality is changed from significant negative to insignificant due to the rotation adoption. The results provide evidence for the mandatory rotation on audit quality.

3.5 Employee Turnover And Audit Quality

Table 14: Articles on Employee Turnover and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
Wuchun Chi, Linda Hughen, Chan-Jane Lin and Ling Lei Lisic / 2013	Determinants of Audit Staff Turnover: Evidence from Taiwan	Frequent changing in the position of professional staff can have a negative effect on audit quality. The turnover of entry-level auditors has been analyzed from the data of Big Four accounting firm in Taiwan. The results show that female auditors are more likely to depart the accounting firm. The results do not change after controlling for macroeconomic factors.

3.6 Auditor Tenure And Audit Quality

There are two opposing arguments about the impact of auditor tenure with the firm on audit quality, and its dimensions: auditor competence and auditor independence. The auditor independence can be damaged by the long-term relationship with the audit client management (Hoyle, 1978). Prolonged continuity of an audit firm with its audit client can lead audit work become excessive routine and careless attitude by auditors, which would negatively affect auditor competence (Arrunda & Paz Ares, 1997). (Pham, et.al., 2014, pp.78)

However, St. Pierre and Anderson (1984) and Stice (1991) indicated that lawsuits are less in long-term audit tenure than in short-term audit tenure. Myers,

Myers, and Omer (2003) argued that longer auditor tenure constrains managerial discretion with accounting accruals, which suggests high quality audit. (Pham, et.al., 2014, pp.78)

Table 15: Articles on Auditor Tenure and Audit Quality

Name of the Author(s) / Year of Publication	Name of the Article	Summary of the Article
Josep Garcia Blandon, Josep Maria Argiles Bosch / 2013	Audit Tenure and Audit Qualifications in a Low Litigation Risk Setting: An Analysis of the Spanish Market	Main threat to conserve auditor independence is viewed as the long time audit agreements. Therefore in many countries regulators establish mandatory rotation rule. According to results of this study, likelihood of audit qualifications decreases with audit tenure.
Chee-Yeow Lim, Hun-Tong Tan / 2010	Does Auditor Tenure Improve Audit Quality? Moderating Effects of Industry Specialization and Fee Dependence	This study is about the relationship between auditor tenure and audit quality. It investigates whether the relation is conditional on auditor specialization and fee dependence or not. The results show that companies audited by industry specialists have higher audit quality according to non-specialists. The findings set out that the relation is negatively moderated by auditors' fee dependence on clients.

3.7 Size of Audit Firms and Audit Quality

Prior studies (DeAngelo, 1981; Dopuch & Simunic, 1982; Deis & Giroux, 1992; Nichols & Smith, 1983; Wyer, White, & Janson, 1988) addressed mixed findings on the relationship between audit firm size, audit competence, and audit quality. These findings include actual quality difference, perceived quality difference, and no quality difference. DeAngelo (1981) theorized that large audit firms perform better audit because they have a greater reputation. Dopuch and Simunic (1982) indicated that audit quality is the function of the number and extent of audit procedures performed by auditors and audit firms that have more resources. It means audit quality pertains to large audit firms because they have more resources. Deis and Giroux (1992) found that larger audit firms had more efficient working papers than smaller audit firms did. (Pham, et.al., 2014, pp.76)

However, some studies have not supported the existence of audit quality difference by audit firm sizes. They contended that audit quality is not associated with audit firm size. Switch from a small audit firm to a Big Eight audit firm did not provide any stock return benefit to the audit client that switches auditor (Nichols & Smith, 1983). It is not likely that small audit firms would issue inappropriate audit opinion (Wyer, White, & Janson, 1988). (Pham, et.al., 2014, pp.76)

IAASB has pronounced a document on October 2012, titled as “Applying ISQC1 proportionately with the nature and size of a firm”. On this document, it has been mentioned that, generally, the organizational structure of a smaller firm will be simpler than that of a larger firm, for example:

- Smaller firms may use less structured means and simpler processes and procedures to achieve their objectives.
- Communications may be more informal in smaller firms.

Consequently, implementation of ISQC 1 in a smaller firm will likely be simpler than in a larger firm.

3.8 Being Knowledgeable and Audit Quality

From past to today, reputation has a great impact on influencing employee and customers. For that reason human resources management has an importance on success of audit firm. Another reason behind the success of audit firm is based on the satisfying of its professional staff (Belkaoui, 1989). Usually big audit firms have a good employee training programs, which can improve the knowledge of them (Wooten, 2003).

3.9 Having Experience and Audit Quality

Auditor's sectorial knowledge and experience is one of the most important factors of independent audit quality. According to the results of researches on this case, it is clear that auditor's sectorial knowledge and experience is directly related to independent audit quality (Kavut 2002). According to these researches (Titman and Trueman, 2002; Dunn and Mayhew, 2004; Lys and Watts, 1994; Krishnan, 2005; Krishnan, 2003), as auditor's specialty level on the sector of client's firm increases, possibility of determining and discovering specific problems in the client's industry also increases thus this reflects to the financial statements clearly. Therefore quality audit service comes along. (Reisch, 2000). There are also researches which prove not only auditor's sectorial knowledge and experience but also auditor's knowledge about the customer company (especially operational business of the company, risks that the company would face, effects of changes in risks which linked to the business) is important for audit quality (PWC, 2002). According to the research performed in between 1987-1997, fraudulent financial statements preparation by publicly held companies in the U.S has mostly been seen during rotation period of audit companies. According to another research performed by AICPA, 400 audit failures have been investigated and it has been noticed that this type of failures have occurred three times more during the first and second-time audit compared to the other periods.

It is important in audit to have knowledge on industry. It has a great impression on audit quality (Solomon, Shields, & Whitting, 1999; Hogan & Jeter, 1999). It is an advantage for an audit firm to have industry specialization (Okeefe, Simunic, & Stein,

1994; Craswell, Francis, & Taylor, 1995; Hogan & Jeter, 1999). Industry specialization is one of most important factors by contributing high audit quality (Carcello, Hermanson, & McGrath, 1992). There is an assumption that there is relationship between audit price and auditor industry specialization. Craswell, Francies, & Taylor (1995) found out that auditors, who have knowledge on industry earn 34% premium over non-specialist auditors. Same research has been made by Defond, Francis, and Wong in year 2000 and found out that auditors, who have knowledge on industry earn 29% premium over non-specialist auditors. These researches have proofed that industry expertise is associated with earnings of auditors (Pham, et.al., 2014, pp.76).

3.10 Other

Francis (2011) and Knechel et al. (2013) synthesized academic research related on the audit quality in order to develop a Framework of audit quality factors. Francis argued that audit quality is affected by six factors: audit inputs, audit process, accounting firms, audit industry and audit markets, institution and economic consequences of audit outcomes. Knechel et al. (2013) identify a balanced scorecard for audit quality with four categories: input, process, outcomes, and context.

3.10.1 Auditor competence

Auditor's professional competency is another element, which affects the audit quality. Professional competency comprises professional and technical knowledge, experience, ability to comply with new conditions and technologic specialty, which are earned through education and internship. All of the beneficiary parties have right to seek and expect the auditor, who is responsible to proceed and complete the audit work, with the proficiency and qualification in terms of audit profession. Audit firms and Auditors should have the conscious of providing quality audit service and the expectation of the clients in regard to fulfill this liability. On the other hand the auditors should follow the legislation related to audit profession, national and international developments and publications, course, seminar and conferences as a requirement of the professional competency. Researches done regarding this subject show that auditor's

professional competency is in direct proportion to audit quality (Kavut, 2002; Jaffar ve others, 2005; Catanach ve Walker, 1999). In order to provide quality audit service the auditor should be on a certain level of professional competency. Primary responsibility related to this subject is on auditor's shoulder, in person. Also audit firm, professional organizations and regulatory authority are indirectly responsible. Auditors with the professional competency is able to fulfill their liabilities related to audit works which get extended and complicated day by day as success and quality is not expected from the auditors without this proficiency.

Competency of auditors has rarely been studied. The reason behind that can be the mandatory audit is not very common in most countries. Since auditing is legally mandatory for a country, then it is common to have a competent auditor. A company, which has a critical management, tends to choose a competent auditor.

Capability of an auditor is a very important factor for all type of industries. It refers to skillsets, expertise, and ability through an adequate level of education. Competence is the essential aspect for developing and sustaining service and product quality. Through competence, auditor can find out material misstatements in financial statements uncomplicatedly. Auditor competence is a prior condition of auditor independence (Lee & Stone, 1995).

Auditors should have necessary professional skills and knowledge to perform any audit engagements. In compliance with International Federation of Accountants (IFAC), members of audit teams should be competent to perform audit assignments. The meaning of competency can be change depending on audit firms (Pham, et. Al, 2014, pp.76).

3.10.2 Professional Care and Accurateness of the Auditor

The auditor is to perform required professional care and accurateness during the audit activities. Professional care and accurateness state the effort and the attention that would be performed by the prudent auditor under similar conditions. Professional

care and accurateness are ensured by complying with Generally Accepted Auditing Standards unexceptionally (Aytekin, 2003). As is known, Generally Accepted Auditing Standards is the body of criteria related to ensure the quality of audit work. In the frame of that relation, the effects of professional care and accurateness on the audit quality are obviously seen. There is a strong connection in between the audit quality and professional care and accurateness (Kavut, 2001). Inevitable prerequisite of quality audit service is performing professional care and accurateness on the audit activities (Özel, 2000).

SECTION FOUR

A RESEARCH ON DIFFICULTIES ENCOUNTERED BY EXTERNAL AUDITORS IN COMPLIANCE WITH QUALITY CONTROL STANDARD

This chapter includes the study for the evaluation of possible difficulties that may arise from the implementation of ISAs.

4.1 Objective of the Study

The main objective of this study is to highlight potential difficulties that auditors in Turkey encountered in compliance with quality control standard. This research is a descriptive study aimed to obtain information about those difficulties.

The purpose of this descriptive research study was to determine potential difficulties that auditors can face in applying quality control standard. In this context, the following topics have tried to find answers to the challenges related to issues likely to be encountered:

- Auditor Independence
- Provision of Non-Audit Services
- Audit Fee
- Employee Turnover
- Auditor Tenure
- Size of Audit Firms
- Professional Judgment / Having Experience
- Being Knowledgeable
- Audit Effort

Due to the above mentioned purpose of the research is intended to provide a realistic and descriptive picture. The data collected for validity and reliability of research results; presented as much as possible detailed and surveyed the experts' views and experiences unchanged as possible and directly.

4.2 Importance of the Study

This study has been intended to show how an audit can intend in accordance with ISAs. It is expected the findings obtained in this study to provide guidance primarily to auditors and the relevant institutions and individuals.

4.3 Methodology

The method of the research is qualitative. In a nutshell, qualitative research is a type of scientific research, which consists of an investigation that seeks answer to a question, systematically uses a predefined set of procedures to answer the question, collects evidence, produces findings that were not determined in advance and produces findings that are applicable beyond the immediate boundaries of the study. Qualitative research is more flexible than other methods. This method allows greater spontaneity and adaptation of the interaction between the researcher and the study participant. The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research issue. It provides information about the “human” side of an issue – that is, the often-contradictory behaviors, beliefs, opinions, emotions, and relationships of individuals. When used along with quantitative methods, qualitative research can help us to interpret and better understand the complex reality of a given situation and the implications of quantitative data (Beattie and Fearnley 1998; Paulin et al. 2000).

In-depth interview is one of the most common qualitative methods. In depth interviews are optimal for collecting data on perspectives and experiences, when sensitive topics are being explored. The types of data that method generates are field notes, audio recordings and transcripts.

Qualitative approach has been chosen because of the lack of in-depth data obtained directly from audit clients. In-depth interviews, as opposed to mailed surveys, are preferable because mailings may be limited in their ability to solicit appropriate amounts of in-depth (i.e., rich) data (Beattie and Fearnley 1998; Paulin et al. 2000).

4.3.1 Pilot Study

The pilot study was conducted in the following manner. 5 auditors, who have experience at least 5 years in auditing, were requested to respond to open-ended questions. The respondents were asked about their perceptions of audit quality and if they had any difficulty in answering the questions. The suggestions to questionnaire have been evaluated and added to questions. The feedbacks also made clear that respondents understood the questions and they believe that questions are accurate to evaluate respondent's thoughts on audit quality and difficulties on encountered in compliance with quality control standard.

4.3.2 Sample and Data Collection

Determining the appropriate participants for the study was carried out by criterion sampling method.

According to the preferred qualitative research methods; identification of experts to be interviewed, communicating, taking appointments, carrying out an effective meeting, preparation of meeting materials and writing the audio records are time-consuming and costly. For that reason interviews have been made with 6 auditors, who are specialized in quality audit and working in Istanbul. The participants, who were purposefully chosen, fit the criterion of full time professional financial audit employees at audit firms in Turkey. Participants were interviewed in their offices by appointment only. The auditors have at least 20 years experience in auditing. In purposeful sample, the goal is to select the participants that are likely to provide a deeper understanding of the phenomena being studied. Data for this study were gathered from six different audit firms in Turkey.

Interviewees were selected based on purposive sampling and six audit partners were chosen representing auditing firms in Istanbul, which represents the main business center in Turkey.

Subsidiary companies of the 6 biggest groups in Turkey consists more than half of the Turkish Stock Exchange market value in which there are (in 2015) 569 companies listed to public. Big 4 audit firms have audited approximately 57 percent of these companies in 2015. In Turkey, there are 133 Audit firms, which have the qualification for independent audit but not all of them are active. Only 65 of them are working with listed companies. Due to the their technical as well as professional capabilities the big audit firms offer the highest attainable audit services. Choosing the Big Audit Firms does not only help to answer targeted research questions, but also increases the reliability and validity of this research.

Audit revenue of 6 audit companies, which have been interviewed, also covers 79.3% of total market revenue (see appendix 1).

The type of interview used for data collecting was semi-structured interview. Open-ended questions have been asked to the interviewees. These types of questions allow the interpreter to ask more questions during the questioning part. Also, the interviewer usually has some latitude to ask further questions in response to what are seen as significant replies (Hair, J. F., M. W. Celsi, A. H. Money, P. Samouel and M. J. Page., 2011).

In order to ensure all relevant information is captured during the interview, when participant allow, a tape recorder is used to record the conversation throughout the interview sessions or if there was not any allowance to record the conversation, notes were taken by the researcher during the interview.

A list sorted according to the date of the interviewed participants are presented below:

- **Berkman Özata**, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte)
- **Murat Alsan**, Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG)
- **Celal Pamukçu**, Kapital Karden Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. (a member firm of RSM)
- **Ayşen Topay**, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited)
- **Şükrü Şenalp**, Ulusal Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
- **Gökhan Yüksel**, Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of PricewaterhouseCoopers)

4.3.3 Constraints of Research

The primary purpose of the qualitative research is rather than measuring to determine the variables in the totality. Therefore detected difficulties are relative and these determinations reflect the views of participants only in terms of time and circumstances exploration is done.

In assessing the results of interviews, generalization of detections and suggestions have been avoid. It should be noted that in different time and circumstances, different premises could exist.

4.3.4 Interpretation of Research Data

The data obtained from the interviews reveal the views of practitioners and they revised to highlight the differences. The obtained results have been interpreted through the question forms, which have been prepared before. Descriptive analysis has been applied to the data collected for the study.

In this analysis, without including the researcher's interpretation, data obtained from interviews have been submitted in the words of the participants. In the analysis of data, this process has been followed:

- All discussions with the expression of the participants were decrypted.
- Each interview questions are written in the form of headings and each participant's responses to the questions were brought together under the corresponding headings.
- Data are grouped by theme revealed by the survey objectives, similar and repetitive responses to each question were eliminated. Thus, the different responses to the questions were obtained.
- Conclusions were reached from the responses into groups.

4.3.5 Evaluation of Research Findings

The purpose of this part is to set out the results of the interviews that were conducted with auditors to expose their views concerning the meaning of audit quality, frameworks of audit quality and difficulties encountered by in compliance with audit quality standard.

In this part, the findings of the interviews have been addressed. In the evaluation of research findings, dialogues remained dependent to the privacy rules. The participants' decipher of audio recording have not being shared.

12 detailed questions have been asked to the interviewers. The questions have been prepared according to the indicators of ISQC 1, which should be in the firm's quality control policies and procedures. The questions consist of independence of auditors, audit fee, mandatory rotation, employee turnover, size of audit firms, provision of non-audit services being knowledgeable, having experience and general view of auditors on audit quality.

The answers to the questions should be considered as a whole, because it is not possible to separate sub-headings, due to the complete determination from each other.

The following questions and answers from participants have been discussed in this research;

Table 16: Evaluation of Research Findings

OBJECTIVES	QUESTIONS
General View	Question 1: What do you expect from the ‘audit quality’? How can a qualified audit be done? Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included? What are the internal and external factors that affect the audit quality?
General View	Question 2: What are the benefits of compulsory independent audit for companies?
General View	Question 3: The most controversial periods that the value of audit spoken is the time that financial crisis exist. What is your opinion about the mission of audit on this point? Is it a legitimate expectation from audit to predict and prevent financial crisis?
Being Knowledgeable	Question 4: What do you think about reputation of auditing profession? Do your think that is it a global issue or not? What are the causes of loss of confidence in audit of financial reporting?
General View	Question 5: What do you think about the invention/installation of Turkish Public Oversight Board (KGK)? Do you think that audit quality has increased after the invention of KGK?

Rotation / Independence/ Auditor Tenure	Question 6: What is your opinion about mandatory rotation? Do you support long-term audit engagements? Does long-term audit engagement have effects on the audit quality? Is the mandatory rotation the right answer against the damage of independence?
Audit Fee	Question 7: What is the relationship between the quality and the fee in terms of audit? How could the audit quality be ensured in the environment in which the costs are increasing and the fees are decreasing?
General View	Question 8: How does your quality department work for audit projects?
Having Experience	Question 9: What kind of specialties should have the auditors? How skills of auditors change according to time?
Employee Turnover	Question 10: What do you think about turnover levels? Is there a relationship between audit quality and employee turnover?
Having Experience	Question 11: What is your strategy on educating your employee? Can you evaluate the professional training that auditors take? What do you think about the education auditors take? Do you think it has a sufficient content for keep themselves constantly updated and continue to have skills required by the necessities of the time?
General View	Question 12: What else can be done to improve audit and audit quality? Are there any policies or procedures that you considered necessary to include in your system of quality control, outside of those required by ISQC 1?

Question 1: What do you expect from the ‘audit quality’? How can a qualified audit be done? Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included? What are the internal and external factors that affect the audit quality?

There are too many factors affecting audit quality. Although there is no single definition for audit quality and its indicators, when this question is asked to the interviewees, they gave almost the same answers. As a summary, they believe a quality audit means consistently:

- complying with auditing standards;
- applying a deep and broad understanding of our clients’ businesses and financial environments in which they operate;
- using our expertise to raise and resolve issues early; and
- exercising professional skepticism in all aspects of our work.

According to interviews, all auditors argued that audit quality is their highest priority. Audit companies commonly inform that they communicate with their employees that audit quality is their most important responsibility and that everyone at the company is accountable for the quality of his or her work. They also add that quality is also a key element of how they evaluate and reward their leaders.

The global networks of big audit companies support the execution of high-quality audits and focus on continuous improvement around the world through their sustainable audit quality activities. Sustainable audit quality activities include a series of activities to reinforce their quality-driven culture and focus on the importance of accountability for audit quality. It includes elements such as leveraging technology to transform and innovate the audit, simplification, enablement, quality support and recruiting, training and rewarding their professionals for audit quality.

Most of the auditors believe that audit quality is in arranging the audit process. That means; if an auditor makes a good plan on the audit project, like arranging the time and responsible employees for each work, it is easy to rule on standards. In fact, the critical role assumed here is belong to audit partner. If he/she moves with the team, then the chance of making mistakes is decreasing. The number of auditors in a team and arranging enough time for audit is also very important for audit quality.

Big audit companies have chance that their global head offices decide for programming and for methods keeping the quality high. According to their statement, recently their global head offices are standing on the topic of audit quality.

Some audit firms are supportive for describing factors of audit quality as inputs, outputs, interactions and contextual factors.

As a cover of their view on audit quality covered aspects, the following areas can be considered:

- Tone at the top and internal communications
- Transparency report
- Independence and ethics
- Performance evaluation and other human resource matters
- Audit methodology, training and guidance
- Client risk assessment and acceptance / continuance
- Consultation and review
- Audit quality monitoring
- Other firm-wide matters

There are a number of drivers of audit quality, both internal and external to audit firms. Internal drivers have been well researched, documented and discussed, as have criteria for oversight structures, for example, the work of the PCAOB. Less consideration has been given to other external factors that might affect perceptions of audit quality. These factors are perhaps more difficult to analyze and find solutions for than the internal drivers of audit quality and are also likely to be far more sensitive.

At a national level, differences in business culture (including the legal and regulatory environment), the political landscape and economic environment in the countries in which auditors operate might impact on the perceptions of audit quality.

These also lead on to more specific issues that are relevant to audit such as governance arrangements, professional capacity, ownership patterns and the institutional history of the audit in countries.

As internal factors, the flow of audit services in the companies can be assumed. This includes a wide range of topics, from the customer acceptance to training workers.

As external factors, regulatory agencies, public and customers can be assumed. Main external factors that interviewee pointed out were;

- Being exposed to the pressure of lower pricing because of mandatory auditor rotation.
- Trying to manage all risks as maintaining the operations with current resources in the economy, which grows perpetually and develops in terms of audit contents.
- Managing the threats and opportunities due to the digital era and new technologies.
- Meeting the demands of the regulatory authorities, which load perpetually changing and increasing responsibilities.
- Meeting the customers' perpetually increasing value added expectations.

Some interviewers point out that they should more lean to external factors. The reason is internal factors are almost under their control, but they also have to manage external factors to have an advantage on audit quality.

<p>Literature Review</p>	<p>Most common definition of audit quality belongs to DeAngelo; “the market-assessed joint probabilities that an auditor will both detect a breach in the client’s accounting system, and report the breach”.</p> <p>Common indicators in literature review are:</p> <ul style="list-style-type: none"> • Hours of training received by the audit staff • Views on audit quality • Number of auditors per audit partner • Length of experience • The regulatory bodies examination • Workload of audit partner • Industry experience of auditors • Workload of audit staff • Investments to develop new audit methodologies and tools • Auditors turnover rate • Independence • Surveys on audit staff satisfaction • Technical resources support • The approach of the board of management
<p>Interviewers Opinion</p>	<p>They believe a quality audit means consistently:</p> <ul style="list-style-type: none"> • Complying with accounting and auditing standards; • Applying a deep and broad understanding of our clients’ businesses and financial environments in which they operate; • Using our expertise to raise and resolve issues early; and • Exercising professional skepticism in all aspects of our work.

Analyzes	<p>Although there are different definitions on audit quality, main similarities between those definitions show that indicators of audit quality should contain;</p> <ul style="list-style-type: none"> • Independence • Audit Fee • Rotation • Employee Turnover • Auditor Tenure • Size of Audit Firms • Provision of non-audit services • Being knowledgeable • Having experience • Audit Effort (Actual Hours Worked)
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Question 2: What are the benefits/disadvantages of compulsory independent audit for companies?

Independent audits are mandatory for certain categories of companies in Turkey, as of 1 January 2014.

Compulsory independent audit is an important issue, which contributes significantly to Turkey's integration process to European Union. In European Union and many countries in the world, this practice has known for many years. The limits for turnover, assets and employee numbers that Turkey uses for independent audit are much more higher than in some countries. The purpose of this application is to provide stability and transparency for the country's economy.

One of the interviewer said that their expectations from audit regulations in force are; all companies in Turkey should become auditable, financial statements of

them should be clear and prepared according to international standards and all companies should become transparent. The benefit of these are, Turkish companies can work more with other countries, can acquire new customers and suppliers, can have an increase in companies capital flows, more foreign partners can exist, more companies can go public and borrowing costs can fall. Because these are the main contributions of auditing.

It is a fact that every company needs to have a corporate structure. In order for the companies to grow, accurate and reliable financial statements are vital. Compulsory audit can make companies achieve these targets.

As a summary auditors believe that:

- Audit helps to protect each one of the partners' benefit, builds reliability and ensures to increase partners' profit.
- Audit is required for cash flow and loan management.
- Audit provides more transparent outlook to the investors, suppliers and financial institutions.
- Audit prevents the consideration in related to accounting and internal control system and unpredictable problems.
- There might be sibling rivalry or conflict of interest in family-owned businesses. Fraud and embezzling is prevented by being audited.
- Possibility of the tricks decreases. The company reached strong and controlled financial structure. Negligence, evil-minded behaviors and mistakes, deficiencies and frauds are prevented.
- Audited financial statements encourage the management and the employees to work prospectively in honesty. Audit helps responsible people to budget, estimate, analyze and decide better.

Literature Review	According to regulations and literature review, compulsory audit has benefits for companies. There are many benefits of compulsory audit, from helping management issues to prevent fraud.
Interviewers Opinion	<p>Auditors believe that:</p> <ul style="list-style-type: none"> • Audit helps to protect each one of the partners' benefit, builds reliability and ensures to increase partners' profit. • Audit is required for cash flow and loan management. • Audit provides more transparent outlook to the investors, suppliers and financial institutions. • Audit prevents the consideration in related to accounting and internal control system and unpredictable problems. • There might be sibling rivalry or conflict of interest in family-owned businesses. Fraud and embezzling is prevented by being audited. • Possibility of the tricks decreases. The company reached strong and controlled financial structure. Negligence, evil-minded behaviors and mistakes, deficiencies and frauds are prevented. • Audited financial statements encourage the management and the employees to work prospectively in honesty. Audit helps responsible people to budget, estimate, analyze and decide better.
Analyzes	Compulsory audit can be useful for companies to regulate their financial statements and be helpful to have a corporate structure.

Question 3: The most controversial periods that the value of audit spoken is the time that financial crisis exist. What is your opinion about the mission of audit on this point? Is it a legitimate expectation from audit to predict and prevent financial crisis?

Business related people (managers, partners, investors, foreign sources providers, employees, people, who have commercial relationship, various government agencies, consulting organizations, public) decide on businesses for different reasons. While making this decision, they expect from the company's managers reliable and adequate financial information, which causes reliable financial reporting.

Unreliable financial reporting and disclosures led to business failure since ancient times. However, in the recent past, cases related to major companies such as Enron, WorldCom, Global Crossing, Tyco and Vivendi and cases related to smaller companies in the various regions of the world led to more attention to focus on this area.

Loss of confidence became contagious and spread across capital markets. The problems experienced in the industry have affected other similar industries. As a result of increasing globalization of markets and companies, these concerns have overcome national borders.

Almost all of the failure of a company is formed as a result of the conjunction of financial reporting failures and the failure of management. Some many reasons can be count as failure of companies' management. One of the reasons behind bankruptcy of a company can be the benefit of managers. If managers have been asked to meet the market's profit expectations, they would meet expectations in order to protect their jobs. Another reason behind a financial crisis of a company can be poor internal control structure. Growth and stock price-oriented approach have led to ignore the most basic measures for internal discipline, including effective internal control.

Lots of reasons can be counted as a cause of financial crisis. However, predicting or preventing a financial crisis cannot be even mentioned on auditors' duty.

They do not have such a role. However this can be discussed: if an auditor can predict the financial crisis that the company, he audits may fall into? The auditor can have the adequate information enough for foreseeing the coming financial crisis. But at this point, the auditor does not have any duty on confirming the accuracy of the company's business model or confirming the quality of risk management of the company.

Literature Review	According to some researches, audit quality, in terms of discretionary accruals, was significantly higher for the time periods during the financial crisis (2008-2009) and during the post-crisis period (2010-2012) compared to the pre-crisis period (2005-2007). This finding confirms that audit quality would increase from the pre- crisis period to the crisis period. And also no conclusive evidence was found in the data that audit quality continued to improve after the end of the financial crisis.
Interviewers Opinion	Lots of reasons can be counted as a cause of financial crisis. However, predicting or preventing a financial crisis cannot be even mentioned on auditors' duty. Auditors do not have such a role.
Analyzes	Almost all of the failure of a company is formed as a result of the conjunction of financial reporting failures and the failure of management. Some many reasons can be count as failure of companies' management. One of the reasons behind bankruptcy of a company can be the benefit of managers. If managers have been asked to meet the market's profit expectations, they would meet expectations in order to protect their jobs. Another reason behind a financial crisis of a company can be poor internal control structure. Growth and stock price-oriented approach have led to ignore the most basic measures for internal discipline, including effective internal control.

Question 4: What do you think about reputation of auditing profession? Do you think that is it a global issue or not? What are the causes of loss of confidence in audit of financial reporting?

Audit firm reputation refers to the corporate image built over time by auditing firms. It may be as a result of the array of auditors the firm possesses, the brand name, the perceived audit quality resulting from little or no litigations, the fees charged etc. Some researchers have argued that reputation is founded upon the technical and functional quality of audit firms and this reputation will only come over time. According to Gregory and Jeanes (2007), for one to measure reputation itself, it has to be based on an assumption of quality, which is difficult to evaluate however, researchers can deduce it from the audit methods used by audit firms.

It is vital that the investors getting detailed information in regards to the performance of the companies in order for the capital markets to process well. This information is provided in the financial statements, which fulfill the certain conditions and were prepared according to the certain standards. Financial statements are useful as much as their persuasiveness. Auditors play important role in order to assure that the financial statements and accounting in practice are accurate and in compliance with generally accepted standards. It is expected that the auditors are independent and would determine and discover a material mistake in the financial statements. Perception of independent audit is also important for the auditors. Auditors can earn the reliability among the market participants by making required effort to prevent unfair behaviors and attitudes. One of the most important resources which can provide this reliability is auditor's reputation. This reputation is earned with reliable audit background and the auditors compete regarding their reputation.

The audit firm minimizes the risk of the possibility to be sued by giving good quality audit service. It has always been a potential threat that the third parties as investors, banks, public enterprises etc. suing the audit firm due to the audit failure.

In case of losing the lawsuit, the audit firm may be exposed to negative consequences such as falling in to disrepute, paying a lot of compensation, losing the clients and legal charges.

According to Murat Alsan, KPMG Partner, “It is a fact that there have been some cases, which brought audit proficiency in to discredit, since Enron. We think that these types of scandals should be considered as airplane crash. In my opinion, as the plane crash does not cause us to question the benefits of the aviation, accounting scandals should not set an example in terms of value of the audit proficiency. It should also be specified that there has been big process performed in order to increase audit quality since the audit scandals experienced in the beginning 2000s.”

Reputation is a subject that discussed all over the world. There are cultural differences. Some cultures are more open to understand the value of audit. But it is obvious that today we are using global auditing standards and are almost the same or very close to each other. Therefore, the discussion about the audit topics is same all over the world.

The most important factor that affects prestige and reputation of an audit firm is quality of services provided. However, different types of audit firms (global vs. local) pay more attention to some quality attributes of auditors (employees).

Some auditors think that adherence to the principles of independence and impartiality, collecting adequate and reliable evidence, choosing the customers and creating policies for promotion and increasing productivity are more important. Other auditors are agreed on those issues too but they also stated that the share of information between the audit team and the company play an important role on audit quality.

Auditors provide access to a broad set of information when they audit a company. However, because of the existing auditing and reporting standards, auditors cannot share all of them with financial statements readers. Auditors can push the value of audit services to a higher level, if the scope of knowledge that they transfer can get wider.

Literature Review	<p>According to some researchers auditor's loss of reputation can reduce the size of auditors' client portfolio. Some researchers think that audit quality is divided into auditor reputation and auditor monitoring strength. Auditor reputation refers to perceptions of audit quality and auditor monitoring strength refers to actual audit quality. Consistent with DeAngelo, both auditor monitoring strength and auditor reputation can be divided into dimensions of competence and independence. In other words, auditors' monitoring strength (reputation) is dependent on auditors' actual (perceived) competence and actual (perceived) independence. Monitoring strength and reputation are expected to be determinants of information credibility and information quality. Some researches also show that company reputation is positively associated with audit fees, consistent with higher reputation companies paying more for external audit services because of reputation concerns.</p>
Interviewers Opinion	<p>Some auditors think that adherence to the principles of independence and impartiality, collecting adequate and reliable evidence, choosing the customers and creating policies for promotion and increasing productivity are more important. Other auditors are agreed on those issues too but they also stated that the share of information between the audit team and the company play an important role on audit quality.</p>
Analyzes	<p>From past to today, reputation has a great impact on influencing employee and customers. The most important factor that affects prestige and reputation of an audit firm is quality of services provided. However, different types of audit firms (global vs. local) pay more attention to some quality attributes of auditors (employees).</p>

Question 5: What do you think about the invention/installation of Turkish Public Oversight Board (KGK)? Do you think that audit quality has increased after the invention of KGK?

The participants consider that with the installation and authorization of PIOB for financial reporting and for determination of Auditing Standards, multilateralism has been eliminated. However, all of the participants think that the process of adaptation to standards by professional users is not easy and the shape of professional judgment can be able to develop by trial and error method in years. However, it should be noted that every single company has its own easy and difficult unique auditing aspects.

Specialization on auditing area is important for auditors making decisions. KGK has filled an important gap. In terms of powers of regulatory bodies in the auditing area it ended multivocality.

Issues relating to the supervision of audit quality were arranged. Responsibilities were clarified on the publication of international standards.

After KGK is installed, as the first work, it began to licensed auditors and then audit firms. After all, KGK began to its essential task, oversight. In time, all these work will make an important contribution for audit quality.

Last year on 2014, Public Oversight Board had conducted its first audit to auditing firms. On that auditing, the board controlled mostly the quality control and assurance systems of audit companies. The board wanted to check if auditing companies are ready for ISQC 1 or not. They did not give any penalties to audit companies; they just want to correct the audit company's system and documentation.

Public Oversight Board has not visit all the audit companies yet. Some of the audit companies, that have been interviewed, have not been overviewed from Public Oversight Board. The board had some determinations about audit companies' reports, which have been prepared according to international standard on quality control 1. The

board has checked if the company's reports are prepared according to requirements of ISQC 1.

Literature Review	There is not any detailed research on public oversight board and its effects on audit quality.
Interviewers Opinion	The participants consider that with the installation and authorization of PIOB for financial reporting and for determination of Auditing Standards, multilateralism has been eliminated. However, all of the participants think that the process of adaptation to standards by professional users is not easy and the shape of professional judgment can be able to develop by trial and error method in years. However, it should be noted that every single company has its own easy and difficult unique auditing aspects.
Analyzes	Although adaptation to standards takes some time, the results can be useful for companies. The Public Oversight Board did not share their findings with the public. To talk about transparency, the board should share the results of its investigation on audit companies with the public.

Question 6: What is your opinion about mandatory rotation? Do you support long-term audit engagements? Does long-term audit engagement have effects on the audit quality? Is the mandatory rotation the right answer against the damage of independence?

Independence of the auditor is the most essential subject in order to assure the audit quality. Therefore the primary target of the rotation is to avoid impence in between the audit firm and the client, which may threaten the audit quality. A company being audited by the same audit firm for a long time is considered a harmful factor in

terms of independence. Therefore there are some regulations, which limit the audit period in various countries. In accordance to this context it is foreseen that the companies will change their auditors, generally by requesting to change the responsible auditor and/or key audit team member in the same audit firm. Some authorities have the opinion that changing the responsible auditor and/or audit team members may not prevent the threat of independency damage, oblige companies to change their audit firm.

Recently the rotation of the audit firm becomes the main topic due to the effects of global and local financial turmoil. When this type of financial turmoil occurs, audit quality is being questioned and new regulations' implementation in order to increase the quality is being discussed. Even though there is no direct relation in between the financial crises and audit and audit independency, mandatory audit firm rotation is considered as a protective activity in order to prevent financial crises by increasing the audit quality.

As evaluating the expected benefits of rotation, also the objections have to be considered. For instance knowing the company and its sector by the responsible auditor and the audit team is the significant element in terms of audit quality. The timing of gathering this knowledge by the new auditor is a difficulty to be well managed in regard to audit quality.

There are two types of approaches on audit rotation; responsible auditor rotation, which is also called internal rotation and audit firm rotation, which is called external rotation.

At responsible auditor rotation only auditor, who is in charge for that firm changes not the whole audit firm. So an auditor can sign the company's audit report only for a certain period of time. When the time is over, the responsibility is removed from all members of the audit team and transferred to the other auditors. For many years, this method is preferred throughout the world and could be described as traditional rotation method.

At the audit firm rotation approach, it is not considered sufficient to change only the audit team. After the expiration of the time limit, it is requested to audit the company by another audit firm. On the basis of changing all people and organization connected with the audit, the assumption of tighter audit with this method lies. This rotation method is known for many years, but the approach was not desirable because of the difficulties. But it gained importance with the new regulations of European union.

It is a controversial issue that, mandatory rotation is an effective solution against damage of independence. This view is gaining acceptance in some countries, but countries like USA and Canada are not accepting this view. Turkey and EU are some countries that use mandatory audit firm rotation.

However, there are some differences in practice in Turkey and the EU. For example, all EU public interest entities will be required to rotate their auditors every ten years. If member states choose to allow it, this period can be extended to 20 years if a competitive tender is performed at the 10-year point, or 24 years in the case of a joint audit appointment. This period is 7 years for Turkey.

The impact of the mandatory rotation should be evaluated with all aspects together on audit quality. For example, there is a phenomenon called the initial audit. The most difficult work of an audit is the first time auditing a company. 30% more time is spending on learning the process of the company. According to result of rotation, each year one group experiences the initial audit of a company. This activity affects negatively.

All the auditors, who had been interviewed, are agree on 7 years is not enough to get know and auditing a company. They believe that there are so many complex structures on companies and getting used to company's operation is not an easy process. It takes time to get use to company's organizational structure and even takes more time to audit the whole system.

The idea of either total fee obtained from audit contracts are in the area of one audit partner' responsibility or total turnover belongs to a single customer causes

different opinions among auditors about its impact on the quality of audit and auditor independence.

One of the interviewer pointed out that in their belief mandatory audit firm rotation would reduce, not improve audit quality. In his view, the cost of mandatory rotation would outweigh the perceived benefits of a required periodic “fresh look” at the financial statements by a new audit firm. There are some academic studies confirm that belief. Key among of these studies is the loss of the current auditor's cumulative knowledge of the company's business, processes, systems, people, and risks. Increased risk of higher fraudulent reporting in changeover periods was also a concern. The studies suggest these disadvantages will lead to lower audit quality.

<p>Literature Review</p>	<p>As a result of literature research, even though audit rotation has been discussed for years and there are many researches, which have investigated different ways of audit rotation in various countries, there has been no common opinion generated. According to the researches, there are results, which support the claim of the benefit of audit rotation as it is improving audit quality by strengthening audit independency, as well as other results, which support the claim of the damage of audit rotation as losing the fund of knowledge which negatively affects the audit quality and rotation increases the audit cost.</p>
<p>Interviewers Opinion</p>	<p>All the auditors, who had been interviewed, are agree on 7 years is not enough to get know and auditing a company. They believe that there are so many complex structures on companies and getting used to company’s operation is not an easy process. It takes time to get use to company’s organizational structure and even takes more time to audit the whole system. One of the interviewer pointed out that in their</p>

	<p>belief mandatory audit firm rotation would reduce, not improve audit quality. In his view, the cost of mandatory rotation would outweigh the perceived benefits of a required periodic “fresh look” at the financial statements by a new audit firm. There are some academic studies confirm that belief too.</p>
<p>Analyzes</p>	<p>The purpose of rotation practice is defined as to improve audit quality by strengthening auditor independency. As there are various researches about this topic, there is no common conclusion reached. For instance according to some researches, there are results in related to the improvement on audit quality, as some others reach no direct relation with audit quality or even negative affect on audit quality.</p>

Question 7: What is the relationship between the quality and the fee in terms of audit? How could the audit quality be ensured in the environment in which the costs are increasing and the fees are decreasing?

One of the basic assumptions of the regulatory authorities’ concern in regard to answer this question is “decreasing the fees will result in decreasing the audit quality”. In other words the auditors may tend to compensate the part of their loss in the contract, signed with the clients in lower fee, by making less effort during the audit work.

There are some contradictory findings obtained, in related to previous researches based on monitoring, in the literacy of the fee-quality relationship. The research of Krishnan and Zhang summarizes these findings in 2 titles (Krishnan & Zhang, 2014):

1. According to some of the previous researches, supporting the current concerns, there is a negative relationship between the limitation of the

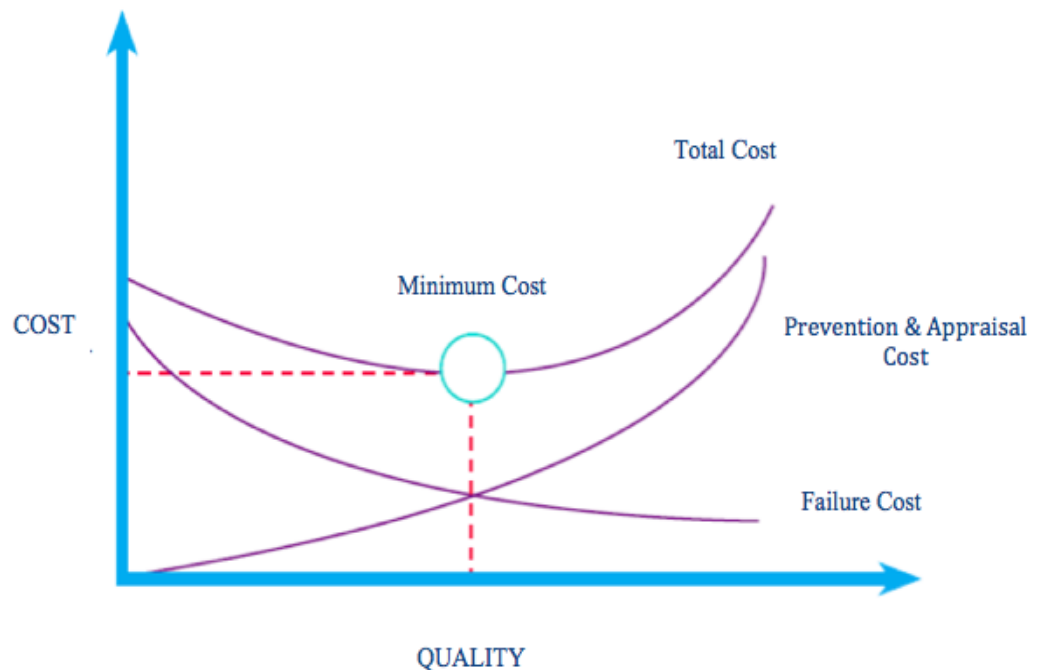
audit fees and the audit quality (audit quality decreases as the fee limitation increases)

2. Some others sentence that there is no relationship in between the fee limitation and audit quality.

The relationship between the cost and the quality is one of the subjects, which have been researched for many years. Conceptual general acceptance is that the quality increase brings the increase in cost. On the other hand it is conceptually accepted that there is a cost of not only the high quality but also the low quality. It is also alleged that the total cost, in the relationship of quality and cost, could be stated by the curve in the shape of U.

Accordingly, as preventive quality management techniques, which should be applied in case of the intention to exceed the certain level of the quality, begin increasing the total costs; the total cost also increases due to the mistakes occurred because of the low quality.

Figure 8: Relationship of Quality and Cost



Effects of the recent developments are not only limited to audit fees and costs, but also the timing pressure in regard to the reporting deadlines defined by the regulatory organizations create another constraint related to the management of audit projects. This timing pressure increases seasonality in audit firms therefore the parameters of cost, capacity management, overtime and leave of employees' increases indirectly.

It could be stated that there are 2 different-counter-views which are dominant in related to the relation between the audit fee increase and audit quality. One of these 2 views is as the audit fee increases; the effort of the auditors' increases and audit quality increases accordingly. The counter view is as the audit fee increases, economic dependency to the clients increases thus the ability of being interrogator decreases due the concern of losing profitable client. There are researches based on observation in audit literature which support both of these two views as also disprove another's' claim.

Literature Review	<p>The relationship between the cost and the quality is one of the subjects, which have been researched for many years. According to some of the previous researches, supporting the current concerns, there is a negative relationship between the limitation of the audit fees and the audit quality (audit quality decreases as the fee limitation increases). Some others sentence that there is no relationship in between the fee limitation and audit quality.</p>
Interviewers Opinion	<p>There are 2 different-counter-views which are dominant in related to the relation between the audit fee increase and audit quality. One of these 2 views is as the audit fee increases; the effort of the auditors' increases and audit quality increases accordingly. The counter view is as the audit fee increases, economic dependency to the clients increases thus the ability of being interrogator decreases due the concern of losing profitable client.</p>

Analyzes	When economic dependency to the client increases, it can be a problem about the independence of auditor. But this problem may only exist for small audit firms. On the other hand, there should be a base price for all audit services and this should be stated by law.
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Question 8: How does your quality department work for audit projects?

For providing the clients with independent, quality audit work, earning a reputation for independence, integrity, ethical behavior and objectivity, the large part of the duty belongs to system of quality controls.

The key components of audit companies' quality control system are;

- Code of Conduct, which defines the values and standards by which company does business;
- Documented risk management and quality control policies and procedures;
- Technical guidance and support on complex accounting and audit issues that cannot be resolved within the firm is available through resources which include access to the Department of Professional Practice within audit company international;
- The oversight of professional performance, including engagement quality control reviews;
- Independence policies supported by integrated, web-based systems that help professionals maintain and monitor their compliance with independence requirements;
- Developed methodologies, manuals and training courses to support the delivery of audit services;
- The appointment of the Head of Risk Management who is responsible for risk and regulatory matters and the appointment of a Risk

Management Working Group that monitors developments and provides guidance to all staff with regard to risk management, ethics and independence, and professional policies and procedures;

- The appointment of the Head of Ethics and Independence who is responsible for ethics and independence matters. The appointment of an Audit Manager to assist in the monitoring of policies and procedures concerning ethics and independence; and
- The appointment of a Compliance Manager, who reports to the firm's Head of Risk Management and who tests the firm's compliance with its stated policies and procedures on an ongoing basis.

In big audit companies, controlling the audit quality is not just a duty of quality department. Each partner actually undertakes the task of audit quality. According to information and experience on industry, quality department determines who to appoint.

Publicly listed companies have another type of audit quality process. Audit Quality Standards do not require controlling every single job. Some audit firms are selecting one or two files from each partner and people from abroad audit offices are coming and controlling every detail of those files. Afterwards, they give points to the partners (auditors). These applications are like giving feedbacks to auditors.

Second partner review is subjecting an engagement partner's work to review. Second partner review is made for promoting independence.

In big audit firms, their quality departments are arranging which auditors should control which audit job. Their auditors believe that it is enough to choose some audit projects and control them. In small audit companies it is more difficult to arrange this schedule. Only one or two of their projects can be overviewed by another auditor.

Deloitte's annual audit quality monitoring process is described within the firm as its "practice review". Guidance from DTTL (the global firm) states that a reasonable number of reviewers should be drawn from other Deloitte member firms in the annual

practice review, to ensure a suitable level of independence. The firm is planning to increase the number of reviewers from other Deloitte member firms in the future.

Literature Review	Audit Quality Standards do not require controlling every single job. In big audit companies, controlling the audit quality is not just a duty of quality department. Each partner actually undertakes the task of audit quality. According to information and experience on industry, quality department determines who to appoint.
Interviewers Opinion	In big audit firms, their quality departments are arranging which auditors should control which audit job. Their auditors believe that it is enough to choose some audit projects and control them. In small audit companies it is more difficult to arrange this schedule. Only one or two of their projects can be overviewed by another auditor.
Analyzes	Standards do not give any obligation to audit companies about the functioning of their quality department. Some small firms can need some guidance on how quality department should work. Public Oversight Board can prepare that kind of guidance for small sized audit companies.

Question 9: What kind of specialties should have the auditors? How skills of auditors change according to time?

Audit is a discipline that relies on competent individuals exercising such qualities as integrity, objectivity, skepticism, perseverance and robustness to enable them to make reliable judgments. For example, on issues relating to assessing the risk of

material misstatement due to fraud or error, the adequacy of audit evidence and the evaluation of accounting estimates and valuations required by accounting standards.

The skills of auditors lie at the heart of an audit firm's ability to undertake a high quality audit. These include technical skills, business knowledge and experience, combined with innate judgment skills.

The skills of an auditor develop over time and the most effective individuals are likely to be those with extensive professional experience.

In an audit team there is a huge need for people, who have skills on different fields like actuary, statistics, tax and law. In addition to all of them no matter what area of expertise they have, they suppose to have a well knowledge on information technology.

Before having a profession in audit, people should change their abilities, which will be expected of them. It would be an advantage to learn those skillsets in college or graduate schools for getting ready to run their new jobs.

Day by day technology is playing an important role in our life. Auditors need to have skillset for using technology in auditing. For example when analyzing larger amounts of data or when detecting expected and unexpected accounting transactions, auditors should know how to have benefit from technology.

Critical thinking and business acumen are skills that senior auditors should have. It is important for auditor's career to have those skills as early as it can be.

One of the interviewer put emphasis on one new coming skill that auditors should have. He points out that with the beginning of mandatory rotation task, auditors should learn how to sale/market too. He added that when they are hiring new employees, they also check if the applicant is sales-oriented or not. According to him, with mandatory rotation, competitions among audit companies become the main topic for auditors. Audit companies should express themselves on a best way and should move on making new contracts. The voices of audit companies are mostly auditors,

who have experience on the industry and audit. The interviewer thinks that on the day the auditor has to negotiate on new audit contract, he has to know how to market his auditing company.

Literature Review	<p>As summary of literature review, following are the essential qualities of an auditor:</p> <ul style="list-style-type: none">• Professionally Competent: It is a basic quality of an auditor. The auditor must have a complete and thorough knowledge of the accountancy.• Auditing: An auditor's knowledge of auditing must be up to date. He/she must know the techniques of auditing.• Knowledge Of Business Law: An auditor must possess a considerable knowledge of business law. He/she must be aware about his/her duties and rights given by law.• Knowledge Of Taxation Law: Various types taxes are imposed by the government on the business. For example in some countries Income tax, sales tax, gift tax is imposed. So if auditor has not a considerable knowledge about the taxation. He/she can not perform his services properly.• Computer Expert: The auditor must be able to operate the computer. Today the business organizations are using computers. If auditor does not know to use computer, he cannot work efficiently.• Knowledge Of management System: The auditor must have the knowledge of management information system. It helps him/her to understand the internal set
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up of the business concern and its operation.

- **Qualification:** For a professional auditor it is necessary that he should be chartered accountant. According to companies ordinance it is essential qualification for auditor.
- **Maintain Secrecy:** The auditors nature of work is confidential. He/she should maintain secrecy from others about the affairs of his/her client.
- **Critical Attitude:** It is also very essential quality of the auditor. He should examine the statements critically. He should ask the various questions from the client and try to find contradictions.
- **Bold And Courageous:** Auditor should be bold and courageous person. He should not be influenced by any authority. He should possess the courage to face the difference of opinion between him and client on any issue.
- **Courteous:** It is an important quality, which the auditor should possess. His attitude towards the staff of client should be very humble and polite. He should also stress on his own staff to be courteous with the client.
- **Independent:** The auditor should be impartial. He should not have such relations with the organization, which may affect his independence. He should give his opinion independently.
- **Common Sense:** The auditor must have the quality of common sense and judgment. He may be able to assess the value of depreciation and bad debts.

Interviewers Opinion	<p>One of the interviewer put emphasis on one new coming skill that auditors should have. He points out that with the beginning of mandatory rotation task, auditors should learn how to sale/market too. He added that when they are hiring new employees, they also check if the applicant is sales-oriented or not.</p>
Analyzes	<p>Strong technical and ethical characteristics are fundamental to audit success. Good auditors also possess the following additional characteristics:</p> <ul style="list-style-type: none"> • Vision and instinct • Able to see the big picture • Decision-making ability • Leadership • Superior communication skills.

Question 10: What do you think about turnover levels? Is there a relationship between audit quality and employee turnover?

High turnover at auditing firms has long been a critical issue facing the profession. Although, the reality of high turnover is known by market, audit companies try to deal with this problem and some of the interviewers pointed out that their turnover rates are at limit of their expectance. High turnover is a costly issue for audit firms. Hiring and training employee are costly processes. It is not possible to lower turnover rate to zero. But it is possible to make the rate of turnover decrease.

Auditing is the first profession for most of the people. Although at the beginning, they are very keen to start in the profession, at some time point they realize

that the job is not suitable for them or the job is not meeting their expectations. So they quit the job.

Big audit firms are working with employees of his own educate. When turnover is high, it becomes difficult to find someone, who works at senior level.

Due to the mandatory rotation in 2009, the hourly rates are decreased. This situation makes a little force in terms of sources.

In fact, audit firms seem to be a school, after bachelor degree. At the beginning when new bachelors get into the audit company, they do not care that much about the wages. Because they believe that they are going to learn much things about auditing. Employee's perception of career development is an underlying factor that influences job satisfaction. A career in audit offers challenging work and various opportunities to develop their skills and grow to their full potential.

But as time pass on and employees begin to work really hard, they begin to think that this job is not suitable for them. And for a next step, they begin to change their job. High turnover introduces challenges for public accounting firms because hiring and training new employees is costly.

Nowadays, there is a recent trend not only to hire graduates with accounting knowledge but also to hire more non-accounting majors. Employees are able to successfully develop different perspectives on the business unit through this approach, they provide added value to the corporate vision.

The shape of organizational chart of audit firms is pyramid. This model reflects a hierarchical model. Executives are at the top of the chart; middle management follows; and lower – ranking employees are at the bottom. Pyramid organizational structure shows to whom all employees report.

As a normal process of the pyramid structure, it gradually decreases. But decreasing should have a limit. When percentage of decrease is more or less than expected, it can be inconvenient.

Figure 9: Reflection of Auditor Turnover at Normal Situations



If the turnover at staff level becomes less than expected, then there will be problem of promoting employees. The number of senior auditors and managers are determined according to audit projects.

Frequent changing in the position of professional staff can have a negative effect on audit quality.

Figure 10: Reflection of Auditor Turnover at Unexpected Situations



First and second year associates are called as Staff Auditors. The duty of staff auditor is to make a detail work of a financial audit under the supervision of a senior. At their first year, auditors take a detailed training program about audit fundamentals and industry and technical knowledge

Third and fourth year auditors are named as Senior Accountant. They work under the general direction of an audit manager. Their responsibilities include the direction of audit fieldwork, assignment of detail work to Staff, and review of their working papers.

Managers, who have 5 to 7 years experience in auditing, supervise Seniors and Staff. They are responsible for audit program approval, personnel scheduling, audit working papers review, financial statement disclosure footnote approval, day-to-day client relationships, determination of billings for engagements, and training and evaluation of Staff and Seniors. They are expected to manage multiple audit client

engagements. Achievement of this level is critical to long-term success within an audit firm, since it is awarded only to those with Partner potential.

As 8 to 11 years of working Senior Manager is expected to manage multiple audit client engagements. Duties of senior manager is reviewing engagement files, providing advanced technical input, and providing on-the-job training. They are working close with managers and senior auditors to coordinate engagement management.

Only 2 percent of all people entering auditing firm can reach the level of Audit Partner. The time it takes to be a Partner is depending on auditors' performance. An audit partner can have an experience in audit between 10 to 13 years. A partner is responsible for quality, technical and client service leadership, as well as people and business management. The Partner normally purchases equity in the firm and therefore shares in all profits. Typically, a professional must be a CPA to become a Partner.

Senior Audit Partner performs all the duties of a Partner. The achievement of Senior Partner is obtained as a result of longevity with a firm and expert handling of instrumental accounts. The title of Senior Partner may also be attained through participation as a member of the Executive Committee, which is responsible for developing the firm's policies, planning activities, or providing day-to-day management and administration of one or more branch offices or regions.

Literature Review	Frequent changing in the position of professional staff can have a negative effect on audit quality. The turnover of entry-level auditors has been analyzed from the data of Big Four accounting firm. The results show that female auditors are more likely to depart the accounting firm. The results do not change after controlling for macroeconomic factors.
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<p>Interviewers Opinion</p>	<p>High turnover at auditing firms has long been a critical issue facing the profession. Although, the reality of high turnover is known by market, audit companies try to deal with this problem and some of the interviewers pointed out that their turnover rates are at limit of their expectance. High turnover is a costly issue for audit firms. Hiring and training employee are costly processes. It is not possible to lower turnover rate to zero. But it is possible to make the rate of turnover decrease.</p>
<p>Analyzes</p>	<p>Hiring and training new employees is a costly issue for audit companies. Although new graduates at first see working at audit firms as a opportunity, after they get in the work, because of long working hours and low fee, they begin to search another job. There is only one audit firm, which prevents their employees work after 10 pm. If this spread among audit firms, auditors can work more efficiently and higher audit quality can be possible.</p>

Question 11: What is your strategy on educating your employee? Can you evaluate the professional training that auditors take? What do you think about the education auditors take? Do you think it has a sufficient content for keep themselves constantly updated and continue to have skills required by the necessities of the time?

The profession endeavors to ensure that auditors have the necessary technical skills through admission exams and practical training. However, professional exams in our country are designed also for qualification as an ‘accountant’ and there is a perception that the exams may have become progressively less focused on audit.

Against this background, the training in auditing that is provided by the audit firms may be said to have acquired increased importance. Firms generally provide training in the technical aspects of audit and in the requirements of the audit methodology of the firm. They also provide essential practical experience by including trainees in audit teams undertaking audit work. And as auditors are increasingly expected to address broader issues in the public interest, the training provided by firms needs to extend beyond teaching staff how to apply the firms' methodologies related to accounting and auditing.

The training provided by the firms merges learning the technical aspects of auditing with gaining practical experience. In principle, this is undoubtedly the correct approach because classroom training is only part, and perhaps only a small part, of the process by which auditors develop skills and experience. Learning from experience is a key element.

Every year one of the audit companies provides approximately 150 of its employees a world-class education. The newcomers to the audit company have both theoretical and practical training. Auditors are gaining experience by working alongside one of his/her seniors.

In Turkey Union of Chambers of Certified Public Accountants Turkey (TURMOB) and Turkish Public Oversight Board (KGK) have training and licensing process. Auditors are having 3 years internship when they pass the entrance examination for internship. After the internship program, auditor should take and pass the competency exam to become a certified public accountant. These exams contain infrastructure courses like general accounting, tax and law. Afterwards, auditors can be an independent auditor, if they can pass the exam of KGK successfully.

This process is enough for entering to profession, but it has nothing to do with updating the knowledge of the auditors.

Auditors should obtain specialization-oriented trainings. That means, if an auditor will audit a bank, insurance company, technological company or any other special type of business, he should have specialization on that issue.

One of the interviewer pointed that there should be questions on IFRS at the competency exam of CPA's. The exam for being an independent auditor contains the topic of IFRS.

Audit proficiency gives new graduates, who are at the beginning of their career path, the opportunity of education which they may never come across in other business sectors and having wide business network which contains the executives of pioneer companies.

On the other hand, under favor of perpetual proficiency improvement in accordance with the developments in economy, auditors who begun taking more qualified responsibilities apart from routine audit subjects with the support of information technology, and the improvement in proficiency with the support of various certifications along the career path, audit proficiency provides a concrete career path which is full of big opportunities.

The quality of the service given by the audit firms is mainly related to the qualification of the auditors. Therefore, resource allocated to the training in the audit firms, which determine quality as their mission, has always been considered competitive reference by the pioneer companies in different sectors.

People who passed the structured hiring process successfully and become a candidate auditor

Intense on the job training program is performed in order to build the candidate auditors', who passed the structured hiring process successfully, proficiency qualifications on the firm base. On the job training gives candidate auditors the opportunity to practice and reinforce their abilities instantly.

Contrary to common sense the auditors perform audit in not only the financial reporting and accounting departments, but also supply chain which constitutes the base of the business, production planning, human resources, marketing and sales functions.

Auditing in such wide area, provides professional development to the people as giving them the opportunity to work with professionals who has different perspectives. If the audit firm you are working for gives the audit service to the big brands and well-known companies in the market, the development opportunities you may come across will be even more and wider.

Because offering unique development opportunities to the youth who are at the beginning of their career path, the audit sector is defined as “school” by many experts. All interviewees agree this point.

People can either graduate from that school and move to the different business lines or choose the long and quality career path as the assistant professor in the academic career. As the auditors gain seniority they can take responsibilities in different fields or share their experiences in the universities as a lecturer alongside their major responsibilities.

If the university graduates, who passed the early years of their business life in the audit firm, decide to continue in this school, their career plan is presented to them in the clearest way. It is on candidates' hand to climb up these career steps. As open position and budget approval type of procedures are expected in order to get the promotion in other sectors, in audit sector it is already determined at the beginning of audit career that in which position they will come and how long they will stay as long as they reach sufficient experience and proficiency success. Assistant level is given at the beginning, team management responsibility would be given in the second year and manager position may be reached in 5 years.

<p>Literature Review</p>	<p>In Turkey Union of Chambers of Certified Public Accountants Turkey (TURMOB) and Turkish Public Oversight Board (KGK) have training and licensing process. Auditors are having 3 years internship when they pass the entrance examination for internship. After the internship program, auditor should take and pass the competency exam to become a certified public accountant. These exams contain infrastructure courses like general accounting, tax and law. Afterwards, auditors can be an independent auditor, if they can pass the exam of KGK successfully.</p>
<p>Interviewers Opinion</p>	<p>Because offering unique development opportunities to the youth who are at the beginning of their career path, the audit sector is defined as “school” by many experts. All interviewees agree this point.</p>
<p>Analyzes</p>	<p>The profession endeavors to ensure that auditors have the necessary technical skills through admission exams and practical training. However, professional exams in our country are designed also for qualification as an ‘accountant’ and there is a perception that the exams may have become progressively less focused on audit.</p>

Question 12: What else can be done to improve audit and audit quality? Are there any policies or procedures that you considered necessary to include in your system of quality control, outside of those required by ISQC 1?

The infrastructure of the products containing the information requested by public should be established.

Another aspect of audit open for improvement is adaptation to changing technology. Technology is affecting every industry, and the auditing profession is no different. Improvements in technology and developing markets are driving dramatic changes in business, which means audit, too, must evolve. Also technology is changing very fast and shaping the world of work. Auditors also need to keep pace.

Audit practices conducted in the past were mainly using sampling models in the field applications. But today through information technology, there is no need to take a sample. The entire population can be analyzed within few minutes.

There are also some risks that were difficult to uncover previously, but it can be easily identified today. For example, with the help of information technology, according to the nature of company's business, expected and unexpected accounting transactions can be detected very quickly and so auditor can concentrate on their work properly. So auditor can schedule auditing based on data. This approach defines as data-driven risk assessment. This approach is results-oriented, provides efficient and effective audit service.

Simplifying audit through innovation is the motto of most audit firms. Innovation is imperative to managing the complexities of a business and being successful in any given environment.

Through continuous technology, project managements can be improved and transparency can be more effective.

Auditing firms are using technology on There are some software programs that are helpful for auditing.

For example PricewaterhouseCoopers is using three different technologies for efficient and qualified audit; Aura, Halo and Connect. Aura, global audit platform of PwC, is used by 87,000 auditors worldwide on every PwC audit. It helps to make sure that things are done the right way—consistently and efficiently, globally and locally. This program helps real-time monitoring of engagement progress. Halo is leading-edge

technology designed to provide deeper insights from data in real time and Connect is a collaborative workflow tool allowing fast, secure information sharing.

Image 1: Mobil Technology on Auditing

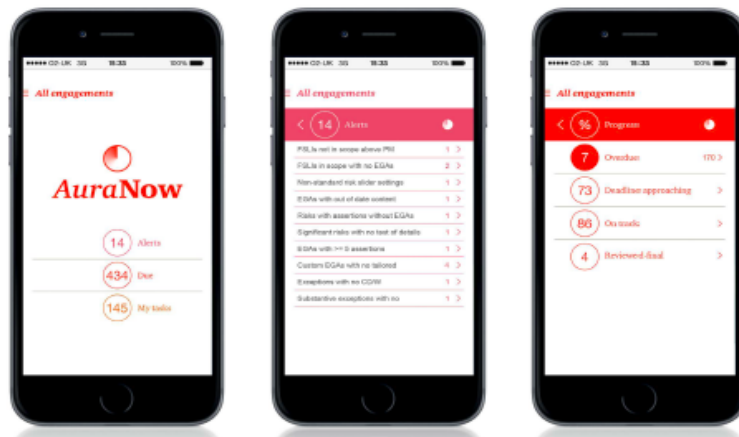
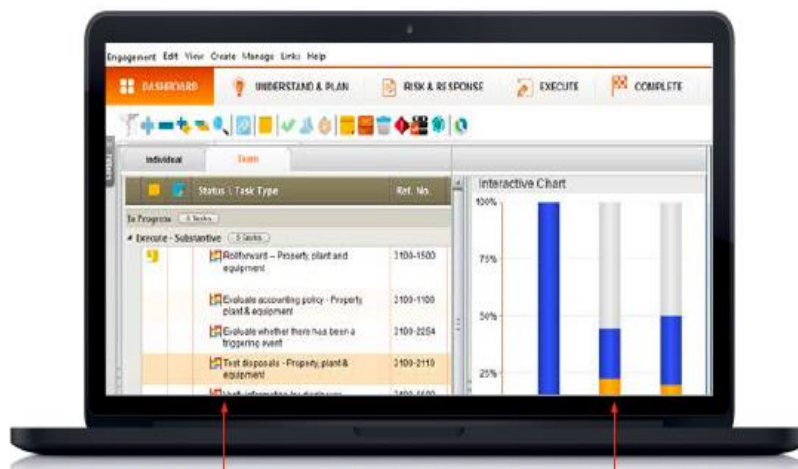


Image 2: Technology on Auditing



The effect of information technology on audit is not limited to these. In the near future, associated with the integration of information technology with auditing, the number of auditors will decrease and more people, who are dominated with technology knowledge, will join the auditing team. Auditing services will be done by a few people, who have professional discernment skills.

Literature Review

The following contextual factors and developments are particularly relevant to researches efforts:

- **Business practices and commercial law:** Law or regulation may create tax or other incentives based on domicile. These may influence how entities are structured.
- **Laws or regulations relating to financial reporting and the applicable financial reporting framework –** Financial reporting frameworks increasingly require significant management judgment and use of forward-looking information as the basis for recognition or measurement, and expect this information to be disclosed in the financial statements.
- **Information technology –** Technological change is occurring at a rapid pace, ushering in the capability to capture and communicate data digitally, on an unprecedented scale and on almost instantaneous timescales. This has resulted in increasing focus on “big data,” whether structured or unstructured. Comprehensive and powerful digital information systems are increasingly capable of handling, analyzing, communicating and responding to these data related changes. Businesses are rapidly changing their business models in innovative ways in response to these developments. These changes are feeding into the information systems for financial and broader corporate reporting, and therefore have implications for audits. Audits are also increasingly being conducted using advanced technologies, including the evolving use of

	<p>audit data analytics.</p> <ul style="list-style-type: none"> • Corporate governance – Audit committees are important in enhancing audit quality. Reflecting this, audit committees are being called on to play a more active role on behalf of investors and other external stakeholders; not only in overseeing the financial reporting process, but also their oversight of, and interactions with, auditors. In particular, external stakeholders expect audit committees to challenge auditors’ judgments.
<p>Interviewers Opinion</p>	<p>Technology is affecting every industry, and the auditing profession is no different. Improvements in technology and developing markets are driving dramatic changes in business, which means audit, too, must evolve. Also technology is changing very fast and shaping the world of work. Auditors also need to keep pace. Simplifying audit through innovation is the motto of most audit firms. Innovation is imperative to managing the complexities of a business and being successful in any given environment. Through continuous technology, project managements can be improved and transparency can be more effective.</p>
<p>Analyzes</p>	<p>For enhancing audit quality these issues can be useful:</p> <ul style="list-style-type: none"> • A robust framework for auditor independence: Strong, independent audit committees. • Additional reporting to audit committees and shareholders: Improved reporting by auditors to audit committees should include items such as: the

auditor's key risk assessments, areas of focus for the audit and approach thereto, views on management's key judgments and estimates, assessment of the quality of financial reporting by the entity and the auditor's assessment of the entity as a going concern. This will help to improve the awareness of audit committee members by focusing on key audit issues and avoiding unnecessary detail.

- **Partner rotation:** Familiarity threats as exist are between individuals rather than institutions. Rather than audit firm rotation, partner rotation can be done.
- **Information technology:** Technological change is occurring at a rapid pace, ushering in the capability to capture and communicate data digitally, on an unprecedented scale and on almost instantaneous timescales. This has resulted in increasing focus on "big data," whether structured or unstructured. Comprehensive and powerful digital information systems are increasingly capable of handling, analyzing, communicating and responding to these data related changes.

CONCLUSION

The companies have been in the development process along with the increasing competition environment. Associated with this development process there has been some changes occurred in the companies' accounting structure as well as in the audit structure which ensures accounting structure proceed accurately, and new regulations have been implemented. Due to the intensive technologic improvements and living in the information age, the enterprises should focus more on the definition of the quality in order to compete and survive. Each company, no matter a type of its business, is to build the quality in its structure in order to comply with changing conditions of the world. It is not possible to exclude audit firms out of these developments.

Within the years audit has proved its worth over the investors and companies as a service. Consecutive accounting scandals in the 2000s, it led to be the questioning of the audit value in changing business world. Associated with this change, studies on the measurement of audit quality had begun to initiate. Accounting scandals, which have been experienced all around the world in the recent years and once these scandals were investigated the reason behind has been determined that there have been mistakes and frauds during the audit process, have increased the need of audit related regulations. Therefore the necessity of public oversight on audit system has risen. So that public oversight boards have been founded in various countries and in some countries public oversight responsibilities have been given to the current institutions without board foundation. In Turkey, rather than giving this responsibility to the current institutions it has been preferred to establish public oversight board.

Audit work to be performing under the International Standards on Auditing is a process. This process eventually can achieve the success that can be presented in an audit report reflects the realities. At first it is needed to establish a solid infrastructure in the audit company, the responsibility and the aim of people, who take part in the audit team, the importance of ethics and the importance of quality should be adopted well. At each stage of audit process, which begins with customer acceptance it is possible to have benefit from the guidance of the ISAs. ISAs support its rules with examples and

practice guidelines and those contribute a quality in audit and constitute a common understanding.

Independent audit, audit quality and quality standards have primarily been included in this research. Explanations of related standards followed by mentioning the audit quality related national and international institutions and the criteria determined in order to evaluate audit quality. In the final section the difficulties, which were encountered during the auditors' compliance to the quality control standards, have been investigated by using qualitative research method.

Even though there are various researches how to perform a quality audit in general, there is no research held in neither Turkey nor abroad regarding the difficulties encountered during the compliance of the quality control standards. Therefore the importance of this topic rises.

It is aimed in this research that to determine significant factors and issues in related to the audit quality by identifying how the audit quality is perceived by the beneficiaries.

Audit firms should;

- Perform the audit in accordance with the occupational standards, laws, legislations and regulations,
- Establish an efficient and sustainable quality control system,
- Appoint quality control auditor/s who reviews the audit quality control. And this auditor/s should evaluate the audit results objectively during the preparation of audit report,

in order to provide quality audit service.

As a result of quality audit activity;

- A company, which is audited, will be more careful during the preparation of financial statements.

- Investors and other beneficiaries, who act according to the audit report, will reach accurate information.
- Consequently audit firm, audited company and other related individuals will be profitable.

The standards, which have been constituted in order to ensure the quality control in audit, have focused on

- The full audit procedures process efficiently,
- Ensuring to minimize the information risk by fulfilling the assurance of the financial statements' accuracy and reliability.

In case of the practices ensured by transforming these standards in to legislative regulations, which is mandatory for audit firms by the national authorities and members of the profession, reasonable service quality will also be ensured. Independent audit's public service feature, which may influence whole society, will realize once establishing a reasonable quality control system in order to fulfill the responsibilities imputed by the market. Either national or international authorities assist audit firms in related to the establishment of quality control system by constituting standards and rules. There are standards in relation to ensure quality control, among the standards constituted. As primary responsibility in regards to ensure the establishment and sustainability of quality control system, belongs to the audit firms, which perform independent audit procedures, professional organizations also carry big responsibilities in regards to improve the profession and protect its members' interests due to the feature of public service as well as public oversight board. As regulatory authorities and professional organizations fulfill their responsibilities by constituting quality standard and regulation and ensuring the compliance to these regulations, audit firms fulfill their responsibilities by developing policies and procedures in order to comply with the regulations and enhance the operation efficiency.

In this research, 12 detailed questions have been asked to the interviewers. The questions have been prepared according to the indicators of ISQC 1, which should be in

the firm's quality control policies and procedures. The questions consist of independence of auditors, audit fee, mandatory rotation, employee turnover, size of audit firms, provision of non-audit services, being knowledgeable, having experience and general view of auditors on audit quality.

The findings of the research are:

- Especially small-scale audit firms, because each form they filled in or procedure they followed were performed by the idea of “by the book” even though there was no infrastructure built in advance, have expected the training session would be given by public oversight board right after this standard was constituted.
- According to A1 of the ISQC 1 does not call for compliance with requirements that are not relevant, for example, in the circumstances of a sole practitioner with no staff. Requirements in this ISQC such as those for policies and procedures for the assignment of appropriate personnel to the engagement team, for review responsibilities and for the annual communication of the results of monitoring to engagement partners within the firm are not relevant in the absence of staff. These procedures are also hard to follow for small audit firms, which have up to 3 experienced auditors.
- Although there are different definitions on audit quality, main similarities between those definitions show that indicators of audit quality should contain;
 - Independence
 - Audit Fee
 - Rotation
 - Employee Turnover
 - Auditor Tenure
 - Size of Audit Firms
 - Provision of non-audit services
 - Being knowledgeable

- Having experience
 - Audit Effort (Actual Hours Worked)
- Compulsory audit can be useful for companies to regulate their financial statements and be helpful to have a corporate structure. It is a fact that every company needs to have a corporate structure. In order for the companies to grow, accurate and reliable financial statements are vital. Compulsory audit can make companies achieve these targets. As a summary auditors believe that:
 - Audit helps to protect each one of the partners' benefit, builds reliability and ensures to increase partners' profit.
 - Audit is required for cash flow and loan management.
 - Audit provides more transparent outlook to the investors, suppliers and financial institutions.
 - Audit prevents the consideration in related to accounting and internal control system and unpredictable problems.
 - There might be sibling rivalry or conflict of interest in family-owned businesses. Fraud and embezzling is prevented by being audited.
 - Possibility of the tricks decreases. The company reached strong and controlled financial structure. Negligence, evil-minded behaviors and mistakes, deficiencies and frauds are prevented.
 - Audited financial statements encourage the management and the employees to work prospectively in honesty. Audit helps responsible people to budget, estimate, analyze and decide better.
- Almost all of the failure of a company is formed as a result of the conjunction of financial reporting failures and the failure of management. Some many reasons can be count as failure of companies' management. One of the reasons behind bankruptcy of a company can be the benefit of managers. If managers have been asked to meet the

market's profit expectations, they would meet expectations in order to protect their jobs. Another reason behind a financial crisis of a company can be poor internal control structure. Growth and stock price-oriented approach have led to ignore the most basic measures for internal discipline, including effective internal control.

- From past to today, reputation has a great impact on influencing employee and customers. The most important factor that affects prestige and reputation of an audit firm is quality of services provided. However, different types of audit firms (global vs. local) pay more attention to some quality attributes of auditors (employees). Relying on the auditor and the audit work is one of the most important elements of audit proficiency. Trusting the audit work depends on the auditor acting according to specific standards during the audit work. Acceptability of an audit work is measured by the level of compliance to these standards. If the audit work has been completed in line with the standards, the audit report including the opinion of the auditor earns the status of reliable document and the expectation from the audit is achieved. In case of the audit work qualifications do not comply with these standards, it is agreed that the audit work is not adequate and reliable.
- With the installation and authorization of PIOB for financial reporting and for determination of Auditing Standards, multilateralism has been eliminated. However, all of the participants think that the process of adaptation to standards by professional users is not easy and the shape of professional judgment can be able to develop by trial and error method in years. However, it should be noted that every single company has its own easy and difficult unique auditing aspects. Although adaptation to standards takes some time, the results can be useful for companies. The Public Oversight Board did not share their findings with the public. To talk about transparency, the board should share the results of its investigation on audit companies with the public.

- All the auditors, who had been interviewed, are agree on 7 years is not enough to get know and auditing a company. They believe that there are so many complex structures on companies and getting used to company's operation is not an easy process. It takes time to get use to company's organizational structure and even takes more time to audit the whole system. The purpose of rotation practice is defined as to improve audit quality by strengthening auditor independency. As there are various researches about this topic, there is no common conclusion reached. For instance according to some researches, there are results in related to the improvement on audit quality, as some others reach no direct relation with audit quality or even negative affect on audit quality.
- When economic dependency to the client increases, it can be a problem about the independence of auditor. But this problem may only exist for small audit firms. On the other hand, there should be a base price for all audit services and this should be stated by law.

For the next researches on audit quality, it should be considered that the most critical element of audit quality is "human". Also the measurements should absolutely be taken in consideration of audit team. Auditors' professional attitudes and behaviors, which are the main factors that determine the audit quality, should be the focus of these measurements.

Appendix I - Audit Revenue of Audit Companies in 2015

No	Name of Audit Company	Audit Revenue (TL)	Market Share
1	DRT Bağımsız Denetim ve SMMM A.Ş.	84,196,000	24.3%
2	Başaran Nas Bağımsız Denetim ve SMMM A.Ş.	71,796,546	20.7%
3	Akis Bağımsız Denetim ve SMMM A.Ş.	60,535,693	17.4%
4	Güney Bağımsız Denetim ve SMMM A.Ş.	56,800,000	16.4%
5	Eren Bağımsız Denetim ve YMM A.Ş.	9,813,442	2.8%
6	Ata Uluslararası Bağımsız Denetim ve SMMM A.Ş.	8,246,498	2.4%
7	Gürel YMM ve Bağımsız Denetim Hizmetleri A.Ş.	8,008,417	2.3%
8	Denge Bağımsız Denetim SMMM A.Ş.	6,449,418	1.9%
9	Engin Bağımsız Denetim ve SMMM A.Ş.	5,336,505	1.5%
10	BDO Denet Bağımsız Denetim YMM A.Ş.	3,946,729	1.1%
11	Arkan Ergin Uluslararası Bağımsız Denetim ve	2,916,256	0.8%
12	İrfan Bağımsız Denetim ve YMM A.Ş.	1,946,290	0.6%
13	Ser-Berker Bağımsız Denetim ve YMM A.Ş.	1,392,731	0.4%
14	RSM Turkey Bağımsız Denetim ve YMM A.Ş.	1,353,906	0.4%
15	As Bağımsız Denetim ve YMM A.Ş.	1,326,373	0.4%
16	AC İstanbul Uluslararası Bağımsız Denetim ve	1,268,076	0.4%
17	MGI Bağımsız Denetim A.Ş.	1,179,171	0.3%
18	HSY Danışmanlık ve Bağımsız Denetim A.Ş.	1,049,288	0.3%
19	Kavram Bağımsız Denetim ve YMM A.Ş.	1,028,813	0.3%
20	Referans Bağımsız Denetim ve Danışmanlık A.Ş.	979,505	0.3%
21	Yeditepe Bağımsız Denetim A.Ş.	919,135	0.3%
22	Birleşim Bağımsız Denetim ve YMM A.Ş.	881,662	0.3%

23	Değer Bağımsız Denetim ve YMM A.Ş.	796,422	0.2%
24	Arılar Bağımsız Denetim ve YMM A.Ş.	754,561	0.2%
25	Işık YMM ve Bağımsız Denetim A.Ş.	744,329	0.2%
26	Akademik Bağımsız Denetim Danışmanlık ve YMM	734,993	0.2%
27	HLB Saygın Bağımsız Denetim A.Ş.	724,078	0.2%
28	Consulta Bağımsız Denetim ve YMM A.Ş.	710,513	0.2%
29	Rehber Bağımsız Denetim ve YMM A.Ş.	693,624	0.2%
30	Artı Değer Uluslararası Bağımsız Denetim ve YMM	677,695	0.2%
31	Karar Bağımsız Denetim Danışmanlık SMMM A.Ş.	672,620	0.2%
32	Elit Bağımsız Denetim ve YMM A.Ş.	668,409	0.2%
33	Pür Bağımsız Denetim YMM A.Ş.	599,298	0.2%
34	SUN Bağımsız Denetim ve YMM A.Ş.	582,861	0.2%
35	Aktan Bağımsız Denetim ve YMM A.Ş.	524,403	0.2%
36	Yöntem YMM ve Bağımsız Denetim A.Ş.	504,667	0.1%
37	Anıl YMM ve Bağımsız Denetim A.Ş.	460,267	0.1%
38	Ulusal Bağımsız Denetim ve YMM A.Ş.	455,282	0.1%
39	Meridyen Kurumsal Çözüm ve Bağımsız Denetim	374,000	0.1%
40	IHY Bağımsız Denetim ve YMM A.Ş.	351,309	0.1%
41	Güncel Bağımsız Denetim Danışmanlık ve YMM A.Ş.	342,771	0.1%
42	Alternatif Bağımsız Denetim ve YMM A.Ş.	315,835	0.1%
43	DMR Bağımsız Denetim ve Danışmanlık A.Ş.	309,800	0.1%
44	A-1 YMM ve Bağımsız Denetim A.Ş.	308,928	0.1%
45	Ban-Den Bağımsız Denetim Hizmetleri A.Ş.	269,900	0.1%
46	Köker YMM ve Bağımsız Denetim A.Ş.	252,750	0.1%
47	MBK Bağımsız Denetim ve SMMM A.Ş.	240,050	0.1%

48	Denge Ankara Bağımsız Denetim YMM A.Ş.	235,168	0.1%
49	BM Bağımsız Denetim A.Ş.	227,578	0.1%
50	ADM Bağımsız Denetim A.Ş.	213,043	0.1%
51	Adalya Uluslar Arası Bağımsız Denetim ve SMMM	203,500	0.1%
52	Önder Bağımsız Denetim ve Danışmanlık A.Ş.	200,535	0.1%
53	Güçbir Bağımsız Denetim A.Ş.	188,500	0.1%
54	Legal Bağımsız Denetim YMM A.Ş.	166,701	0.0%
55	Report Bağımsız Denetim ve SMMM A.Ş.	155,700	0.0%
56	Birleşik Ekol Bağımsız Denetim A.Ş.	142,700	0.0%
57	YKY Bağımsız Denetim ve YMM A.Ş.	136,000	0.0%
58	Mega Global Uluslar Arası Bağımsız Denetim A.Ş.	129,862	0.0%
59	BD Bağımsız Denetim ve YMM A.Ş.	128,901	0.0%
60	Yorum YMM ve Bağımsız Denetim A.Ş.	126,500	0.0%
61	Mod Bağımsız Denetim SMMM A.Ş.	112,384	0.0%
62	CPA Bağımsız Denetim ve Danışmanlık A.Ş.	104,833	0.0%
63	Karma Bağımsız Denetim A.Ş.	62,927	0.0%
64	Türkerler Bağımsız Denetim YMM A.Ş.	33,500	0.0%
65	Uluslararası Bağımsız Denetim ve SMMM A.Ş.	20,250	0.0%
66	Çözüm Ünlüer Bağımsız Denetim ve YMM A.Ş.	0	0.0%
67	Med YMM ve Bağımsız Denetim A.Ş.	0	0.0%
68	Uzman YMM ve Bağımsız Denetim A.Ş.	0	0.0%
69	AAC Bağımsız Denetim Danışmanlık ve YMM A.Ş.	0	0.0%
70	Aday Bağımsız Denetim ve SMMM A.Ş.	0	0.0%
71	AG YMM ve Bağımsız Denetim A.Ş.	0	0.0%
72	Aksis Uluslararası Bağımsız Denetim A.Ş.	0	0.0%

73	Analitik Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
74	Bakış YMM ve Bağımsız Denetim A.Ş.	0	0.0%
75	BDD Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
76	Birleşik Uzmanlar YMM ve Bağımsız Denetim A.Ş.	0	0.0%
77	Cpaturk Bağımsız Denetim ve YMM A.Ş.	0	0.0%
78	Crowe Horwath Olgu Bağımsız Denetim ve YMM	0	0.0%
79	Detay Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
80	DRT YMM ve Bağımsız Denetim A.Ş.	0	0.0%
81	Dtdenetimturkey Bağımsız Denetim ve YMM A.Ş.	0	0.0%
82	Finansal Eksen Bağımsız Denetim ve Danışmanlık	0	0.0%
83	Hilal YMM ve Bağımsız Denetim A.Ş.	0	0.0%
84	İntegral Bağımsız Denetim A.Ş.	0	0.0%
85	Lidya Bağımsız Denetim ve SMMM A.Ş.	0	0.0%
86	Mercek Bağımsız Denetim ve YMM A.Ş.	0	0.0%
87	Odita Bağımsız Denetim A.Ş.	0	0.0%
88	Rasyonel Bağımsız Denetim ve YMM A.Ş.	0	0.0%
89	Revizyon Bağımsız Denetim A.Ş.	0	0.0%
90	SAM-DEN Samson Bağımsız Denetim A.Ş.	0	0.0%
91	ABD Ada Bağımsız Denetim A.Ş.	0	0.0%
92	ACC Bağımsız Denetim A.Ş.	0	0.0%
93	Ak Bağımsız Denetim ve SMMM A.Ş.	0	0.0%
94	AKT Bağımsız Denetim A.Ş.	0	0.0%
95	And YMM ve Bağımsız Denetim A.Ş.	0	0.0%
96	Aren Bağımsız Denetim ve SMMM A.Ş.	0	0.0%
97	Avrasya Bağımsız Denetim ve YMM A.Ş.	0	0.0%

98	AYK Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
99	Batı YMM ve Bağımsız Denetim A.Ş.	0	0.0%
100	Bilgi Bağımsız Denetim ve YMM A.Ş.	0	0.0%
101	Bilgili Bağımsız Denetim ve YMM A.Ş.	0	0.0%
102	Boğaziçi Bağımsız Denetim ve YMM A.Ş.	0	0.0%
103	C&Ç Bağımsız Denetim ve Yönetim Danışmanlığı	0	0.0%
104	Denge İzmir Bağımsız Denetim ve YMM A.Ş.	0	0.0%
105	DMF Sistem Uluslararası Bağımsız Denetim	0	0.0%
106	Ege Bağımsız Denetim A.Ş.	0	0.0%
107	Erciyes YMM ve Bağımsız Denetim A.Ş.	0	0.0%
108	İtimat Bağımsız Denetim A.Ş.	0	0.0%
109	Karya Bağımsız Denetim ve Danışmanlık Hizmetleri	0	0.0%
110	Metropol Bağımsız Denetim A.Ş.	0	0.0%
111	MMB Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
112	Oluşum Bağımsız Denetim ve Danışmanlık A.Ş.	0	0.0%
113	Randıman Denetim YMM ve Bağımsız Denetim A.Ş.	0	0.0%
114	SGD Bağımsız Denetim Hizmetleri A.Ş.	0	0.0%
115	TRC Bağımsız Denetim A.Ş.	0	0.0%
116	Türkmen Bağımsız Denetim ve YMM A.Ş.	0	0.0%
117	Universal Bağımsız Denetim A.Ş.	0	0.0%
118	Vezin Bağımsız Denetim A.Ş.	0	0.0%
119	Yıldızlar Bağımsız Denetim ve YMM A.Ş.	0	0.0%

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