

Audit and Oversight of Audit in terms of Commerce Law of Turkey

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Abstract: While the rapid change brought by globalization of the economic life are enhancing world-wide the need for reliable and transparence information, the preparation of financial statement according to these two factors depends on establishing a unity between reporting standards and auditing applied around the world. Since 2005, stock market companies have started mandatory application of Turkish Accounting Standards (TASs), which is published in accordance with the International Financial Reporting Standards (IFRSs). Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board (CMB) have taken very significant steps towards implementation of independent audit. A new Draft Turkish Commerce Law (TCL), as a replacement of the current TCL, has been prepared and it is now underway of becoming law. Moreover, according to draft TCL, Turkish Audit and Assurance Standards Board should be established. All of these developments perform with the object of secure transition from a tax oriented auditing view point to economic auditing point. The current study aims to reveal the development and current condition of auditing in Turkey and what have done in terms of keep up with international development.

Keywords: Audit, Oversight of audit, Draft Turkish Commerce Law, International Audit Standards, Turkish Accounting Standards, Corporate governance

JEL Classification: M42, M48

Türkiye’de Ticaret Hukuku Çerçevesinde Denetim ve Denetimin Gözetimi

Özet: Küreselleşmenin getirdiği hızlı değişim ve ekonomik yaşamın karmaşıklaşması tüm dünyada güvenilir ve şeffaf bilgi ihtiyacını da artırmaktadır Bu niteliklere uygun finansal tabloların üretilmesi ise tüm dünyada raporlama ve denetim standartlarında birliğin sağlanmasına bağlıdır. Türkiye’de 2005 yılı başından bu yana sermaye piyasasındaki şirketler zorunlu olarak; Uluslararası Finansal Raporlama Standartlarına uyumlu olarak yayınlanan Türkiye Muhasebe Standartları(TMS)’na uygun raporlama yapmaya başlamıştır. Bankacılık Düzenleme ve Denetleme Kurumu (BDDK) ve Sermaye Piyasası Kurulu (SPK) bankaların ve Sermaye Piyasası Kanununa tabi ortaklıklarda bağımsız muhasebe denetiminin uygulanmasına yönelik oldukça önemli adımlar atmışlardır. Mevcut Türk Ticaret Kanunu’nun yerine yasalaşma sürecinde olan Türk Ticaret Kanunu Tasarısı hazırlanmıştır. Tasarı’da sermaye piyasası dışındaki işletmelerin de TMS'lere uygun raporlamaya ve bağımsız muhasebe denetimine tabi olmasına ilişkin düzenlemeler getirilmiştir. Ayrıca, tasarıya göre Türkiye Denetim ve Güvence Standartları Kurulu’nun oluşturulması gerekmektedir. Tüm bu gelişmeler ve Türk Ticaret Kanunu taslağında

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bulunan düzenlemeler, ülkemizde vergi ağırlıklı denetimden, ekonomik denetime doğru yönelişi gerçekleştirme amacını taşımaktadır. Bu çalışmada Türkiye’de muhasebe denetiminin mevcut durumunun ve bu konuda Uluslararası gelişmelere uyum çerçevesinde gelinen noktanın ortaya konması amaçlanmaktadır.

Anahtar Kelimeler: Muhasebe denetimi, Denetimin gözetimi, Türk Ticaret Kanunu Taslağı, Uluslararası Denetim Standartları, Türkiye Muhasebe Standartları, Kurumsal yönetim

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1. Introduction

The rapid change that is caused by globalization in Turkey which it's going through a foreign expansion, assigns new roles and new assignments to the accounting science and accountants. Increasing complication of economics causes the need of reliable and transparency information to increase as well. Transparency, i.e. easy access to the reliable information about business by related people, is the first consideration that matters in the developments of financial markets and of economy of the country (Borgia 2005, p.21), and reliability of such information can only be obtained by independent audit. Different accounting policies between different countries make even more difficult to compare the financial statements. The information in the financial statements should meet the needs and be reliable, comparable, complete, and timely. Production of such financial statements depend on harmonize the standards of financial reporting and auditing on the whole world. In terms of informing the investors and secure the public interests, International Standards on Auditing (ISA) should be adopted and similar regulations should be done according ISA. International Auditing Standards is determined by International Auditing and Assurance Standards Board (IAASB) as a sub-department of International Federation of Accountants (IFAC). The board's members are determined by the member countries.

Economic developments in our country and requirements of some foreign companies brought on the need of developments on accounting profession and on auditing. As a result of this need, since 2005, stock market companies began to report according to TASs which is published by firstly CMB and later by Turkish Accounting Standards Board (TASB) in accordance with IFRSs. BRSA and CMB have taken very significant steps towards implementation of mandatory independent audit over both banks and those companies that are subject to Capital Market Law. They also put some measures in order to ensure the transparency of financial statements and corporate governance to be established. As addition to those developments that contribute to auditing even though by indirect way, a new Draft TCL has been prepared as replacement for the current one. This draft law includes regulations about extending the financial reporting and compulsory independent auditing over the non-stock market companies as well. The last development on auditing is the ongoing attempts to establish Turkish Audit and Assurance Standards Board.

2. Current Condition of Audit in Turkey and Corporate Governance

There are provisions related to internal and external auditing of trade companies in the TCL that has been held since 1956. According to one of those provisions related to joint stock companies, there should be at least one and at most five auditors in the company. According to the TCL, article 354, Auditing Board are liable for submit a report which contains their opinions of the board of directors related to general

condition of the company, to balance sheet, to other accounts and to proposed dividends, at the end of each fiscal year to the general assembly. Since there is no provision in the TCL about what profession a person should be specialized on in order to take a place in the auditing board and given the impossibility to call a company organ as independent from the company, it's hard to say that audit boards of joint stock companies make an excellent auditing job according to TCL.

According to 1972 dated "Regulation for Auditing of Joint Stock Companies and Inspection Board Regulation.", joint stock companies audit by the Inspectors of Trade Ministry as a routine inspection or on a compliant of the stockholders. This audit is public audit and the qualification of these audits is "compliance audit" which means the audits will be done in order to determine whether they are in accordance with TCL or not.

Companies are also audited by independent auditors beside the public auditors. Independent external audit stays in the boundary of legal regulations made by the state and is held by chartered accountants or audit firms whom they don't have any organic connection with the company. 1.6.1989 dated 3568 Numbered Act has been brought in order to organize the accountancy profession and revised in 2008. According to this Act, chartered accountants approve the financial statements. Definition of the approvals can be found in 01.02.1990 dated Finance and Customs Ministry Regulation. According to this regulation approvals include inspection of whether financial statement of real and/or legal persons and/or their business and investments are in accordance with the principles and standards of audit by chartered accountants and to determine whether the issues and documents that fall in the scope of this definition, reflects the truths by using stamp and cache under the report. Independent audits held by chartered accountants in Turkey, relied on the declaration that accounting records and financial statements are in accordance with Uniform Accounting System and with Tax Law. Such audits don't fit the ISA and follow a tradition being focused on taxation issues rather than being focused on general purpose of financial statements.

While the regulations about independent auditing were included in the Capital Market regulations, since 1987 they are included in the Communiqués of CMB. According to Capital Market regulation, audit basics of financial statements and of reports of companies subjected to independent audit are defined by Series X, Nr: 22 Capital Market Communiqué. These standards, which are set off by this Communiqué since 2006 in order to harmonise with international standards by CMB, parallel the ISA. CMB audits the companies, who offer securities and operate on capital market, in terms of conformity of periodic statements of such companies with regulations and in terms of financial condition.

As a result of companies' scandals at the beginning of 2000, the financial statements that had been opened public on the basis of accounting standards become more suspicious. Parallel to this development, attempts to shift to higher quality of independent auditing which play an important role in ensuring the reliability of the financial statements have been quickened up. As a result of these developments and as additional to current legal regulations related to independent auditing in our country, some regulations in following issues have been made:

- Producing transparent financial statements and reports (International Financial Reporting Standards)
- Governance (Principles of Corporate Governance)
- Rating (Rating of Corporate Governance)
- Valuation of Fixed Assets (International Valuation Standards)

One of the first adaptations in Turkey was the implementation of the TASs which harmonizes with IFRSs as a mandatory application by the listed companies at same time with Europe Country which it happened to be 01.01.2005. Today, in order to implement the TASs over nonlisted companies, the new Draft TCL is expected to pass into law.

Alongside of TASB, Turkish Auditing Standards Board has been established in 2003. The purpose of Turkish Auditing Standards Board is to determine and to publish the national auditing standards in order to enforce the auditing activities specified in the 3568 Act in orderly and disciplined way. In this context Turkish Auditing Standards Board has published the International Auditing Standards in Turkish language. However, enforcement of related standards has been late due to absence of the legal imperativeness.

In the scope of harmonisation process, "Corporate Governance Principles" has been published in 2003, July and according to this listed companies had to give place to "Corporate Governance Rating Principle Adaptation Report" on their activity report since 2004. On the other hand, the scope of capital market rating has been expanded by adding the corporate governance rating and basis of these have been determined. Further, fully harmonized a CMB Communiqué with international valuation standards which makes the fixed assets values appears true on the financial statements has been published on the Official Gazette in 2006.

Since the companies have noticed that, interest groups are not only interested in the financial performance but in the social and environmental activities too, they began to give place for these kind knowledge in their activity reports or in other reports that they made them public. While some companies prefer to publish these reports separately, others show them in their annual activity reports.

Every year, public companies in Turkey are liable to prepare a "Corporate Governance Principles Adaptation Report" which approved in 2003, 04 July by CMB and display this report on their annual activity reports alongside with their Internet Site. Implementation of these principles remains arbitrary. However there is a necessity to explain in the annual activity report and to go public that whether or not these principles are implemented; if not the reason why they weren't implemented, the interest conflicts that had been occurred because of the in complete conformity with these principles and an explanation about whether there will be a change in the company management plans according to principles in the future.

Board of directors, the crucial connection between the company and stockholder, is perhaps most effective tools of corporate governance. Board is responsible for oversight of the company. It can be seen as "independent" controlling element to ensure the management works in favor of stockholders. The concept of corporate governance is a concept that has come into question in the whole world, especially after the companies' scandals that had been experienced in United States (US), to

ensure the companies operate within the scopes of transparency, fairness, accountability and responsibility. The very recent company scandals such as Enron, Worldcom, Global Crossing, Tycon, etc., as known well, had dragged not only their shareholder but the all related parties into enormous economic loss and devastated all financial markets. Right after the recent crises of the world, these developments that had happened in US result in Sarbanes Oxley Act (SOX) in 2002. This Act doesn't only include the auditing issues as its main principles but also contains the rules of corporate governance. Some authorities from Europe Unions confirms the corporate governance, auditing and accounting standards that brought by SOX support the sustainability (Horne et al., 2005, p.7). With their renewed faces, the issues of corporate governance have begun to exert their influence over the agenda in the recent years. Related top authorities of administration, oversight and auditing, comparing with past, are working more effectively on this matter; while they are doing determination by carrying out field searches, they also spend significant efforts to establish and to improve the corporate governance between the institutions (Gürbüz, 2005).

Corporate governance is the process by which organisations are directed and controlled (Price Waterhouse Coopers, 2005, p.7). Corporate governance: is an understanding while enables the companies to establish the transparency, accountability, participatory management attitude, efficiency and sufficiency in their structures (Özilhan, 2002), it also depends on such a collective management that while the top management, responsible for the strategic management, fulfills its task, it also tries to make profits and looks after the interests of the stakeholders alongside caring for the interests of other parties such as stockholders, managers, its employee, customers, its creditors, state, and etc. (Millstein et. al., p.27).

Corporate governance and auditing phenomena are nested concepts in which the institutional managerial success integrates with the transparency, fairness, accountability, and responsibility principles of accounting applications. Audit, which means determining the trueness of financial statements and seeking for the truths, a device in order to achieve the corporate governance in full sense (Percy, 1997, p.4). Because, the role of the audit within the society is important in terms of ensuring a sustainable environment of trust.

3. Audit and Corporate Governance in the scope of the Draft Turkish Commerce Law

Since the date it was enforced in 1957, TCL has been a value for both Turkish Legal system and Turkish trade life. During this period, European Integration Project which has come to life as European Economic Community (EEC) was carried out. European Union (EU), besides being economical, commercial, and political power, is also a supranational community who set off material laws. Among those material laws the issues related to practical laws have a large part. Turkey is a member of EEC since 1960s. When Turkey has gained the right to be full member of the union in Helsinki Summit in 1999, it became a necessity to transfer the EU legal regulations to our country. Preparation of a new TCL which is to replace the current one is a part of this necessity. Apart from this, there were other developments that are related directly to Turkish Commerce Law such as dazzling technologic progress, some organizations such as European Economic Area and North American Free Trade Agreement started to work and finally World Trade Organization became operational. As a result of these developments, assigned by Ministry of Justice a commission set to prepare a new Draft

TCL and had their first meeting in 2000. This draft law has been submitted to Turkish National Assembly and was discussed by commission of justice in 2005 but passing into law has been delayed due to various reasons. Still being under consideration, Draft Law consider essential changes in the current law which has been enforced for the last 50 years and includes the provision which meet the present social and economical needs. The Draft also brings many contemporary newness and arrangements which are in accordance with SOX.

According to SOX, auditing are examinations in which the financial statements of a company are inspected by an independent audit company in order to be able give an opinion about the financial statements to according to rules of Oversight Committee (SOX, article: 3). The series of scandals did not only shook the trust of the investor but also shed a shadow over the successful past of the capital market and have been the main reason for SOX to be set off. With SOX the trust of investors in markets, company managements, financial statements, and independent audit has been tried to be gained again. This Act is one of the most important regulations since 1934 which it turns out to be a milestone in the whole world in terms of legal arrangements it brought to accounting and auditing process for public-companies in US (Ronen, 2002, p.281). When we look at the whole Act, it can be seen that the most of the provisions contained there are about public information and enhancing the responsibility. With other restrictive and disciplinary regulations which both fall in the scope of SOX, the responsibility of the independent external auditor is heightened (Aksoy, 2005, p.8). Systematically contained 11 main chapters, SOX takes the various issues range expanding the scope of public financial statements to enhancing the accountability of management, to audit and oversight, to independence of the company internal audit boards and making them more functional, to expand the authorities of the Security Exchange Commission (SEC), and finally to establish an Accounting Oversight Board (Quievreux, 2003, p.2).

In our country, the Draft TCL brings forward the international accounting standards, in other words, the international financial reporting standards and international auditing standards as a necessity of both transparency and openness. By referring to TASs and to TASB, it's explained that financial statements have to be prepared in accordance with TASs which harmonizes with IFRSs published in Turkish by TASB.

It's been arranged three distinct audit processes for joint stock companies. First audit is done by process auditor. Process auditor is the auditor who will inspect and approve the foundation process of the company, capital increase, capital decrease, merger, division, type change, stock issue and/or any other company process. Second one is done by the auditor which is the one of three organs of the joint stock company. The last one is special audit which is determined by the 408th and 438th articles of the Draft. The first two are assigned by the general assembly and the third one by the court. Each of stockholders can ask from the general assembly, even though it's not in the agenda, for certain events to be explained by a special inspection in case of stockholding rights are needed to be used or if information right or inspection right were used before. If general assembly approves this request, the company or each of stockholders can request in 30 days after the general assembly from the authorized commerce court, i.e. the court that locates in the same jurisdiction area with the company, to assign a special auditor (TCL Draft article:438). When it call company

auditor, it should be understood that it refers to auditor who is assigned by general assembly to fulfill the auditing task and is determined by 397th article and subsequent articles of the Draft (Dedeagaç, 2009).

Auditors will be elected by general assembly; association auditor will be elected by general assembly of the parent company (TCL Draft article 399/1). Auditor can only be an independent auditing company. Small Scale Joint Stock Company can elect at least 2 chartered accountants or certified public accountants as auditors. The necessary provisions for preserve the independence of the auditors and to ensure that they have no string with company are listed in the Draft (TCL. Draft article 400/1).

According to the Draft, "Audit includes inspection of financial statements, consolidated statements, and accounting records with inventory records of the company or association. Auditing of financial statements and of annual activity reports also include the inspection in the terms of being in accordance with all of three TAs, law and provisions of the corporate article. Audit has to be done in total diligence and in accordance with the requirements and ethics of the occupational art and also with international standards" (TCL Draft article 398/1). In the same article it's specified that the audit process will be done over the financial statements and annual activity reports of the company or of association and also there is requirement of an explanation about whether the risks of future development expressed as required in the annual activity reports (TCL Draft article 398/2-c). Auditor also consider the facts and records the results about whether the board of directors establish an effective system in which the future risk that threat or might threat the company can be determined and if there is a system whether the board of directors enforced this system and/or whether they could evaluate the results that had been submitted to them and take the necessary cautions (TCL Draft article 398/4). In these articles the liabilities of management to establish and to enforce an internal control system are also specified. Thus, the arrangement in the 378th provision is: "In the listed companies, the board of directors is bound to set, an experts committee and enforce and improve the system in order to diagnose the reason that might endanger the very existence of the company or its improve or maintaining and to take precautions against. In the other companies such committee will be set on a written request from the auditor to the board of directors in the case the auditor might see this committee a necessity and gives its first reports at the end of the following month. Committee will evaluate the situation, point out the dangers (if any) and suggests solutions in its reports which should be submitted to the board of directors in every two months. This report shall be sent to the auditor as well."

The purpose of this regulation is to secure the existence, development and maintaining of the company and it's one of the corporate governance principles. There are some opinions about this necessity has to be available for the non-public companies to as it has been for the public company who should follow the corporate governance principles and also for every scale company related responsibilities about internal audit and early diagnosis of the risk, should be determined (Cömert, 2008).

Board of directors will prepare financial statements and annual reports timely and give them to the auditor. Auditor will demand from the board to submit all information needed for legal and diligent audit and the documents that can be formed a legal basis (TCL Draft article 401). Auditor will prepare a report written with simple language and contains enough length and clear information about the report such as type of the audit, scope of the audit and its results and comparisons with past two years. In the summary

part of the audit report will be evaluation made by the board of directors about the situation of the company or association alongside with the opinion of the auditor. Whether the errors been detected or whether there has been any outlaw process too will be written on the report. And also it will be written on the report that whether it's been detected any serious breach of the law or the company article which endangers the very existence of the company and/or the development of occurred by the board of directors or by any other executive member (TCL Draft article 402).

While in the current TCL the audit are made by hand of "auditor/s" who are one of the three legal organs of the company and have no necessity to be in expert knowledge now in the Draft Law gives it place to the audit that contains financial statements and reports which will be made by either an independent audit company or chartered accountants or certified public accountants which means to the continuous audit of accounting.

What innovations new draft law is bringing about the transparency are;

- Equity companies have to prepare a web site,
- All information about stockholders, creditors and investors (all financial statements, calling text, meeting agenda, etc.) should be display on the web site,
- Trade secret is limited to production secrets,
- Company meeting can be done on-line.

With those new arrangements it's intended to present the results of complete audit, which is done in the context of corporate governance and of true and fair view principles, in a clear, simple and understandable manner to the all related persons with the stockholder being at the top.

TCL is prepared in accordance with corporate governance principles. In order to ensure the transparency as one of the necessities of these principles, it's attributed a special importance to the audit. Similar independent audit regulations with the exist ones in the Capital Market Law and related regulations are included in the Draft Law so that the differences between two law are tried to be removed. With the Law, the mandatory independent audit for public companies is extended over to include the non-public companies (Selimoğlu et. al., 2007, p.81).

It's expected that an audit with in complete accordance with TASs and also matches them in both contents and purposes to get our country's companies, markets and capital markets to a position that their financial statements can be more trustworthy and to enhance competitive power of our enterprises in the foreign markets.

4. International Audit Standards and the Situation in Turkey

The information in the financial statement has to be understandable, reliable, comparative, significant, complete and timely. To prepare financial statements with these qualifications depends on harmonizing the standards of financial statements and auditing in the whole world. In terms of informing the investors and to protect the public interests, the sub-committee of IFAC, IAASB publishes ISA which contains detailed and explanatory principles of every step of an auditing process and special-purposed auditing agreements.

The first definition of auditing profession in our country was made by 3568 Act of Professions. However, there is no definition or illustration how to carry out this profession nor is arrangement related to standards or to principles of this profession. On the other hand, independent auditing was generally outlined in the Capital Market Law and independent auditing is defined by help of international auditing standards of professional competency, the principle of independency, and professional diligence contexts. The past of implementation of the independent auditing in Capital Market goes back to 1981 dated Capital Market Law and to 1996 dated Capital Market Communiqué. The last regulation that has made by CMB is the 12.06.2006 dated Series X, Nr.22 “A Communiqué on Independent Auditing Standards in the Capital Market”. This communiqué consisted of 33 sections which one of them corresponds to one IAS and their contents are parallel to each other. Moreover, in both Banking Law and Insurance Law the regulations related to independent auditing, independent auditing frame has been formed by taking an approach in accordance with international auditing standards. These regulations, however, are taking only limited number of companies into consideration. While the public haven't known enough about independent auditing, this causes to misunderstand the concept of independent auditing. Because the top managements of the companies don't give importance to the auditing, some problems of perceiving the auditing benefits are being experienced. Moreover, companies are taking additional risk in order to enhance their profit margin as well as the risk of auditing so that this situation requires more effective auditing to be made. It's a fact that the task of determining auditing standards which includes all kind of companies belongs to TURMOB and to its sub-organization, TASB. A set of TASB standards for use of auditor in the outside of capital market is necessary.

5. Oversight of Auditing and the Situation in Turkey

Financial scandals of which auditors have been personally accused such as Enron and Worldcom in the America and Parmalat in the EU, have led to changing some auditing rules and taking new tough measures in the financial world. These changes, which created new law such as Sarbanes Oxley Act (SOX), aim to better protect both the public and individual investors' interests. Public Company Accounting Oversight Board (PCAOB) set up as a result of SOX in the America, has replaced the Peer Review programs organized by the American Institute of Certified Public Accountants since 1978. (Public Company Accounting Oversight Board) Besides listing the auditing firms and auditing them, PCAOB is also entitled to determine the auditing standards, which is yet another critical function of the Board. Following this example, the EU Commission as well as international institutions such as IFAC and International Organization of Securities Commissions have adopted models similar to PCAOB and they suggested their members using these models. In Turkey, CMB, BRSA, and Treasury audit and oversight the auditing firms whereas TURMOB and the Ministry of Finance fulfill the responsibility of auditing auditors.

SOX is not a matter limited to US. Among the primary tasks of PCAOB which has been established in order to supervise the auditing company by SEC with SOX are to determine the standards on what form auditing report should be according to the law, to take action about examinations, investigations and disciplines related to the companies and to decide on penalty when necessary, to protect the investors and/or to improve the quality of auditing service in order to enhance the public benefits. In our country, with the communiqué Nr. 22, in order to improve the quality of independent auditing, it's

been brought a necessity for auditing companies to establish a oversight system by giving place to quality control in their infra structures.

Public Oversight Boards are independent boards which are established in order to supervise the auditing profession in the terms of ethical and other professional standards on behalf of the public so that to enhance the quality of the independent auditing and to protect public interests. The primary tasks of Public Oversight Boards can be listed as follows (Türker, 2007).

- To determine to put in force the standards which are influential on the auditing reports such as auditing, quality control, ethical, independency and other related standards.
- To take action against auditing companies and related persons by open an investigation and other disciplines process when it's necessary.
- To determine the professional standards to enhance the auditing service in order to protect the public interests and the investors.

By republishing the Eight Council Directive related to this matter EU has brought a mandatory provision for its members about establishing a oversight system over the legal auditors and auditing firms in order to realize their service according to the law with a quality manner. The main purpose of SOX, however, is to supervise whether or not auditing reports of public companies are prepared orderly in order to protect the investors and the public interests.

Studies related to oversight and quality assurance in Turkey is held by TURMOB. These studies are being carried out in accordance with IFAC guidelines, ISA and EU Eight Council Directive. Having qualification of being public institution as a profession organization, TURMOB is assigned to "Public Oversight of Accounting Profession" according to the soul and the ground of 3568 Law and according to 128th and 135th articles of Constitution. In this context, "The Draft Law about Turkish Auditing Standards and Public Oversight Board" has been prepared. Draft Law includes the foundation of the Turkish Auditing Standards and Public Oversight Board, its structure, the basis of its operations, its tasks and authorization level and other considerations. According to this, the purpose of Turkish Auditing Oversight Board is to regulate oversight and control the quality of the independent auditing activities-to-be for Small and Medium Enterprises and also for public companies by legal regulations. The Board is to be responsible for auditing standards, professional ethical standards, the records and monitoring the art members who is to become auditor and the auditing companies, to control the quality of the auditing, to transfer the discipline mater to the TURMOB, to appeal the decisions of TURMOB and other local associations in Finance Ministry and in courts when necessary, to monitor the continuous professional training, to establish relationships with international organizations, etc.. By this Draft Law, what it's targeted in Turkey are;

- To remove the confusion that occurred due to multiple authorities have made different regulations in same field,
- To prepare the financial statements in a uniform manner nation-wide and to ensure the uniformity in the auditing standards,
- To ensure the necessary quality and reliability in the field of independent auditing by formation an effective public oversight system,

- To ensure the accordance with internal regulations of EU,
- To audit the financial statements by national standards which are harmonized with international auditing standards and developments,
- To enhance the competitive power of our companies by ensuring accountability of their financial power according to comparative scales,
- To facilitate the credit seeking by international acceptance of our companies whom their financial statement passed the independent auditing,
- To create more transparent and powerful capital market,
- To contribute to the struggle against unrecorded economy.

6. Conclusion

What it means is to determine the trueness of the financial statements and of the management and to seek the truths, audit is a device in order to realize complete corporate governance. Corporate governance approach brings a strong control and oversight system with itself. With a transparent environment, which will be ensured by corporate governance concept, auditors, will be more comfortable in fulfilling their jobs. Therefore, with the IASs are coming alive in Turkey, it's expected that the regulation that will be made in the corporate governance will enhance the success of auditing activities.

The priority in the accounting art is to publish the quality financial statements that are obtained via quality auditing activities to the public. As a typical to international standards, TASs are not only framework judgments; but they are also central concepts within the framework of Draft TCL. However, the necessity of being in accordance with "accounting standards" is not sufficient alone to publish quality, reliable and real financial statements to the public. In order to do so, it requires to ensure complete and true statements and to present them to related people in honest way. "True Statement" differs from both auditing standards and accounting standards and holds the purpose of ensuring "public safety". In the historical process the importance of accounting and of financial statements increased by economic developments in Turkey and a financial process/auditing has been beginning to develop. The expectations of capital owners from the auditing show differences. An auditing demand that includes auditing of financial statements, compliance auditing, operational auditing, and performance auditing is becoming widespread. As a result our country is experiencing a trend from tax-weighted auditing to economic auditing.

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