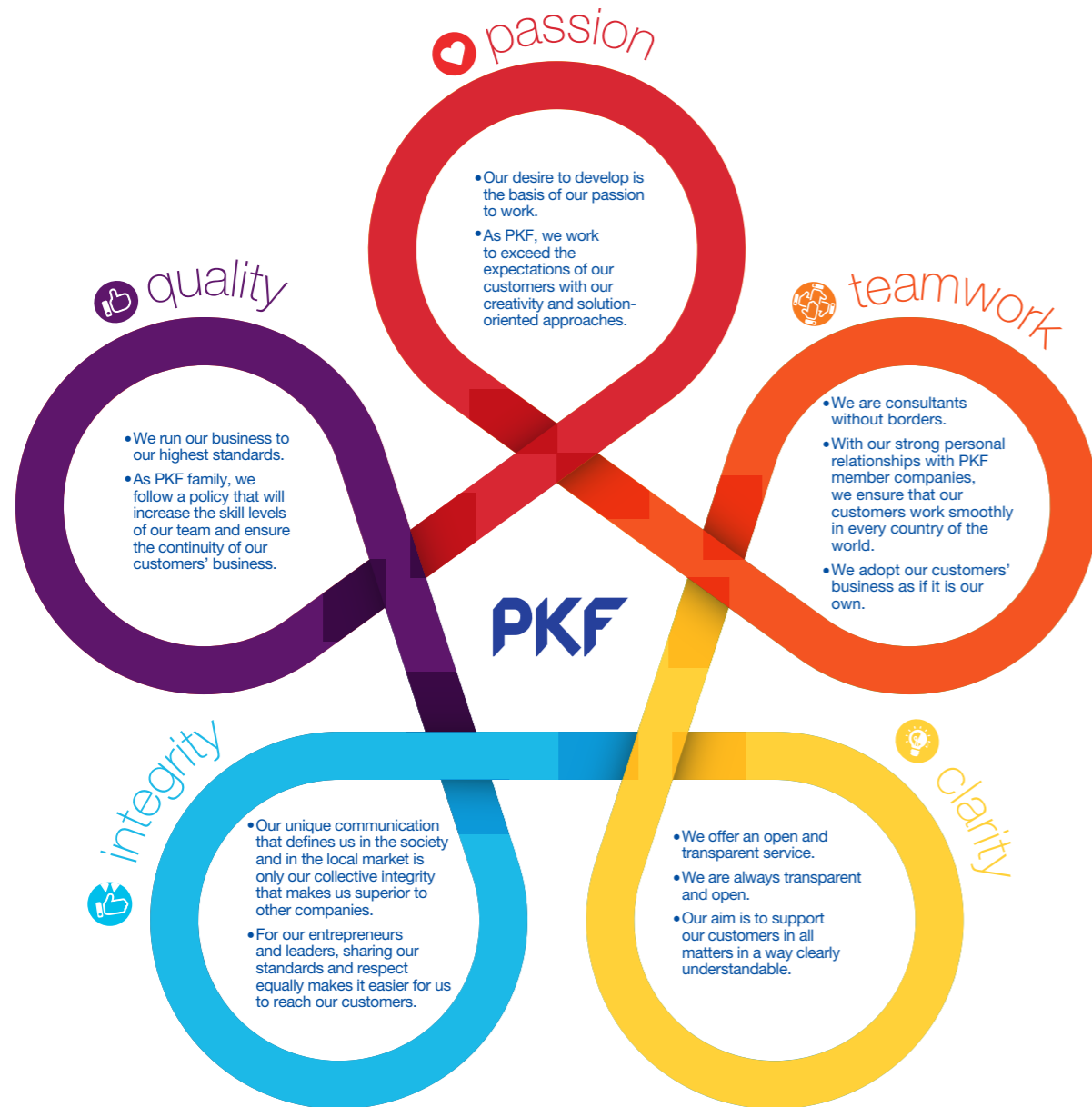


# Independent Audit and Assurance Services



# PKF International



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right people  
right size  
right solutions

# Independent Audit and Assurance Services

## Overview

Today, it is no longer possible to talk about the reliability of financial statements that have not been independently audited. The need to obtain reliable information about the financial status and performance of all stakeholders, including the partners and managers of the enterprises, is increasing day by day, and accessing reliable information is becoming the first priority for financial statement users. In Turkey, audit of the financial statements has been made compulsory by many public institutions and regulatory authorities.

Through our Independent Audit and Assurance Services, we aim to increase the benefit and efficiency of auditing by responding to the needs of our customers beyond the mandatory legal requirements.

**PKF Istanbul, we have been authorized by the following institutions and organizations to conduct independent audits:**

- Public Oversight, Accounting and Auditing Standards Authority (POA) (Independent Audit Authority including public interest entities)
- Capital Markets Board (CMB)
- Energy Market Regulatory Authority (EMRA)
- Directorate General of Insurance
- London Bullion Market Association - LBMA,
- Dubai Multi Commodities Centre - DMCC..

**Our Independent Audit and Assurance Services:**

1. Independent Audit of Financial Statements
2. Other Assurance Services
3. Preparation and/or Audit of Corporate Reporting Package
4. Irregularity (Fraud) Examinations
5. Compliance Audit
6. Operational Audit
7. Efficiency Audit
8. Internal Audit
9. Turnover Audit





## Independent Audit of Financial Statements

Our audit teams have experience in different industries thanks to the independent audit service they have provided to many large companies. In order to maintain our service quality, we encourage our large audit team, consisting of experienced and young auditors, to participate in theoretical training and on-the-job trainings offered by universities and professional organizations for their continuous development.

We closely follow the legal regulations regarding accounting and auditing standards, we apply the current generally accepted audit methodology in the world. We ensure that financial statement users have access to reliable information by performing the risk assessment, risk response and reporting stages in the best way, and obtaining sufficient appropriate audit evidence and keeping the audit risk low.

### The company needs independent audit if:

- it needs to submit independently audited financial statements and independent audit reports to various institutions and organizations,
- there is a need to submit the financial statements prepared in accordance with local legislation by being translated into international standards,
- it is concerned about the accuracy of the financial statements produced in its own body,
- it is considered that the financial statements produced in accordance with local legislation do not reflect the real situation,
- it is required to be managed with reliable financial data and to make decisions with the help of these data

## Independent Audit of Financial Statements (Continue)

The independent audit of financial tables and footnotes prepared pursuant to Turkish Auditing Standards (TDS), International Standards on Auditing (ISA) and generally accepted auditing standards are conducted by our expert and experienced independent audit team in accordance with professional ethical principles and current audit standards.

### According to the Turkish Auditing Standards (TDS):

- Independent audit of the financial statements prepared in accordance with Turkish Accounting Standards (TAS) or Financial Reporting Standard for Large and Medium-Sized Enterprises (FRS for LMEs) of the companies subject to independent audit, including public interest entities, under Turkish Commercial Code (TCC) no 6102,
- Independent audit of the financial statements, prepared TAS, of companies subject to the regulations of the Capital Markets Board (CMB) (companies that have offered debt instruments and / or their shares to the public, companies deemed public and companies subject to other CMB regulations),
- Independent audit of the financial statements, prepared in accordance with TAS, of companies that will apply to the CMB to offer their debt instruments and/or their shares to the public,
- Independent audit of the financial statements, prepared in accordance with TAS, of companies with a credit risk of 100 million TL and above, to be submitted to banks in accordance with the regulations of the Banking Regulation and Supervision Agency (BRSA),
- Independent audit of the financial statements, prepared in accordance with TAS, of companies subject to the regulations of the Directorate General of Insurance,
- Independent audit of the financial statements, prepared in accordance with TAS, of companies subject to the regulations of the Energy Market Regulatory Authority (EMRA),

## Independent Audit of Financial Statements (Continue)

### According to the International Standards on Auditing (ISA);

- Independent audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS),

### According to generally accepted audit standards;

- Independent audit of financial statements prepared according to American Generally Accepted Accounting Principles (US GAAP),
- Independent audit of financial statements prepared according to Generally Accepted Accounting Practice in the UK (UK GAAP),
- Independent audit of financial statements prepared according to Generally Accepted Accounting Principles in Germany (German GAAP),

### According to Turkish Auditing Standards (TDS) or International Standards on Auditing;

- Independent audit of consolidated and combined financial statements and footnotes prepared in accordance with the relevant legislation.

We aim to keep audit risk at the lowest level by using audit software at every stage of independent audit works. We identify critical audit issues and focus our audits on them. At the end of our independent audit works, besides the independent audit report, we submit an evaluation and recommendation report containing critical audit issues to senior management.



## Preparation and/or Audit of Corporate Reporting Package

Through the service for the Preparation and/or Audit of Corporate Reporting Package, as a component of the large structure operating across the world, we aim to help businesses fulfill their financial reporting obligations by preparing the necessary financial information (consolidation package) in accordance with reporting standards (IFRS, UK GAAP, US GAAP, German GAAP), and to ensure the reliability of the information by auditing the financial information prepared by the companies in the same nature, in accordance with international standards on independent auditing.

The services we offer within this scope include the preparation of tables, graphs and analyzes containing various performance indicators to be presented to the top management of the enterprises.

The preparation of financial information in accordance with international reporting standards such as IFRS, UK GAAP, US GAAP, German GAAP, and the audit of the information prepared by the company and the reporting of performance indicators are conducted by our expert and experienced independent audit team in accordance with professional ethical principles and current audit standards.

Always acting with the awareness that we are an important part of the whole, and knowing how the work is important and necessary work for our customers, we apply flexible working models to comply with group instructions and deadlines for reporting processes.

*"Consider It Done"*

## Other Assurance Services

Today, many regulatory institutions and organizations request limited assurance reports on financial and other issues that they have determined by legislative regulations. The leading ones of these institutions and organizations are Central Bank of the Republic of Turkey (CBRT), banks, the London Bullion Market Association (LBMA) and Dubai Commodities Center (DMCC). As PKF Istanbul Independent Audit and Assurance Services Department, we have been authorized by the aforementioned authorities to prepare an independent assurance report.

In assurance audits, we serve our customers by showing the necessary professional care with our audit team, which is also experienced in these specific areas.

The company needs assurance services if;

- It has a loan debt USD 15 million or more in foreign currency and it is required to have an independent audit of “Systemic Risk Data Monitoring System Data Sheet” (SRDMSDS) to be submitted to Central Bank of the Republic of Turkey (CBRT),
- It has a credit limit of 100 million TL or more in banks and it is required to have the analysis table including financial ratios audited to be submitted to banks in accordance with the regulations of the Banking Regulation and Supervision Agency (BRSA),
- As a Gold refinery company, it is required to submit an assurance report to the London Bullion Market Association (LBMA) and/or Dubai Commodity Center (DMCC) under the International Standard on Assurance Engagements 3000 (ISAE 3000)

Assurance audits are conducted by our expert and experienced independent audit team in accordance with professional ethical principles and current audit standards under the Turkish Auditing Standards (TDS), International Standards on Assurance Engagements, the International Standard on Assurance Engagements 3000 (ISAE 3000).

## Other Assurance Services

- According to the Turkish Auditing Standards (TDS) the independent audit of “Systemic Risk Data Monitoring System Data Sheet” (SRDMSDS) prepared in accordance with the legal regulations of Central Bank of the Republic of Turkey (CBRT),
- According to the International Standard on Assurance Engagements, the audit of the analysis table, which is mandatory to be obtained by banks according to the provisions of the “Regulation on Credit Transactions of Banks” published by the Banking Regulation and Supervision Agency (BRSA),
- In the light of the International Standard on Assurance Engagements 3000 (ISAE 3000), the “Third Party Auditing Regulation” determined for ISAE 3000 auditors within the framework of the Responsible Gold Guidance issued by the London Bullion Market Association (LBMA) and the legislation and regulations stipulated in the OECD Responsible Gold Supply Chain Guide, the limited independent audit of whether or not the gold refinery companies has carried out any trade in gold, precious metals etc. with the real and legal persons of the Islamic Republic of Iran, the Bolivarian Republic of Venezuela and other banned countries in the scope of the gold supply chain policy.

Under the scope of other assurance services, we handle the issue in the light of legislation regulations on limited assurance . Assurance audits are planned considering the importance and sensitivity of the issue, and we find complete and timely solutions to customers’ needs.

Within the scope of ISAE 3000, we evaluate whether there is an operational risk management system which also includes supply chain risk assessments, evaluations regarding the functioning of the compliance system, evaluations regarding the internal control and communication system, assessment of customer acceptance policies in the frame of supply chain risk assessments, and evaluation of customer acceptance policies within the framework of the customer recognition system (KYC-Know Your Customer).





## Irregularity (Fraud) Examinations

An employee's (including senior management) gaining unfair gain by deliberately using or acquiring the resources and assets of the enterprise s/he is within its body is defined as employee fraud. The purpose of the fraud audit is to determine whether the employees in the business have deliberate acts involving deception in order to gain illegal benefits.

According to the researches, fraud in businesses is increasing both in frequency and amount:

- In general, 10 percent of the employees cheat on a planned basis, and 75 percent of them tend to cheat if the opportunity arises.
- Economists estimate that businesses in Turkey lose 8-10 percent of their annual income (this rate is 6% in the US) due to fraud.
- The average time for businesses to reveal employee fraud is 16 months.
- 50 percent of frauds occur due to poor internal controls.
- 70 percent of the frauds are done by employees of at least 4 years and over.

It is possible to list the main conditions that allow fraud in businesses as follows:

- Ineffective corporate governance, weak "Peak Effect"
- High level of incentives for financial success
- Complexity in the rules, regulations, and policies of the business
- Unrealistic budget targets imposed on employees
- Poor information flow among employees
- Inability to evaluate the quality of work carried out by employees
- Insufficient internal control
- Failure to obtain a healthy independent external audit service

## Irregularity (Fraud) Examinations

The world is aware of the importance of fraud auditing and fraud auditing has become an expertise in itself. In our country the employers has recently begun to notice the importance of this issue. It is of great benefit for businesses to establish the necessary internal control systems against employee fraud and get independent external audit support.

In the company, if:

- there is a concern about cheating,
- some managers or employees are thought to have a higher quality of life than their salaries,
- it is desired to determine the risk of fraud by evaluating internal controls,
- it is desired to establish internal controls against fraud risk, fraud auditing is required.

We approach the cases with the thought that there is no small and unimportant fraud. Material damage that appears at first glance in fraud cases is usually the tip of the iceberg. Much greater abuses may be behind the acts of frauds that appear to have been saved with minor financial losses.

In fraud auditing, we conduct studies to prevent fraud, investigate and determine possible damage to the business. Our aim in prevention service is to detect the weak sides of the organization against fraud, to prevent possible abuse and fraud and to deter the cheater. Prevention activities, which are the most important, most effective and economical method of combating fraud, consist of the preparation of corporate ethical principles, the establishment of fraud prevention policies, and the provision of fraud awareness trainings.

Through Irregularity Inspections, we ensure that internal controls operate more effectively, so that errors and frauds that may occur in the business are revealed more effectively or that errors or frauds are prevented from occurring.



## Compliance Audit

Businesses create rule sets that their employees must obey in order to ensure working order in their internal structures. They prefer to have an audit in order to learn whether these rules are complied with or not, and it is beneficial for such audits to be carried out externally by independent auditors. With the compliance audit, our aim is to determine the degree of compliance of the practitioners with the form requirement or code of conduct set by a certain authority.

### In the company, if,

- there are doubts as to whether internal directives are followed,
  - it is desired to find out whether the internal directives fully meet the needs of the business,
  - it is wondered whether tax, incentive, customs, social security etc. practices are compatible with the applicable legal regulations,
  - assessment of current structure by independent auditors, if required to be handled,
- compliance audit is needed.

As a result of the compliance audit, full compliance with internal directives and legal regulations is ensured.

### We can list the stages of compliance audit as follows;

- All activity processes of the business are determined.
- Internal control procedures of the business regarding processes are obtained.
- The processes of the business are observed, re-applied and examined.
- Internal control applications are determined.
- Unnecessary procedures in the business are determined.
- Internal control weaknesses of the company are determined.
- A letter of recommendation is prepared to the management.



## Operational Audit

Operational audit reveals whether the business is working effectively in its activities in general, while it also helps to measure whether the business is successful in achieving its goals. As a result of the operational audit, the status of the business is determined and recommendations are made to the management.

The operational audit is not limited to accounting transactions, as it also includes other functions of the business, its application area is quite wide. Organizational structure, production methods, marketing policies, information processing activities of the enterprise can be included in the scope of examination of operational audit.

### In the company, if,

- there are doubts as to whether the business operations are carried out effectively,
- it is thought that marketing, production and purchasing departments are not working in a coordinated and harmonious manner,
- it is thought that business operations on the basis of transaction cycles (sales, purchases, etc.) should be reconsidered,
- the existing structure is required to be evaluated and handled by independent auditors,

operational audit is needed.

*"Open Minds, Open Doors"*

## Operational Audit

As a result of the operational audit, it is aimed to increase especially profitability by improving the harmony and cooperation between the departments.

### We can list the stages of operational audit as follows;

- The important fields of activity of the business are determined.
- The operating budgets of the business are obtained.
- The operational performance data and rates of the sector in which the business is located are investigated.
- The operating processes of the business are observed.
- The operational budget and actual operations of the company are examined, the reasons for deviations are revealed.
- The operating performance of the business is compared with the sector averages and previous years.
- A recommendation letter is prepared to the management to work more efficiently and effectively.





## Turnover Audit

Turnover audits are carried out under the contracts such as turnover-indexed franchising, royalty, dealership, distributorship, shopping mall rental fees, etc. It includes the audit procedure and studies established to determine whether the turnover of the business is determined in accordance with the determined criteria.

### If the Company,

- wants to find out whether the turnovers declared by the institutions it does business with are correct,
- wants to determine the amount of turnover that will constitute the basis for various (rent, franchising cost, etc.) calculations

it should have a turnover audit.

### Under the scope of turnover audit:

- We apply inspection techniques such as recalculation and observation.
- We obtain sufficient appropriate audit evidence regarding the accuracy of the amounts.
- We evaluate the internal controls applied by the company in order to determine the turnover correctly.
- We present a report to the management regarding the detected differences.



## Efficiency Audit

In efficiency auditing, which is defined as measuring how well the business uses its resources in producing goods or services, thrifty and efficiency are of great importance. Thrifty means minimizing the resources used for an operation, taking into account the appropriate level of quality. Efficiency, on the other hand, is the degree to achieve the goals and the relationship between the planned impact of an activity and its actual impact.

### In the company, if,

- there are doubts as to whether operating resources are being used effectively,
- it is thought that the savings policies of the enterprise should be reviewed,
- it is desired to produce more with less resources,
- it is desired to achieve greater goals with available resources,

verimlilik denetimine ihtiyaç vardır.



## Efficiency Audit

While efficiency studies, which provide the opportunity to question and increase the efficiency of the enterprises, give the businesses the habit of doing such studies, it is also ensured that the studies are followed by the senior management.

### We can list the stages of efficiency audit as follows;

- The important fields of activity of the business are determined.
- The operating budgets of the business are obtained.
- The performance rates of the business are determined.
- The efficiency rates of the business are determined over the years.
- The efficiency rates of the sector in which the business is located are investigated.
- The operating processes of the business are observed.
- The operational budget and actual operations of the company are examined, the reasons for deviations are revealed.
- The efficiency performance of the business is compared with the sector averages and previous years.
- Alternative cost analyzes are made.
- A letter of recommendation is prepared to the management.

*"Dependably Independent"*



## Internal Audit

The review of the internal control system and reporting it to the management, a sound internal control system and the application of this system as foreseen by the company management is an important factor in the success of every business.

Although there is no business that does not have internal controls, the designed internal controls must be effective and designed to respond to various risks.

Internal audit plays an important role in achieving the goals of the enterprise by ensuring the effectiveness of the organization's risk management, control and corporate governance processes.

### In the company, if,

- it is desired to audit whether internal controls are designed in line with business needs,
  - the internal audit function is desired to be performed with the support of an external source,
  - it is desired to restructure internal audit by identifying operational risks and taking into account the constantly changing business and business conduct,
- internal audit is needed.

*"Fluent In Collaboration."*

## Internal Audit

With our experts, we review whether the company's internal control system is reliable or not and audit whether it is operated at the prescribed efficiency. We develop suggestions for solutions for identified weaknesses and internal controls that are not followed, and present them to the senior management in the form of a recommendation report.

### We can list the stages of internal audit as follows:

- The risks of the business are determined.
- The adequacy of existing internal controls against the risks of the company is evaluated.
- Whether internal controls are applied or not is tested.
- A report on internal control weaknesses is prepared.
- A recommendation report is submitted to the management regarding the improvement of internal controls.



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