



TÜRMOB

TÜRKİYE SERBEST MUHASEBECİ MALİ MÜŞAVİRLER
VE YEMİNLİ MALİ MÜŞAVİRLER ODALARI BİRLİĞİ
(UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY)

Gerben Evert

Chair of Monitoring Group

Sent by email:

MG2017consultation@iosco.org

Ankara, 9 February 2018

Subject: Monitoring Group Consultation: Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest

Dear Gerben Evert

TÜRMOB (Union of Chambers of Certified Public Accountants of Turkey) would like to submit its comments to you about Monitoring Group Consultation Paper named Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest

Firstly, we want to give information about us shortly. TÜRMOB, the Union of Chambers of Certified Public Accountants of Turkey, is the national professional body with the sole authority to award professional license. TÜRMOB was founded in 1989 with the Law on Certified Public Accountancy and Sworn-in Certified Public Accountancy numbered 3568. TÜRMOB is the largest and fastest-growing national professional organization for professional accountants with over 108,000 members and 20.000 students in Turkey.

Our responses to questions:

- 1. Do you agree with the key areas of concern identified with the current standard- setting model? Are there additional concerns that the Monitoring Group should consider?**

In the current standard-setting model, we have a hard time to accept that a particular group has adverse effect on stakeholder confidence in the standards because of a perception of undue influence by the profession. Because these standards are open to debate, the opinion of the public is sought, and it is the topic of discussion by the



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academic community.

There is no new standard that is on the agenda and followed by the Monitoring Group. IFIAR members, who are members of the Monitoring Group, have the authority to publish the standard-deficiency they need, both in terms of eligibility and time.

It is not possible to accept that there are concerns mentioned in the consultation report. For example, the Capital Market Authority and the Public Oversight Board in Turkey is followed by ISAs issued by the IAASB. There is no effort to create a new standard around the world.

2. Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?

In the current standard-setting process, these principles are already implemented and emphasized. In addition to these principles, the Principle of Integrity is also applied. But if desired, these principles can be foreground. However, **cost effective principle**, which is among these principles, has a function that reduces the effectiveness and expansion of the audit. There is a lobby that will disable an improved lobby in this regard. To get rid of the arguments of this lobe, it may be useful for the monitoring group to create a fund that provides financing for the audit and reduces costs.

The current difficulty is that public oversight bodies publish local standards that are converged with IAASB standards in their own countries. However, the work of the Public Oversight Boards is not a standard or a licensing exam.

It is necessary to lobby in the Monitoring Group on the imposition of the obligation to audit SMEs. Because, when an unaudited SME becomes a large enterprise, it will be difficult to transition process to auditing to be a healthy business.

3. Do you have other suggestions for inclusion in a framework for assessing whether a standard has been developed to represent the public interest? If so what are they?

Public interest should be regulated not only for PIEs but also for micro-enterprises. The loans given by banks are a public fund. For this reason, it should be taken care



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of ensuring that the credits are granted to the such entity by the banks after the entity is audited, without seeking a threshold in the crediting process, and this practice should be encouraged.

- 4. Do you support establishing a single independent board, to develop and adopt auditing and assurance standards and ethical standards for auditors, or do you support the retention of separate boards for auditing and assurance and ethics? Please explain your reasoning.**

The task of the Board of Ethics is to establish the deontology of the accounting profession. That is, the task of Board of Ethics is to regulate the entrance conditions to the profession, the rules to be followed when applying the profession, the responsibilities to the stakeholders, and the reasons for leaving the profession.

It is not true that the board that regulates the standards of the professional accountants and the board that supports the profession's technique are together. It is beneficial if the two boards are different. As a matter of fact, the applications so far have shown the benefits of separating the two boards.

- 5. Do you agree that responsibility for the development and adoption of educational standards and the IFAC compliance program should remain a responsibility of IFAC? If not, why not?**

It is true that the standards of education are carried out by a board under the supervision of IFAC and must be under IFAC's responsibility.

- 6. Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.**

The responsibility of ethical principles must be at IFAC for all professionals and the ethical standards should be carried out by IFAC.

It is important to establish that the professions employed in the business have responsibilities not only to business owners but also to other stakeholders at the same time. The ethical standards should be developed for outsourced services from services that must be fulfilled by PAIB.



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7. **Do you believe the Monitoring Group should consider any further options for reform in relation to the organization of the standard-setting boards? If so please set these out in your response along with your rationale.**

We do not believe it. The purpose of the Monitoring Group is to be alert, to make suggestions and to be better in matters that they do not find adequate by supervising their work.

8. **Do you agree that the focus of the board should be more strategic in nature? And do you agree that the members of the board should be remunerated?**

We believe that the standard-setting board needs to prepare the standards considering the relevance and timeless of the standards, and in plain language. It may not be appropriate for the members of the Board to pay a fee for their service. Because of the many variables (gender, geographical distribution, etc.), these board members should continue their duties depending on the rotation.

9. **Do you agree that the board should adopt standards based on a majority?**

As it is now practiced, simple or qualified majority (2/3) practice may continue. However, giving veto power is not right.

10. **Do you agree with changing the composition of the board to no fewer than twelve (or a larger number of) members; allowing both full time (one quarter?) and part- time (three quarters?) members? Or do you propose an alternative model? Are there other stakeholder groups that should also be included in the board membership, and are there any other factors that the Monitoring Group should take account of to ensure that the board has appropriatediversity and is representative of stakeholders?**

It is important to ensure diversity in board membership. There should be a wide range of stakeholders, especially different nations, regions, legal systems, gender balance, large or small businesses, public sector representatives. However, as suggested in the consultation report, 12 members may not be enough to meet this situation. The board should include the SMPs involved in the audit process and academics.

The monitoring method of the IFAC Board in the form of self-assessment, is true.



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11. What skills or attributes should the Monitoring Group require of board members?

An arrangement should be made to support the supervision of SMPs that are making the audit of potential institutions. We think that the members of board need to have practical experience on auditing. In addition, in every year, two persons on behalf of IFIAR should attend to board meetings as observer by turns. Although technical experts are employed, knowledge of technical expertise is essential.

12. Do you agree to retain the concept of a CAG with the current role and focus, or should its remit and membership be changed, and if so, how?

We can have (a) board(s) with a broad multi-stakeholder representation which is the transparent to the broader public, we do not need to keep the CAG(s). However, if the such board(s) do not have a broadly-based representation, retaining the concept of a CAG with the current role is of utmost important.

13. Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?

I think it will be useful that these task forces are objective rather than observing the public interest, and scientific approach to the problem.

14. Do you agree with the changes proposed to the nomination process?

We do not accept with the changes proposed to the nomination process. On the contrary, we think that it should be a structure which takes into consideration to geographical structure and observes practical application.

15. Do you agree with the role and responsibilities of the PIOB as set out in this consultation? Should the PIOB be able to veto the adoption of a standard, or challenge the technical judgements made by the board in developing or revising standards? Are there further responsibilities that should be assigned to the PIOB to ensure that standards are set in the public interest?

PIOB should not have the authority to veto standards. This is not the task of PIOB. The task of the PIOB is to monitor the process so that standards can be established within the public interest. One third of PIOB must be from professionals.



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16. Do you agree with the option to remove IFAC representation from the PIOB?

We do not agree with the option to remove IFAC representation from the PIOB. At least 1/3 of the PIOB must be from IFAC.

17. Do you have suggestions regarding the composition of the PIOB to ensure that it is representative of non-practitioner stakeholders, and what skills and attributes should members of the PIOB be required to have?

Two-thirds of the PIOB should be non-practitioners. However, stakeholders need to have sound knowledge in the areas of audit, assurance, ethics and independence.

18. Do you believe that PIOB members should continue to be appointed through individual MG members or should PIOB members be identified through an open call for nominations from within MG member organizations, or do you have other suggestions regarding the nomination/appointment process?

One third of the PIOB members should be members of the Monitoring Group and one third of the PIOB members should be from other institutions (universities, government and social entrepreneurs), in other word, from non-financial sector.

19. Should PIOB oversight focus only on the independent standard-setting board for auditing and assurance standards and ethical standards for auditors, or should it continue to oversee the work of other standard-setting boards (e.g. issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

We wouldn't mind the continuation of its work that the PIOB is currently doing. Not only ethics and education, but also audit and assurance standards, should be carried out by IFAC.

The profession only protects its freedom if it manages itself, and can provide objective service to stakeholders.



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20. **Do you agree that the Monitoring Group should retain its current oversight role for the whole standard-setting and oversight process including monitoring the implementation and effectiveness of reforms, appointing PIOB members and monitoring its work, promoting high-quality standards and supporting public accountability?**

We agree. However, the duties of the PIOB and MG should be clearly stated and approved by the IFAC Board.

21. **Do you agree with the option to support the work of the standard-setting board with an expanded professional technical staff? Are there specific skills that a new standard-setting board should look to acquire?**

The professional technical team cannot retain the professional accountants. Creating a technical team is not the solution. The approach and participation of professionals is important.

22. **Do you agree the permanent staff should be directly employed by the board?**

We can agree with the proposal that the permanent staff should be employed by the board.

23. **Are there other areas in which the board could make process improvements – if so what are they?**

Arrangements should be made to allow for the participation of countries that do not have memberships in standard-setting boards (observer or sub-committee membership).

24. **Do you agree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk to the independence of the board because of it being funded in part by audit firms or the accountancy profession (e.g. independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?**

There is not any foundation or authority to provide fund. The way of providing the current financing is suitable.



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- 25. Do you support the application of “a contractual” levy on the profession to fund the board and the PIOB? Over what period should that levy be set? Should the Monitoring Group consider any additional funding mechanisms, beyond those opt for in the paper, and if so what are they?**

It is not right to enforce such an application. However, by consulting with the PIOB, the amount to be paid by supervisory firms and accountancy professional organizations can be determined and the remainder can be investigated.

- 26. In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.**

We think that there is not any reform in this consultation paper. The Monitoring Group's proposal may lead to too many situations in which accounting, auditing and assurance standards in the process may disrupt or corrupt practice with local regulations.

- 27. Do you have any further comments or suggestions to make that the Monitoring Group should consider?**

The monitoring group should work to improve their existing activities rather than replace them. This is not the right method. This causes each country to follow a different practice.


Regarding Monitoring Group's Consultation Paper on *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*, we have submitted our comments and views as Union of Chambers of Certified Public Accountants of Turkey (TURMOB).

We hope that you are assessing as useful the mentioned all responses.

If you have any further questions, please do not hesitate to contact Mrs. Seher Gundogdu at international@turmob.org.tr.

Sincerely,


Yahya ARIKAN
General Secretary


A. Masis YONTAN
President