

COMMUNIQUE AMENDING THE COMMUNIQUE REGARDING INDEPENDENT AUDITING IN CAPITAL MARKETS

Serial : X
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Article-1 The following three paragraphs have been added to Article 11 of Communiqué Serial X, No: 16 Regarding Independent Auditing in Capital Markets published in the Official Gazette dated 04 March 1996, No. 22570;

“Independent auditing firms, their auditors and other staff shall not provide any issuer or intermediary, contemporaneously with the audit, any non-audit service, with or without fee, including;

- a) Book-keeping and other related services,
- b) Financial information systems design and implementation services on management, accounting and finance
- c) Appraisal or valuation services and actuarial services,
- d) Internal audit outsourcing services,
- e) Legal services and expert services,
- f) Any other consultation services,

However, within the framework of the Law No. 3568 on Independent Accountancy, Independent Accountancy Financial Advisory and Sworn-in Financial Advisory, it is not prohibited to examine financial statements and tax returns and verify their conformity and to give opinion and prepare reports in accordance with tax legislation.

Any consulting firm that is related with any independent auditing firm by way of capital or management shall not provide any consulting service to any issuer to which the related independent auditing firm provides audit service for the same period. This prohibition includes consulting services rendered by shareholders or directors of the independent auditing firm.”

Article 2- The first paragraph of Article 24 has been amended as follows;

“In special and/or annual audit, independent auditing firms are selected by the board of directors of the company for no more than 5 years. The audit engagement signed with selected independent auditing firm comes into effect after the approval of the board of directors of the issuer. In an annual audit, selection of independent auditing firm made by board of directors is presented to approval of stockholders’ meeting. After 2 accounting periods, independent auditing firm could provide audit service to the same issuer.”

Article 3- Following Article 28/A has been added;

“Audit Committee

Article 28/A- Listed companies have to establish an audit committee that have at least 2 members who shall be selected by and among the board of directors. If committee has two members, both of them, if committee has more than two member, majority of them can not be from a executive post like general manager or executive committee member in the board of directors. Non-listed companies can voluntarily establish an audit committee according to principles regulated in this article and disclose to the public.

Audit committee oversees implementation and effectiveness of accounting system, disclosure of financial information to the public, independent auditing and internal control system. Also, following operations are realized under oversight of the audit committee; the selection of the independent auditing firm, beginning of auditing process by signing audit engagement with independent auditing firm and every phase of services rendered by independent auditing firm.

Selection of independent auditing firm and audit services rendered by independent auditing firm shall be presented to board of directors of the issuer after pre-approval of audit committee.

Independent auditing firm shall timely report following issues to the audit committee of the issuer;

- all critical accounting policies and practices to be used,
- all alternative treatments and disclosure options of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer,
- possible results of the use of such alternative disclosures and the treatment preferred by the auditing firm,
- other material written communications between the auditor and client management.

Audit committee shall establish procedures for,

- the receipt, retention and treatment of complaints received by the issuer regarding to accounting, internal controls and auditing matters, and
- the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting and auditing matters.

Audit committee shall present annual and interim financial statements with its evaluations to the board of directors after taking opinion of responsible directors of issuers and auditors regarding to true and fair view and conformity of them to accounting principles of issuer.

Audit committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its

duties. Funding for payment of compensation to any advisers employed by the audit committee shall be provided by issuer.

Audit committee shall meet at least 1 times in 3 months, at least 4 times in a year and the results of these meetings shall be presented to the board of directors in a written form. Audit committee shall present immediately problems and suggestions which are related with the Committee's task and responsibility fields to the board of directors of issuer in a written form.

The task and responsibility of audit committee can not abolish the task and responsibility of the board of director defined in Turkish Commercial Law.”

Article 4- Following Article 28/B has been added;

“Responsibility of Preparation and Announcement of Financial Statement and Annual Report

Article 28/B- In the framework of Turkish Commercial Law and capital market legislation, the board of directors of issuers and intermediaries is responsible for the preparation, presentation and true and fair view of financial statements and reports in accordance with the Board's accounting standards and generally accepted accounting principles. The board of directors of issuers and intermediaries has to take a separate decision related with approval of financial statements and annual reports.

Moreover, during the announcement and submission of financial statements and annual reports of issuers and intermediaries, these annual and interim financial statements and annual reports have to be signed and disclosed by general manager, accounting officer and, if there is, staff assigned by the board of directors, with the following explanations;

a) Financial statements and annual reports are examined by themselves,

b) According to information that they have, the reports do not include any unrealistic explanation or by the date of announcement, there is any deficiency that result in misleading explanations.

c) According to information that they have, financial statements and other financial information in the reports reflect true nature of the financial situation and operation results of the issuer.

The board of directors of issuers and intermediaries has to take the necessary measures to provide the staff who has responsibility of signing financial statements access to all types of related important information about issuers, subsidiaries, joint ventures and associates. The staff who has responsibility of signing financial statements have to communicate the criticisms and suggestion related with both internal control system and information gathering system to the board of directors, audit committee and independent auditing firm, and to give information associated with the internal control system which was used during the examination of reports.”

Article 5- The provisions of this Communiqué shall enter into force as follows;

a) Article 1 shall enter into force at the date of publication, but for the audit engagement which continues at the date of publication, it shall be effective beginning from 1 January 2003.

b) Article 2 shall enter into force at the date of publication, but for the audit engagement which continues at the date of publication, without taking into account the period before publication, it shall be effective beginning from January 1, 2003.

c) Article 3 and 4 shall be effective at the date of publication and will be valid for annual accounting period ending after January 1, 2003 and subsequent interim period.

Article 6- The provisions of this Communiqué shall be executed by the Capital Markets Board.