



# T Ü R M O B

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

Ankara, September 12, 2019

**To: Mr. Tom Seidenstein**  
Chairman  
The International Auditing and Assurance Standards Board (IAASB)

**From: Mr. Masis YONTAN**  
President  
Union of Chambers of Certified Public Accountants of Turkey (TURMOB)

**Subject: Decision Paper: Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs**

**Dear Tom Seidenstein**

We, as Union of Chambers of Certified Public Accountants of Turkey (TURMOB), are pleased to provide you with our response for the discussion paper on Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs.

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.

We would like to state that the discussion initiated by IAASB is well received, appreciated and encouraged. We firmly believe that your distinguished Board will thoroughly consider all feedback from various stakeholders contributing to this discussion.

Our expectation is that, regardless of the direction of action(s) that will be preferred by IAASB, continuous consultation with the representatives of the profession during the process will continue; without compromising urgent development of a roadmap and timeline to address this long pending and debated subject.



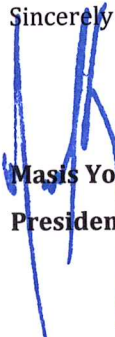
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You may find below our responses to questions that have been put forward in your discussion paper. We believe that in standard setting the basis should be small and simple, and blocks should be built upon this base structure as size and complexity requires. This approach is also essential in developing standards that are principles rather than rules based. Guidance for application of standards can then be developed for advanced implementation, instead of trying to scale down voluminous standard; an effort which in itself adds to the volume.

Please do not hesitate to reach us shall you require any further comments or clarifications.

Sincerely Yours,

  
**Maşis Yontan**  
**President**



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**Question 1: We are looking for views about how LCEs could be described (see page 4). In your view, is the description appropriate for the types of entities that would be the focus of our work in relation to audits of LCEs, and are there any other characteristics that should be included?**

**Response 1:** We are of the opinion that the term “Less Complex Entities” is not fit to describe the issue under question. The challenges faced in applying ISAs in audits of “smaller entities” (the term currently used under ISAs) pertain to the complexity of audits rather than entities. Complexity of an audit, in many cases, may result from the size of the entity. However, experience suggest that audit of a small entity can often be quite complex for an auditor for a number of reasons such as lack of sufficient internal controls or appropriate use of information technologies to eliminate human error and such.

Furthermore, the term “less complex” is not only a subjective measure against “more complex”, but it also attempts to define a concept (simple) over its opposite (complex).

Therefore, we suggest defining the concept of “complex” rather than “less complex”.

Definition of a “complex entity” should also be made using qualitative characteristics as you suggest in the paper for LCE and should complement the quantitative measures applied in practice to determine “large” entities. Complexity (whether an entity is complex or not) shall be decided by the auditor by using professional judgement based on the qualitative traits set forth by IAASB and size (large or small/medium) shall be decided by regulators in each jurisdiction when establishing audit thresholds based on quantitative criteria. Any entity categorized as complex and/or large shall be subject to current ISAs.

**Question 2: Section II describes challenges related to audits of LCEs, including those challenges that are within the scope of our work in relation to audits of LCEs. In relation to the challenges that we are looking to address:**

**a) What are the particular aspects of the ISAs that are difficult to apply? It would be most helpful if your answer includes references to the specific ISAs and the particular requirements in these ISAs that are most problematic in an audit of an LCE.**

**Response 2a:** Although some ISAs are particularly harder to interpret and implement, especially for SMPs who are the main audit service providers to SMEs, the real difficulty is the aggregate application of standards all together. ISAs pose an ever growing volume, complexity, language, cross references and documentation requirements. We understand that in response to the recent and future developments in business environment as well as stakeholders’ demands regarding audit quality, this trend in standards is inevitable under the current standard making approach. This approach results in standards that are inclining towards being rules based rather than principles.





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**b) In relation to 2a above, what, in your view, is the underlying cause(s) of these challenges and how have you managed or addressed these challenges? Are there any other broad challenges that have not been identified that should be considered as we progress our work on audits of LCEs?**

**Response 2b:** An important result and challenge introduced by the above mentioned difficulties, that are encountered by SMPs in complying with ISAs, is the undersupply of non mandatory audit services to SMEs. This is both due to reluctance of SMPs to engage in a more onerous service, and also higher cost of service reflected to the SME. Meanwhile, the number of PIEs (PIEs by definition, otherwise we believe that SMEs also bear significant public interest) are decreasing with the global trend of increasing audit thresholds. These together are likely to increase the already existing concentration in audit market in favour of large firms. Concentration both increases the audit fees and decreases competition, and also impedes audit sector capacity development that will occur with more SMPs engaging in ISA audits, which inturn would have positive impact on audit quality.

**Question 3: With regard to the factors driving challenges that are not within our control, or have been scoped out of our exploratory information gathering activities (as set out in Section II), if the IAASB were to focus on encouraging others to act, where should this focus be, and why?**

**Response 3:** IAASB should liaise and cooperate with national and regional standard setters and professional accountancy bodies to receive feedback on and enhance clarity, implementability and public perception regarding value of the standards. It should also coordinate its efforts with other relevant standard setting bodies such as IESBA to address different issues raised by various stakeholders and promote its and the professions efforts and reputation.

**4. To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III:**

**a. For each of the possible actions (either individually or in combination):**

- i. Would the possible action appropriately address the challenges that have been identified?**
- ii. What could the implications or consequences be if the possible action(s) is undertaken? This may include if, in your view, it would not be appropriate to pursue a particular possible action, and why.**

**b. Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?**

**c. In your view, what possible actions should be pursued by us as a priority, and why? This may include one or more of the possible actions, or aspects of those actions, set out in Section III, or noted in response to 4b above.**



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**Response 4:** We believe that in standard setting the basis should be small and simple, and blocks should be built upon this base structure as size and complexity requires. This approach is also essential in developing standards that are principles rather than rules based. Guidance for application of standards can then be developed for advanced implementation, instead of trying to scale down voluminous standard; an effort which in itself adds to the volume.

Therefore, we first urge IAASB to rapidly develop a separate set of standards for LCE, based on current ISAs, to address the immediate demand and need, and to prevent duality of international and national standard setting that is now taking place. As the second step, these newly developed standards shall be converged with ISAs, building upon the simpler standards as suggested above, and attain a more resilient new set of ISAs.

**5. Are there any other matters that should be considered by us as we deliberate on the way forward in relation to audits of LCEs?**

**Response 5:** The way forward for LCE audits may change the standard making approach of IAASB. There are important and evolving areas such as assurance, other engagements or extended external reporting. LCE audit exercise can also provide valuable guidance and input in the way forward of these areas with regard to a more agile and stakeholder/implementer comprehensive approach to standard making.

It should be prioritized the simplifier structuring in the work sheets and the control of auditor's expert.