

Audit Qualifications in Turkish Listed Firms

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The purpose of this study is to provide some evidence on the effects of some auditor-related, firm specific and legal factors on issuance of modified audit opinions. The study covers Turkish firms listed in Istanbul Stock Exchange. The audit opinions given during the periods between 2003 and 2011 were analyzed. The period selected can be defined as a transition period for accounting and auditing in Turkey.

In the literature there are some studies on the factors affecting audit opinions. Those factors comprised both financial and non-financial data. However, besides those factors, especially in developing countries changes in accounting and auditing regulations may be a significant factor on audit opinions.

Changes in regulations related to accounting and auditing by Turkish regulatory bodies is believed to increase the quality of accounting information and auditing. However, every change in regulation creates some problems in application. This transition period serves an opportunity for the researchers to analyze possible effects of the transition on audit reports. In this study relationships between these changes and audit opinions are searched.

In Turkey statutory audit is required only a small number of companies. Most of these companies are required to Turkish Capital Market Law (TCML). However, only the financial statements and audit opinions of the firms that are listed on the ISE are available to the public, and thus the researchers. Because of this constraint the studies are generally limited to the ISE firms. The data were collected from the audited financial statements and their accompanying notes including the audit reports. Those statements were uploaded from the website of the Istanbul Stock Exchange.

In the study some debt, profitability, liquidity ratios and firms size used as firms specific characteristics. Audit firm size and changes in accounting and auditing standards are also used in the analysis.

The process of audit opinion formation is a complex procedure. There are many factors, many of those limited in the working papers of auditors,

affecting audit formation. Thus understanding some significant public available factors affecting modified audit opinions would be a significant mean for crediting auditors' opinions. It is aimed to form a model based on some firm and auditor specific characteristics to explain modified audit opinions given in Turkish capital market. The model would serve audit report readers in realizing the potential factors influential on the opinions given, and estimating the a priori audit opinion.

Keywords: Audit Report, Audit Opinion, Qualification, Turkey, Regulation, Audit Firm Size.