

# **REGULATION ON PRINCIPLES OF INDEPENDENT AUDIT IN INSURANCE**

Official Gazette of Publication: 12.07.2008 – 26934

Issued by: Prime Ministry (Undersecretariat of Treasury)

## **PART ONE**

### **Objective, Scope, Basis and Definitions**

#### **Objective**

##### **ARTICLE 1**

(1) The objective of this Regulation is to establish the principles regarding the audits by independent audit agencies of financial statements drawn up in accordance with the accounts and records of the insurance and reinsurance companies established in Turkey as well as Turkish branches of insurance and reinsurance companies established abroad in addition to pension companies, and determining whether financial statements to be published within the framework of the opinion to be formed as a result of the audit carried out reflect the real state of the insurance, reinsurance and pension company in question.

#### **Scope**

##### **ARTICLE 2**

(1) This Regulation covers the agencies licensed to carry out independent audits in companies as per the provisions of the Regulation on Independent Audits of Insurance and Reinsurance Companies and Pension Companies, as well as insurance, reinsurance and pension companies operating within the framework of the Insurance Law No. 5684 and dated 3/6/2007 and the Private Pension Savings and Investment System Law No.4632 and dated 28/3/2001.

#### **Basis**

##### **ARTICLE 3**

(1) This Regulation has been prepared pursuant to the second paragraph of Article 18 of the Insurance Law No. 5684 and Article 21 of Private Pension Savings and Investment Law No. 4632.

#### **Definitions**

##### **ARTICLE 4**

(1) The following expressions in this Regulation shall have the following respective meanings;

- a) Auditor: Authorized professionals assigned to the auditing, on behalf of the agency, of the institutions covered under this Regulation,
- b) Financial statements: Statements, footnotes, annexes and notes determined within the framework of the regulations concerning the account and record keeping system established in accordance with the Law,
- c) Law: Insurance Law No. 5684 and Private Pension Savings and Investment System Law No. 4632,
- ç) Agency: Independent audit agency authorized to carry out independent audit in insurance, reinsurance and pension companies,
- d) Undersecretariat: Undersecretariat of Treasury,
- e) Company: Insurance and reinsurance companies established in Turkey, Turkish branches of foreign insurance and reinsurance companies established abroad, and pension companies.

## **PART TWO**

### **Basic Concepts**

#### **Independent audit**

##### **ARTICLE 5**

(1) Independent audit is the review of the accounts and records of companies by agencies, in accordance with the audit principles established in this Regulation, and the audit and reporting of the financial statements within the framework of the opinion established on the basis of the results of this review, with respect to the compliance of accounts and records with the Law and the legislation regarding the account and record keeping system established in accordance with the Law.

(2) Independent audit shall be carried out on the basis of the books, records and documents of companies, and where necessary, through account reconciliations with third parties. The effectiveness and efficiency of the internal systems and company units regarding account and record keeping shall also be covered in this respect.

(3) Within the framework of this Regulation, independent audit shall be carried out in the following form:

a) Annual Audit; is the comprehensive audit of companies' consolidated and non-consolidated financial statements drawn up as of the end of year, through the employment of all required audit techniques.

b) Interim Audit; is the audit in accordance with principles and rules of limited audit, carried out as of the end of interim period as per the annual audit plan, by the agency which carries out the annual audit.

c) Special Audit; is the audit carried out within the framework of the methods and principles specified in this Regulation, exclusively on issues stipulated in the regulations issued in accordance with the legislation other than the tax legislation, or as determined by the Undersecretariat.

(4) The Undersecretariat shall determine the frequency of interim audits.

#### **Independence**

##### **ARTICLE 6**

(1) Independence entails a complete framework of perspective and behavior patterns ensuring honest and impartial execution of the professional activities. The auditors are required to avoid conflicts of interest to arise during their activities, to preclude any intervention which may affect their honesty and impartiality, and to disclose their opinions formed at the end of the independent audit without taking into consideration direct or indirect interests of others.

#### **Disappearance of the independence of agencies from companies**

##### **ARTICLE 7**

(1) In case the agency or auditors come to suspect that the independence is damaged, it shall be assumed disappeared.

(2) Independence shall be presumed disappeared in the following cases:

a) If the managing or auditor partners, directors, auditors and assistant auditors of independent audit agencies, and relatives by blood or marriage up to (and including) third degree thereof, or the independent audit agencies;

1) Are found to extract a direct or indirect interest from the company or its affiliates, or if the relevant auditor has failed to notify the management of the independent audit agency in writing about a promise of benefits to be provided to such persons,

2) Are found to be affiliated directly or indirectly with the company or the shareholders of the company with respect to the management, audit and capital of the company, or in partnership with legal or natural persons under the influence of such,

3) Are appointed as the founder, chairman or member of the board of directors, general manager or assistant general manager in the company or its subsidiaries, or at another position which provides substantial decision making power and responsibility in the business, except for the appointments made in relation to Articles 347 and 359 related to auditors in Turkish Commercial Code No. 6762 and

dated 29/6/1956,

- 4) Are parties to an extraordinary credit relationship with the companies and their subsidiaries,
- b) Failure, without a valid justification, of the company to pay the audit fee for previous years,
- c) Association of the audit fee with the results of the audit, or if it is set at a rate significantly different from the market rates.

(3) During the period of independent audit services, agencies and their employees, regardless of their titles, shall not provide;

- a) Book keeping and related services,
- b) Services of establishment and development of financial information systems, business administration, accounting and consultancy in the applications thereof, documentation and reporting,
- c) Valuation and actuary services,
- ç) Internal audit assistance services,
- d) Arbitration and expert witness services,
- e) Services regarding management or human resources management,
- f) Investment consultancy services,
- g) Other consultancy services,

in exchange of a fee or au gratis, to companies in which they carry out independent audits.

(4) However, the review and certification of financial statements and declarations for compliance with the tax legislation, to provide written opinion and to report on the matter within the framework of the Law of Certified Public Accountants and Sworn-in Certified Public Accountants No. 3568, shall not be considered among the prohibited activities specified in the third paragraph.

(5) Consultancy firms of which management or capital is under direct or indirect control of the agency shall not provide consultancy services to the company to which the agency carries out independent audits regarding the same period. This provision shall also cover the consultancy services provided by the natural person shareholders and managers of the agency.

### **Professional diligence and rigor**

#### **ARTICLE 8**

(1) The auditors are required to exercise required diligence and rigor at every stage of the audit process. Professional diligence and rigor reflects the attention to details, and the efforts and care a careful and prudent auditor shall exercise under similar circumstances. A fundamental measure of an audit carried out with diligence and rigor is auditors' strict observation of the audit principles established in this Regulation.

(2) Auditors are obliged to plan and program their activities with due diligence and rigor, to act impartially and in an objective manner, to collect ample, appropriate and reliable evidence, to assess the evidence, to reflect the findings in a clear and well-ordered manner in the working papers, to come up with a honest and accurate judgment regarding the factual and accurate nature of the financial statements, and to disclose in the audit report the auditor's opinion which reflects the said judgment.

### **Principles of quality control in independent audits**

#### **ARTICLE 9**

(1) The agency and the auditor are obliged to devote utmost effort to carry out a high-quality audit activity, and to abide by the following principles to ensure and protect the quality of the audit;

- a) Professional Requirements: The agency and the auditor are required to act in accordance with the principles of independence, honesty, impartiality, confidentiality and professional conduct.
- b) Professional Qualification: The agency and the auditor are required to have the technical knowledge and professional qualifications to enable due performance of their responsibilities.
- c) Division of Duties: The audit activities are required to be carried out by audit personnel with technical proficiency, professional qualifications and skills up to the task.
- ç) Guidance: Work carried out at all levels are required to be reviewed in order to ensure the desired quality of audit, and the formation of a complete and accurate opinion at the end of the audit, and the auditors are required to be directed in relation to their duties.
- d) Solicitation of Opinion: Provided that the company is not named and the concept of professional

confidence is observed, when necessary the opinion of persons experienced and knowledgeable about the matter may be solicited.

e) Acceptance of duties and continuity: An evaluation is required to be carried out in relation to the acceptance of the task and continuation of audits in ensuing periods, and the agency's state is required to be assessed in particular with reference to the compliance with the principles of independence, and the scale and scope of the services to be offered.

f) Monitoring: The adequacy and functionality of the quality control methods are required to be monitored.

### **Significance**

#### **ARTICLE 10**

(1) The affect of the exclusion or misreflection of a particular piece of information in financial statements over the economic decisions to be made by the users based on such financial statements is the basic indicator of the significance of the information in question with respect to the financial statements.

(2) During the planning of the audit, it is necessary to evaluate whether the errors made in the preparation of financial statement prevent the reflection of the actual financial situation of the company on the financial statements, or not.

(3) In case the significance of the errors requires a correction of the financial statements, and the company refuses to carry out such a correction, the auditor should form his/her opinion taking this issue into consideration, and should refer to the matter in the report.

### **Errors and misconduct**

#### **ARTICLE 11**

(1) The potential of inaccuracies to arise from errors or misconduct with respect to financial statements should be taken into consideration during the planning and implementation of independent audits.

(2) An erroneous implementation of accounting policies arising from an interpretation error, calculation errors in accounting data and records, and similar practices shall be considered as errors.

(3) The manipulation, modification or falsification of documents and records, misappropriation of assets, failure to reflect in the calculations the results of the transactions from records and documents, and willful misimplementation of accounting policies to serve a specific purpose, and similar practices shall be considered as misconduct.

(4) Efficient accounting and internal control systems are assumed to decrease the probability of inaccuracies in financial statements arising out of errors and misconduct, whereas weaknesses of accounting and internal control systems, the suspicions about the qualifications and prudence of directors, extraordinary pressures and proceedings inside the company, and the problems faced in gathering ample and reliable proof for audit are assumed to increase the risk of errors and misconduct.

(5) The auditor is obliged to show ample and appropriate evidence for audit that there are no significant inaccuracies arising from errors or misconduct in financial statements, and even if there are such inaccuracies, that their effect is reflected or corrected on the financial statements.

(6) In case an error or misconduct is revealed during the audit process, it is necessary to take their impact on the financial statements, and to carry out additional review in case the error or misconduct is presumed to have a significant impact on the financial statements.

(7) The auditor is obliged to inform the directors and the board of directors of the company at every stage possible, about the errors and misconducts revealed.

(8) The auditor shall provide a reflection in the audit report on the findings concerning errors and misconduct as;

a) Negative or conditional, in case he/she presumes the error or misconduct to have a significant impact on the financial statements and the error or misconduct was reflected but not corrected on the financial statements,

b) Conditional, or shall not provide a reflection at all, in case his/her efforts to gather ample and appropriate evidence to review whether it has a significant impact on financial statements were prevented by the company,

c) Formed in accordance with the assessment of their potential impact on the financial statements and the independent audit report, in case their presence or scale has proven elusive due to limitations imposed by the circumstances rather than the company.

### **Responsibilities of the parties**

#### **ARTICLE 12**

(1) The company shall be liable for the compliance of its activities with the legislation as well as the prevention or revealing of errors or misconduct. However, the auditor shall be obliged to adopt an approach during the planning and implementation of the audit to question potential violations, taking into consideration the fact that the financial statements may be affected significantly in case of a violation of the legislation, error or misconduct.

(2) In case violations of the insurance and pension legislation, errors or misconduct are discovered during the audit activity, and in case they are not eliminated by the company, the auditor shall immediately inform the Undersecretariat and the board of directors of the company, and shall form the auditor opinion within this framework. It is also required to report to the Undersecretariat in writing the criminal acts which are required to be reported to judicial investigations.

(3) The auditors are obliged to act as per the rules of good faith and as is during their work the books and documents entrusted to them by the relevant authorities within the framework of the independent audit, and return such in the conclusion of the work.

(4) The company is obliged to make the accounting unit and financial statements available and ready for audit.

(5) The companies are deemed to have authorized the agencies with which they execute contracts within the framework of this Regulation;

a) To review all books, records and documents; albeit confidential, regarding the audit,

b) To request all information related with the audit from directors and other relevant officials,

c) To attend board of directors and general assembly meetings, if requested by the company or deemed necessary by the agency, in order to provide explanations on the matters concerning audit activities and their results.

(6) In case the company does not provide the agency with all information and documents related to the audit proceedings, the Undersecretariat shall be notified immediately.

(7) The agencies and auditors shall not disclose the information they have come across within the framework of the audit, yet confidential as per the provisions of the relevant legislation, to persons other than those expressly authorized in law, nor shall they make direct or indirect use of such information for their own interests.

## **PART THREE**

### **Pre-Audit Proceedings**

#### **Independent audit plan**

##### **ARTICLE 13**

(1) The agency is required to prepare an overall independent audit plan for the efficient performance and conclusion of the audit activity.

(2) As a minimum, the independent audit plan is required to cover the following:

a) Necessary research on the organizational structure, internal control structure, modus operandi, work flow and other issues regarding the company,

b) A review of the financial statements, working papers for the previous period regardless of the audit being carried out in that period by the same agency or another, internal audit reports and communication files of the company,

c) A review of the internal control system of the company,

- ç) A detailed review of accounting policies, and a survey of the changes which may have occurred in accounting procedures, independent audit procedures, or in the legislation, and which may have an impact on the financial statements,
- d) The notification of directors and other relevant officials about the type, scope, and timing of the independent audit to be carried out,
- e) Determination of the personnel to provide information to and prepare data for the auditors during the independent audit, and the coordination among these personnel,
- f) Division of labor and coordination within the team to carry out the independent audit activity.

### **Independent audit program**

#### **ARTICLE 14**

(1) The independent audit plan shall be implemented within the framework of independent audit programs which provide the type of the independent techniques to be applied and the timing and scope of the audit to be carried out.

(2) Independent audit programs are the documents determining the audit techniques planned for implementation in each field of audits during the execution of the independent audit, and which associate the techniques with working papers.

(3) The appointments to be made within the framework of independent audit program shall take into consideration the issues regarding the responsibilities, professional know-how, skills and experience of the team members, and shall expressly define corresponding tasks.

(4) The independent audit program shall be reviewed during the independent audit activities. If necessary, changes may be affected on the audit program, providing justification.

(5) Independent audit programs put into practice, along with the relevant working papers, shall constitute the evidence of the work carried out.

## **PART FOUR**

### **Audit Process and Audit Report**

#### **Collection and evaluation of evidence**

#### **ARTICLE 15**

(1) The opinion of the auditor shall be formed by gathering ample and reliable evidence for audit using certain audit techniques, and assessing the evidence amassed. The documents and all kinds of information obtained from accounting records and other sources shall be assessed as the evidence for audit.

(2) The evidence for audit shall be considered ample and appropriate, taking into consideration;

- a) The significance level determined by the auditor with respect to financial statements,
- b) The operation and adequacy of the internal control system of the company, with respect to the consistency and reliability of financial statements,
- c) Level of significance of the account items audited,
- ç) Experience accumulated in past audits,
- d) Results of the audit techniques applied, and the misconduct or errors revealed by the application of the said audit techniques,
- e) Reliability of existing information,
- f) Relations with shareholders, affiliates and subsidiaries,
- g) Capital structure and its relation with the assets and the risk picture.

(3) The assessment of the reliability of the source of the evidence shall be based on the following order of reliability;

- a) Evidence obtained from independent sources outside the operation shall be considered more reliable compared to those obtained within the operation,
- b) Evidence obtained in environments where an effective internal audit system is in place shall be

considered more reliable compared to those obtained where an effective internal audit system is lacking,

c) Evidence collected through the audit techniques applied directly by the auditor shall be considered more reliable compared to those obtained through indirect means.

(4) The purpose of evidence gathering is to investigate;

a) The correct reflection of all assets, resources, incomes and expenses and accurate registration of all transactions in respect thereof,

b) The inclusion of all transactions and accounts required to be reflected on financial statements, with accurate amounts and in accordance with their real characteristics,

c) Whether the rights concerning assets and obligations concerning liabilities are company's own, or not;

ç) Whether the assessment was made in accordance with the accounting and valuation principles established in the legislation regarding the matter,

d) Whether financial statements comply with appropriate definition, classification and explanations qualities per major items.

(5) In case ample and appropriate evidence cannot be collected to form auditor's opinion, either a conditional opinion shall be reported, or it shall be reported, by providing justification, that an opinion cannot be formed.

## **Audit techniques**

### **ARTICLE 16**

(1) Auditors, during the execution of the independent audit program, shall gather ample and adequate evidence for audit using the following and similar techniques:

a) Physical review is the observation of actual existence of documents and physical assets registered in records, and the verification of the ownership by the company of the assets determined with reference to official documents and records,

b) Observation is the presence of an auditor during the execution of certain activities. Reliable evidence regarding procedures which require certain determinations at the implementation stage shall be obtained through observation,

c) Verification refers to the written request of information from a source outside the company within the framework determined by the auditor, and the provision of such information directly to the auditor. In case the company requests the auditor not to carry out verification regarding certain items, the priority should be placed in investigating whether there is a valid reason for requesting so. If the request is considered to have valid grounds, the verification regarding the items in question may be carried out through alternative practices. If the request is considered not to have valid grounds, either a conditional opinion shall be reported, or it shall be reported, by providing the justification, that an opinion cannot be formed,

ç) Information gathering is the procedure of collection of information by the auditor from relevant persons. Within this framework, the auditor can review all correspondence of the company with official or relevant agencies, and all reports prepared by official and relevant authorities,

d) Re-calculation is the verification of the records by the auditor,

e) Review of documents refers to a detailed review of the contents of all documents related with the activities and financial statements, and the concordance thereof with the records. Documentary basis is required for each accounting record. In case the auditor is faced with accounting records created in electronic medium through general application of information technologies for automatic creation of records, the auditor is required to investigate the creation of records in the information technologies system, and the controls the records are subject to within work processes and information technologies system.

f) Analytical review refers to the comparison of the data provided in financial statements, and a review of their interrelation through a review. The purpose of this audit technique is to gather evidence for the audit opinion; to verify the existence of significant relations between the data; and to reveal unacceptable variations among the data. Analytical review shall comprise a comparative review of the relationship between financial and non-financial data, and the information regarding the current period with the information regarding previous periods,

g) Current account reconciliation refers to the investigation of the existence of mutual reconciliation of

current accounts opened by the company for insurance, reinsurance and pension companies, brokers, banks, shareholders and other persons with which a credit relationship is in existence.

### **Audit risk**

#### **ARTICLE 17**

(1) The audit risk is the inherent risk of provision of favorable opinion on the financial statements of the company by the auditor, despite the existence of significant errors therein. The audit risk comprises the structural risk which refers to the risk of certain transactions or account balances being affected from significant errors due to certain structural and environmental circumstances under the assumption that the internal audit system is not functional or in operation; the internal control risk which refers to the inability of the policies and practices established by the company with respect to the internal control and accounting system in the prevention or ascertainment of significant errors to occur with respect to the account balance or transaction, precluding timely elimination thereof; and the finding risk which refers to the risk of the inability of the auditor to discover significant errors with respect to account balances or transactions.

(2) During the planning of audit, the auditor must determine the level of audit risks which may be incurred, and the impact of the risk on the structure, timing and scope of the audit methods. Within this framework, the elements of audit risk are required to be transposed on working papers;

- a) In case of structural risks, through a complete review of financial statements, and association with the level of significance,
- b) In case of control risks, through a review with respect to the existence, operation and the effectiveness of the accounting system,
- c) In case risks are discovered, through the development of an appropriate audit practice to limit the risk to an acceptable level in comparison to structural risks and control risks.

### **Record keeping and working papers**

#### **ARTICLE 18**

(1) The auditor is required to have an orderly and adequate record keeping system with respect to the independent audit activities.

(2) The auditor is required to keep the evidence gathered and the procedures carried out in the form of working papers in order to document the compliance of the audit with this Regulation, and to support the opinion provided. Working papers should help in the planning and execution of the audit, review of the procedures, and record the evidence for audit.

(3) The working papers shall remain in the property of the agency that created them. The working papers shall not be disclosed or given to third parties other than the Undersecretariat, without the written consent of the company. The confidentiality and safety of the working papers is essential.

(4) During and after the audits by the Undersecretariat, and when requested by the Undersecretariat, agencies are obliged to submit working papers and all kinds of information and documents regarding the audit.

(5) Independent audit agencies and auditors shall be free in determining the form of the working papers they shall use, taking into consideration the following:

- a) Each working paper should include a title. The title shall contain the name and initials of the auditor which prepared the working paper, the subject matter of the working paper, the preparation date, and the period of audit.
- b) Completed working papers shall expressly cover the issues regarding the audit methods and techniques employed, as well as definitions of rating marks and symbols, account confirmations, whether internal control system was utilized by the professional, and the opinions of the professional, with adequate explanations.
- c) Working papers shall be clear to provide warranty on the level of compliance of the books and the financial statements based on them with the accounting principles and standards established in the relevant legislation within the framework of the audit. Working papers may also be kept or backed up in electronic media.
- ç) Working papers shall cover all stages of the audit activities in order to provide a defense for the professional, in case the audit activity itself is audited.
- d) The issues audited as per the audit program and the matters where the audit activity has faced



difficulties, shall be noted on working papers, along with justification.

(6) The working papers are required to be kept in their files and submitted when requested by the authorities for a period of five years following the date of preparation. Those subject to legal proceedings within the aforementioned period shall be kept till the conclusion of the legal proceedings.

### **Independent audit report and the auditor's opinion**

#### **ARTICLE 19**

(1) Taking into consideration in particular the concept of significance, the independent audit report shall cover the compliance of the audited financial statements with all accounting principles and standards determined in relevant regulations. The report to be prepared by the agency in accordance with the principles determined in this Regulation shall cover the financial statements to be disclosed to the public, relevant notes and footnotes and the following issues:

- a) Titles of the authorities to which the report is submitted,
- b) Commercial title of the agency,
- c) Name, title and signature of the responsible partner lead auditor,
- ç) Audit principles and techniques employed,
- d) General information regarding the company;
  - 1) Its legal structure,
  - 2) The capital structure and share acquisitions or transfers to cause the shares of any shareholder to exceed or fall below 10%, 20%, 33%, or 50% of the capital,
  - 3) Management bodies, senior managers and auditors, and the qualifications thereof, with any changes to occur in such,
  - 4) Summary information regarding the activities and the results thereof,
- e) Financial statements subject to audit (comparing the current period with the previous one),
- f) Notes regarding the compliance of the accounts of the company with the accounting methods and standards which constitute the basis of the report, by specifying the primary accounts and major sub-accounts separately and providing a detailed review,
- g) Accuracy of technical accounts, and the assessment thereof,
- ğ) Assessment of the internal control system of the company,
- h) Impact on company's financial statements of the transactions which are not compliant with the accounting principles and standards specified in relevant regulations,
  - ı) In case of changes in the accounting policies in comparison to the previous year, the impact of the change on the financial statements of the company,
- i) Summary information to cover significant changes and developments which may affect the company's standing after the audited balance sheet period,
- j) Opinion of the auditor on financial statements.

(2) Agencies are obliged to take into consideration and assess potential uncertainties such as lawsuits or disputes which may affect the company adversely in case such are resolved against the company. In case the uncertainties reach substantial levels, they shall be specified in the footnotes of the company's financial statements.

(3) In relation to the reports of which contents have been determined in this Article, the Undersecretariat may require an additional review and report by the same agency or another, if deemed necessary with respect to the findings of the reports. In this case, the additional costs shall be borne by the company.

(4) Agencies shall not prepare audit reports which include opinions other than those voiced in the audit reports submitted to the Undersecretariat.

### **Favorable opinion**

#### **ARTICLE 20**

(1) In case the responsible partner lead auditor, taking into consideration the opinion of the independent auditor team under its supervision, considers the financial statements, the financial standing of the company, and the results of operation as compliant in all significant aspects such as:

- a) Compliance with general principles of audits in independent audit activities,

- b) Compliance of audited financial statements with accounting principles and standards in force as per the relevant legislation,
- c) Consistency in accounting policies in force,
- ç) Clarity of the information provided in financial statements,
- d) Lack of any uncertainties to affect financial statements,
- e) Lack of any restrictions on the work of the auditor,

and considers the financial statements to reflect the truth about the actual standing of the company, the favorable opinion shall be provided as per the model form provided in Annex:1/A.

(2) The issues such as significant transactions made with persons within the same risk group as that of the company, who do not affect the favorable opinion, yet is required to be submitted to relevant parties, shall be provided as per the model form provided in Annex: 1/B.

### **Conditional opinion**

#### **ARTICLE 21**

(1) In case the responsible partner lead auditor, taking into consideration the opinion of the independent auditor team under its supervision, considers that it is not possible to provide a favorable opinion, nevertheless the grounds barring the favorable opinion are not as substantial as those requiring an unfavorable opinion or a lack of opinion, shall provide a conditional opinion.

(2) The issues which prevent the responsible partner lead auditor from providing a favorable opinion shall include the restrictions on the scope of independent audit activities, or differences of opinion with the management. In case the scope of the activities is restricted by the company, the auditor shall be required to take into consideration the said situation when forming the auditor opinion. In case of a restriction to prevent favorable opinion of the auditor on audit activities, the auditor shall disclose that he/she failed to provide a favorable opinion due to the inability to determine the impact of restrictions on financial statements, and shall include this explanation in the audit report as well.

(3) In cases of differences of opinion with the management on the suitability of the accounting policies put into practice by the management, the methods applied in the implementation of the accounting policies with respect to the financial statements and the notes and footnotes therein, or the compliance of financial statements with legal regulations, the auditor shall state that it failed to provide a favorable opinion, and shall include explanation regarding the abovementioned issues in the audit report as well.

(4) The auditor opinions regarding the differences of opinion which constitute the legal basis of the opinion shall be provided in accordance with the model forms provided in Annex: 2/A or Annex: 2/B.

### **Unfavorable opinion**

#### **ARTICLE 22**

(1) In case the responsible partner lead auditor, taking into consideration the opinion of the independent auditor team under its supervision, considers that deviations from accounting principles and standards put in place in accordance with the relevant legislation, non-compliance with the principle of full disclosure, undisclosed changes in footnotes leading to substantial differences of opinion with the management of the company over audited financial statements, or that conditional opinion would not cover the inadequacy or errors in the financial statements, he/she shall provide unfavorable opinion. The report including unfavorable opinion shall specify the issues which led to the unfavorable auditor opinion and their impact on the financial statements regarding the issues to cause the unfavorable opinion in accordance with the model form provided in Annex: 3.

### **Avoiding a declaration of opinion**

#### **ARTICLE 23**

(1) In case uncertainties and restrictions faced during independent audit activities are significant to an extent to preclude any opinion of the auditor, either favorable, conditional or unfavorable, or in case ample evidence cannot be gathered about a significant item of financial statements, or in case an ineffective accounting and internal control system is in place, the responsible partner lead auditor, taking into consideration the opinion of the independent auditor team under its supervision, may avoid

declaring opinion. The report to be prepared in case of avoiding a declaration of opinion shall specify the auditor opinion regarding the reasons which led to the avoidance of the declaration of opinion in accordance with the model form provided in Annex: 4.

### **Notes regarding the opinion**

#### **ARTICLE 24**

(1) In case the auditor prepares an audit report other than one with favorable opinion, the reasons for the report and the potential impact of such on financial statements shall be provided in the report. This explanation shall be provided right before the paragraph in which the opinion is declared, and may be further detailed within the notes on the financial statements.

### **Notes provided outside the opinion**

#### **ARTICLE 25**

(1) Uncertainties and similar cases which do not affect the opinion of the auditor, yet of which declaration is considered imperative, or which cannot be foreseen reasonably with their results as of the date of the independent audit report despite being included among the footnotes of the financial statement, this shall be specified in a separate paragraph of the audit report to be added after the part on opinion, and the attention of the users of the report shall be attracted on the issue.

### **Uncertainties and violations**

#### **ARTICLE 26**

(1) In case where;

- a) Information and documents regarding financial statements cannot be obtained due to the existence of any issue to limit the scope of activities, albeit not at a level of significance to cause avoidance of the declaration of opinion,
- b) Suspicious issues are observed or audited financial statements are understood to undergo substantial changes in the future, with consideration of the attributes of the transactions reflected on accounting records,
- c) The existence of circumstances to harm the continuity of the company are observed,
- ç) Financial statements are not compliant with the accounting principles and standards to be determined in the relevant legislation as well as the accounting policies to be determined by the company,
- d) Differences of opinion exist with the company on the elimination of the impact of the errors, misconduct and fraud observed on the items of the financial statements,

The auditor shall provide a conditional or unfavorable opinion, taking into consideration the issue's impact on the reliability of financial statements, and by declaring the reasons as well.

## **PART FIVE**

### **Limited Audit**

#### **Limited audit**

#### **ARTICLE 27**

(1) Consolidated and non-consolidated financial statements drawn up by the company as of the end of interim periods shall not be subjected to a comprehensive audit. An audit opinion shall not be declared with respect to interim financial statements audited within the framework of limited audit, however it is necessary to note that financial statement had undergone limited audit by the licensed audit agency.

(2) In limited audits, the agency shall carry out a limited audit by employing analytical audit techniques and based on primarily the collection of data, taking into consideration the significance level which constituted the basis of the audit for the previous accounting period.

## **Requirements of limited audits**

### **ARTICLE 28**

(1) An audit contract should be in place between the agency and the company in order for the limited audit to be carried out. In case limited audits are carried out, the following should also be included in the independent audit contract;

- a) That access to all required documents, records and other information shall be granted in order to execute limited audit, without any restrictions put in place by the company,
- b) That no warranty shall be given to the effect that the limited audit activity shall reveal potential flaws, violations of the Law and relevant legislations, or misconduct, and that no audit opinion shall be declared.

## **Planning of limited audit**

### **ARTICLE 29**

(1) Limited audit shall be planned by documenting the results of data collection and analytical review within the framework of updating the information covering organizational structure, internal control and accounting systems, contents of the ledgers of assets, liabilities, revenues and expenses.

## **Documentation in limited audits**

### **ARTICLE 30**

(1) During limited audits, licensed audit agencies and auditors are required to carry out documentation as per the methods and principles determined in Articles 15 and 18 of this Regulation.

## **Limited audit report**

### **ARTICLE 31**

(1) The auditor shall review also the events which took place after the independent audit report regarding the end of the previous accounting period, and which may have an impact on financial statements so as to require a correction or explanation, and shall specify these in the first limited audit report. However, in the lack of a provision to the contrary in the audit contract, the auditor is not obliged to carry out any audit work to determine the events which took place after the preparation of the limited audit report.

(2) In case at the conclusion of the information gathering and analytical review, the financial statements subjected to limited audits are found to contain significant flaws, it shall be necessary to determine the source of the misrepresentation by employing additional audit methods to confirm the necessity of carrying out an amendment of the report, and to draw up the limited audit report with respect to the issues above.

(3) In the limited audit report, it shall be provided in accordance with the models provided in Annex-5A, Annex-5B, Annex-5C, and Annex-5D that a limited audit has been carried out and it should be stated;

- a) That the financial statement subjected to limited audit were drawn up correctly, that they were in accordance with the regulations regarding financial reporting, and that no significant issue suggesting an incorrect opinion was observed, or
- b) That the financial statements subjected to limited audit are not in harmony with the regulations with respect to financial reporting, the issues which constitute a barrier against an accurate reflection of financial statements in case a significant issue suggesting an incorrect opinion is discovered, as well as the potential impact of those issues on financial statements, through reflection in cases other than those that cannot be ascertained for certain, that financial statements are not in line with the regulations regarding financial reporting, that such do not provide for a true and correct opinion, or
- c) In case a significant restriction is in place, the potential impact of the restriction, along with the consideration of the rectification records to be required on the financial statements had no limitation been present, incongruence of financial statements with the regulations concerning financial reporting, in case the significance is at a level and scope where the auditor can in no way provide a warranty, that a correct opinion cannot be formed.

(4) Limited audit report shall be prepared so as to cover the following:

- a) Title,
- b) Recipient authority,

c) Introduction paragraph,

1) Explanation regarding the financial statements subjected to limited audit, and the relevant period,  
2) Notes on the establishment of the company and authorized audit agency and the liabilities of auditors,

ç) A paragraph disclosing the contents of limited audit,

1) Statement providing that limited audit had been carried out in accordance with this Regulation and relevant regulations,

2) Statement providing that the limited audit was primarily based on information gathering and analytical audit techniques,

3) Statement providing that the activities carried out provides limited warranty compared to a comprehensive audit, and does not entail a comprehensive audit opinion,

d) Statement providing that the activity carried out provides a limited warranty,

e) Date of the limited audit report,

f) Trade title and address of the licensed audit agency,

g) Signature, name and surname and title of the responsible partner lead auditor.

## **PART SIX**

### **Proceedings After the Balance Sheet and Report Date**

#### **Period after the balance sheet and before the report date**

##### **ARTICLE 32**

(1) For the period after the balance sheet and before the report date, the auditor is obliged to apply necessary audit techniques to discover the findings which would require a rectification or explanation with respect to financial statements. These techniques should entail reviewing the minutes of board of directors, ordinary and extraordinary, if any, general assembly meetings up to the report date, obtaining information regarding decisions yet to be formulated in writing from the management, reviewing latest interim financial statements, if any, after the audit period, budget, cash flow estimates, and other reports submitted to the management of the company, and updating previous information through contact with the company.

(2) During the application of audit techniques, it is necessary to obtain information regarding the issues such as the undertaking, after the balance sheet, of new liabilities or transactions which would create new liabilities which may affect financial statements, any sale of assets or losses on assets, any rectifications of records with a high level of significance.

#### **Period after the report date and prior to the announcement of financial statements**

##### **ARTICLE 33**

(1) Auditor shall not be liable for the events which takes place after the report date and prior to the announcement of financial statements, and which may affect financial statements. The company shall be liable to inform the auditor about any such events.

(2) In case of a high-significance event within the period in question, the auditor shall request the company to rectify the financial statements.

(3) In case financial statements are rectified, the report date of the auditor shall not be earlier than the date of rectification. In that case, the practices stipulated in the provisions regarding period till the report date shall be extended to the new report date, and updated accordingly.

(4) In case the financial statements are not rectified, the auditor may extend conditional or unfavorable opinion in accordance with the significance level.

#### **Period following the announcement of financial statements**

##### **ARTICLE 34**

(1) The auditor is not obliged to carry out any audits after the announcement of financial statements.

(2) In case the auditor comes across an event which had occurred prior to the report date, which would

require highly significant modifications in financial statements had it been discovered then, but was revealed after the announcement of financial statements, the auditor shall take the most appropriate decision under the circumstances, considering the possibility of modifying the financial statements, and in contact with the company.

(3) In case the financial statements are rectified, the auditor shall check the rectifications of the management, by applying the audit techniques it would deem required.

(4) The updated auditor report shall also include a detailed note explaining the grounds on which the previously published report was updated. The new report date shall be no earlier than the date of the modification. In that case, the practices stipulated in the provisions regarding period till the report date shall be updated to cover the new report date.

(5) In cases where the financial statements are not rectified, and where the auditor deems the rectification of the report absolutely necessary, the auditor shall notify the company that it would take action to ensure that the previously published report is not depended upon, and shall inform the Undersecretariat.

## **PART SEVEN**

### **Miscellaneous and Final Provisions**

#### **Non-regulated cases**

##### **ARTICLE 35**

(1) Where no clear provision is present in this Regulation, the principles and standards set by the relevant professional institution as per the Law No. 3568 and dated 1/6/1989, and the principles adopted with respect to the independent audit standards for capital markets shall apply.

#### **Regulation abolished**

##### **ARTICLE 36**

(1) Regulation on Principles of Independent Audit in Insurance published in the Official Gazette No. 25223 and dated 8/9/2003 is abolished.

#### **Entry into Force**

##### **ARTICLE 37**

(1) This Regulation shall enter into force on the date it is published.

#### **Enforcement**

##### **ARTICLE 38**

(1) The provisions of this Regulation shall be executed by the Minister in charge of the Undersecretariat of Treasury.

*(The annexes of this Regulation were amended by the Regulation published in the Official Gazette No. 27109 dated 13.1.2009.)*

**ANNEX: 1A  
INDEPENDENT AUDIT REPORT**

**Favorable Opinion**

Board of Directors of ..... A.S.,

1. We have audited the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Our responsibility is to provide an opinion on the said financial statements on the basis of the independent audit we have carried out. Our independent audit is carried out in accordance with the regulations concerning the independent audit principles as per the insurance legislation in effect. Such regulations require the observance of ethical principles, and the planning and execution of the independent audit so as to provide a reasonable warranty regarding the accurate and honest reflection of facts in financial statements.

Our independent audit includes the application of independent audit techniques with a view to gather evidence for independent audit with respect to the amounts and footnotes in the financial statements. The independent audit techniques were selected on the basis of our professional opinion, so as to include risk assessment regarding the presence of significant flaws in financial statements, including an investigation on the sources of flaws to see if they arise out of errors and/or fraud and misconduct. The said risk assessment takes into consideration the internal systems of the company. However, our aim is not to provide an opinion on the effectiveness of internal systems, but to reveal the relationship between the internal systems and the financial statements prepared by the Company management, in order to tailor independent audit techniques in line with the circumstances. Our independent audit also includes a review of the suitability of the accounting policies adopted by the Company management, and the presentation of significant accounting estimates and financial statements as a whole.

We believe that the independent audit evidence we have obtained during the independent audit is an adequate and appropriate basis for forming our opinion.

*Opinion*

4. In our opinion, the attached financial statements reflect ... A.S.'s financial standing as of .../.../..., financial performance in the year which ended on the said date and cash flows in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date

TITLE OF THE INDEPENDENT AUDIT AGENCY

Name-Surname and Signature of Responsible Partner Lead Auditor

Address

**ANNEX: 1B  
INDEPENDENT AUDIT REPORT**

**Favorable Opinion**

**(In case there are issues to be mentioned without requiring a conditional opinion)**

Board of Directors of ..... A.S.,

1. We have audited the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Our responsibility is to provide an opinion on the said financial statements on the basis of the independent audit we have carried out. Our independent audit is carried out in accordance with the regulations concerning the independent audit principles as per the insurance legislation in effect. Such regulations require the observance of ethical principles, and the planning and execution of the independent audit so as to provide a reasonable warranty regarding the accurate and honest reflection of facts in financial statements.

Our independent audit includes the application of independent audit techniques with a view to gather evidence for independent audit with respect to the amounts and footnotes in the financial statements. The independent audit techniques were selected on the basis of our professional opinion, so as to include risk assessment regarding the presence of significant flaws in financial statements, including an investigation on the sources of flaws to see if they arise out of errors and/or fraud and misconduct. The said risk assessment takes into consideration the internal systems of the company. However, our aim is not to provide an opinion on the effectiveness of internal systems, but to reveal the relationship between the internal systems and the financial statements prepared by the Company management, in order to tailor independent audit techniques in line with the circumstances. Our independent audit also includes a review of the suitability of the accounting policies adopted by the Company management, and the presentation of significant accounting estimates and financial statements as a whole.

We believe that the independent audit evidence we have obtained during the independent audit is an adequate and appropriate basis for forming our opinion.

*Opinion*

4. In our opinion, the attached financial statements reflect ... A.S.'s financial standing as of .../.../..., financial performance in the year which ended on the said date and cash flows in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

*Issue(s) which do(es) not affect the opinion*

- 5. ....
- 6. ....

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address



**ANNEX: 2A  
INDEPENDENT AUDIT REPORT**

**Conditional Opinion**

**(In case scope of audit is restricted)**

Board of Directors of ..... A.S.,

1. We have audited the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Our responsibility is to provide an opinion on the said financial statements on the basis of the independent audit we have carried out. Our independent audit is carried out in accordance with the regulations concerning the independent audit principles as per the insurance legislation in effect, on the issue(s) other than those specified in paragraph (...). Such regulations require the observance of ethical principles, and the planning and execution of the independent audit so as to provide a reasonable assurance regarding the accurate and honest reflection of facts in financial statements. Our independent audit includes the application of independent audit techniques with a view to gather evidence for independent audit with respect to the amounts and footnotes in the financial statements. The independent audit techniques were selected on the basis of our professional opinion, so as to include risk assessment regarding the presence of significant flaws in financial statements, including an investigation on the sources of flaws to see if they arise out of errors and/or fraud and misconduct. The said risk assessment takes into consideration the internal systems of the company. However, our aim is not to provide an opinion on the effectiveness of internal systems, but to reveal the relationship between the internal systems and the financial statements prepared by the Company management, in order to tailor independent audit techniques in line with the circumstances. Our independent audit also includes a review of the suitability of the accounting policies adopted by the Company management, and the presentation of significant accounting estimates and financial statements as a whole. We believe that the independent audit evidence we have obtained during the independent audit is an adequate and appropriate basis for forming our opinion.

*Basis of the Conditional Opinion*

4. ....

*Conditional Opinion*

5. In our opinion, excluding the rectifications to arise due to the issue(s) defined in paragraph (...), the attached financial statements reflect ... A.S.'s financial standing as of .../.../..., financial performance in the year which ended on the said date and cash flows in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 2B  
INDEPENDENT AUDIT REPORT**

**Conditional Opinion**

**(In case of differences of opinion with the management, where rectification of financial statements is required)**

Board of Directors of ..... A.S.,

1. We have audited the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Our responsibility is to provide an opinion on the said financial statements on the basis of the independent audit we have carried out. Our independent audit is carried out in accordance with the regulations concerning the independent audit principles as per the insurance legislation in effect. Such regulations require the observance of ethical principles, and the planning and execution of the independent audit so as to provide a reasonable assurance regarding the accurate and honest reflection of facts in financial statements.

Our independent audit includes the application of independent audit techniques with a view to gather evidence for independent audit with respect to the amounts and footnotes in the financial statements. The independent audit techniques were selected on the basis of our professional opinion, so as to include risk assessment regarding the presence of significant flaws in financial statements, including an investigation on the sources of flaws to see if they arise out of errors and/or fraud and misconduct. The said risk assessment takes into consideration the internal systems of the company. However, our aim is not to provide an opinion on the effectiveness of internal systems, but to reveal the relationship between the internal systems and the financial statements prepared by the Company management, in order to tailor independent audit techniques in line with the circumstances. Our independent audit also includes a review of the suitability of the accounting policies adopted by the Company management, and the presentation of significant accounting estimates and financial statements as a whole.

We believe that the independent audit evidence we have obtained during the independent audit is an adequate and appropriate basis for forming our opinion.

*Basis of the Conditional Opinion*

4. ....

*Conditional Opinion*

5. In our opinion, excluding the impact of the issue(s) defined in paragraph (...), the attached financial statements reflect ... A.S.'s financial standing as of .../.../..., financial performance in the year which ended on the said date and cash flows in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date

TITLE OF THE INDEPENDENT AUDIT AGENCY

Name-Surname and Signature of Responsible Partner Lead Auditor

Address

**ANNEX: 3**  
**INDEPENDENT AUDIT REPORT**

**Unfavorable Opinion**

Board of Directors of ..... A.S.,

1. We have audited the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Our responsibility is to provide an opinion on the said financial statements on the basis of the independent audit we have carried out. Our independent audit is carried out in accordance with the regulations concerning the independent audit principles as per the insurance legislation in effect. Such regulations require the observance of ethical principles, and the planning and execution of the independent audit so as to provide a reasonable assurance regarding the accurate and honest reflection of facts in financial statements.

Our independent audit includes the application of independent audit techniques with a view to gather evidence for independent audit with respect to the amounts and footnotes in the financial statements. The independent audit techniques were selected on the basis of our professional opinion, so as to include risk assessment regarding the presence of significant flaws in financial statements, including an investigation on the sources of flaws to see if they arise out of errors and/or fraud and misconduct. The said risk assessment takes into consideration the internal systems of the company. However, our aim is not to provide an opinion on the effectiveness of internal systems, but to reveal the relationship between the internal systems and the financial statements prepared by the Company management, in order to tailor independent audit techniques in line with the circumstances. Our independent audit also includes a review of the suitability of the accounting policies adopted by the Company management, and the presentation of significant accounting estimates and financial statements as a whole.

We believe that the independent audit evidence we have obtained during the independent audit is an adequate and appropriate basis for forming our opinion.

*Basis of Unfavorable Opinion*

4. ....

*Unfavorable Opinion*

5. In our opinion, due to the significant impact of the issue(s) defined in paragraph (...), the attached financial statements do not reflect ... A.S.'s financial standing as of .../.../..., financial performance in the year which ended on the said date and cash flows in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 4  
INDEPENDENT AUDIT REPORT**

**Avoiding a Declaration of Opinion**

Board of Directors of ..... A.S.,

1. We had been appointed to audit the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the year ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes.

*The Liability of the Management of the Company regarding Financial Statements*

2. The management of the company shall be liable to have financial statements prepared and represented in an honest manner, in accordance with the accounting principles and standards in effect as per the insurance legislation. This liability entails the preparation of financial statements free from significant flaws arising out of errors and/or fraud and misconduct, and the design, implementation and maintenance of internal systems required to ensure the honest reflection of facts, accounting estimates as circumstances demand, and the selection and implementation of appropriate accounting policies.

*The Liability of the Independent Audit Agency*

3. Due to the issue explained in paragraph (...), we have been unable to gather ample and appropriate evidence for audit to create a basis of the auditor opinion within the framework of the regulations concerning independent audit principles in effect as per the insurance legislation.

*Basis of Avoidance of Declaration of Opinion*

4. ....

*Avoiding a Declaration of Opinion*

5. Due to the significance of the issue explained in paragraph (...) above, we are unable to provide an opinion regarding the attached financial statements.

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 5A**  
**LIMITED INDEPENDENT AUDIT REPORT**

Board of Directors of ..... A.S.,

*Introduction*

1. We have carried out limited audit on the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the six months ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes. The responsibility of the company management is to prepare the said interim financial statements in accordance with accounting principles and standards in effect as per the insurance legislation, and represent them in an honest manner. Our responsibility is the declaration of the conclusions established with respect to the limited audit of the interim financial statements.

*Scope of Limited Audit*

2. Our limited audit is carried out in accordance with the regulations concerning the limited audit principles as per the insurance legislation in effect. Limited audit of interim financial statements mostly entails obtaining information from persons responsible with financial reporting process, analytical reviews, and the employment of other review techniques. Since the scope of limited audit is smaller than independent audit works carried out in accordance with the regulations regarding the comprehensive independent audit principles in effect as per the relevant insurance legislation, the limited audit does not provide warranty to discover all significant issues which may be revealed during a comprehensive audit. Therefore, no independent audit opinion is declared since no comprehensive audit work was carried out.

*Conclusion*

3. In the conclusion of our limited audit, No issue was observed with respect to the failure of interim financial statements to reflect in an accurate and honest manner the ... A.S.'s financial standing as of .../.../..., financial performance and cash flows for the six months period concluded on the same date, within the framework of accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 5B**  
**CONDITIONAL LIMITED AUDIT REPORT**

**(Where an issue requiring rectification of financial statements was observed)**

Board of Directors of ..... A.S.,

*Introduction*

1. We have carried out limited audit on the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the six months ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes. The responsibility of the company management is to prepare the said interim financial statements in accordance with accounting principles and standards in effect as per the insurance legislation, and represent them in an honest manner. Our responsibility is the declaration of the conclusions established with respect to the limited audit of the interim financial statements.

*Scope of Limited Audit*

2. Our limited audit is carried out in accordance with the regulations concerning the limited audit principles as per the insurance legislation in effect. Limited audit of interim financial statements mostly entails obtaining information from persons responsible with financial reporting process,

analytical reviews, and the employment of other review techniques. Since the scope of limited audit is smaller than independent audit works carried out in accordance with the regulations regarding the comprehensive independent audit principles in effect as per the relevant insurance legislation, the limited audit does not provide warranty to discover all significant issues which may be revealed during a comprehensive audit. Therefore, no independent audit opinion is declared since no comprehensive audit work was carried out.

*Basis of Conditional Conclusion*

3. ...

*Conditional Conclusion*

4. In the conclusion of our limited audit, excluding the impact of the issue defined in paragraph (...), no issue was observed with respect to the failure of interim financial statements to reflect in an accurate and honest manner ... A.S.'s financial standing as of .../.../..., financial performance and cash flows in the six-months period which ended on the said date in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date  
TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 5C  
UNFAVORABLE LIMITED AUDIT REPORT**

Board of Directors of ..... A.S.,

*Introduction*

1. We have carried out limited audit on the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the six months ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes. The responsibility of the company management is to prepare the said interim financial statements in accordance with accounting principles and standards in effect as per the insurance legislation, and represent them in an honest manner. Our responsibility is the declaration of the conclusions established with respect to the limited audit of the interim financial statements.

*Scope of Limited Audit*

2. Our limited audit is carried out in accordance with the regulations concerning the limited audit principles as per the insurance legislation in effect. Limited audit of interim financial statements mostly entails obtaining information from persons responsible with financial reporting process, analytical reviews, and the employment of other review techniques. Since the scope of limited audit is smaller than independent audit works carried out in accordance with the regulations regarding the comprehensive independent audit principles in effect as per the relevant insurance legislation, the limited audit does not provide warranty to discover all significant issues which may be revealed during a comprehensive audit. Therefore, no independent audit opinion is declared since no comprehensive audit work was carried out.

*Basis of Unfavorable Conclusion*

3. ...

*Unfavorable Conclusion*

4. In the conclusion of our limited audit, due to the issue defined in paragraph (...), the attached interim financial statements are found to fail in reflecting in an accurate and honest manner ... A.S.'s financial standing as of .../.../..., financial performance and cash flows in the six-months period which ended on the said date in an accurate and honest manner within the framework of the accounting principles and standards in effect as per the insurance legislation (see footnote 2).

Drawn up at Location/Date

TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

**ANNEX: 5D**  
**LIMITED INDEPENDENT AUDIT REPORT**

**(Where a very significant restriction of scope of audit is in place)**

Board of Directors of ..... A.S.,  
*Introduction*

1. We had been appointed to carry out limited audit on the attached (consolidated) balance sheet of .....A.S. (and its consolidated subsidiaries), prepared as of .../.../..., the (consolidated) income statement for the six months ending on the same date, statement of changes in equity, cash flow statement, summary of important accounting policies, and footnotes. The responsibility of the company management is to prepare the said interim financial statements in accordance with accounting principles and standards in effect as per the insurance legislation, and represent them in an honest manner.

*Scope of Limited Audit*

2. Our limited audit is carried out in accordance with the regulations concerning the limited audit principles as per the insurance legislation in effect. Limited audit of interim financial statements mostly entails obtaining information from persons responsible with financial reporting process, analytical reviews, and the employment of other review techniques. Since the scope of limited audit is smaller than independent audit works carried out in accordance with the regulations regarding the comprehensive independent audit principles in effect as per the relevant insurance legislation, the limited audit does not provide warranty to discover all significant issues which may be revealed during a comprehensive audit. Therefore, no independent audit opinion is declared since no comprehensive audit work was carried out.

*Basis of Significant Restriction*

3. During our work, a restriction of scope on ..... so as to preclude warranty was observed.

*Conclusion*

4. Due to the significance of the issue explained in paragraph (...) above, we are unable to voice conclusions regarding the attached interim financial statements.

Drawn up at Location/Date

TITLE OF THE INDEPENDENT AUDIT AGENCY  
Name-Surname and Signature of Responsible Partner Lead Auditor  
Address

