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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

*In the Matter of Guney Bagimsiz Denetim Ve
Serbest Muhasebeci Mali Musavirlik A.S.,*

Respondent.

PCAOB Release No. 105-2023-037

November 28, 2023

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Guney Bagimsiz Denetim Ve Serbest Muhasebeci Mali Musavirlik A.S. (“EY Turkey,” “Firm,” or “Respondent”);
- (2) imposing a \$25,000 civil money penalty on EY Turkey; and
- (3) requiring EY Turkey to comply with its policies and procedures directed toward ensuring compliance with PCAOB reporting requirements.

The Board is imposing these sanctions on the basis of its findings that EY Turkey failed to disclose certain reportable events to the PCAOB on Form 3, *Special Report*, or to do so on a timely basis.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (“Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (“Offer”) that the Board has

determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to entry of this Order as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. **Guney Bagimsiz Denetim Ve Serbest Muhasebeci Mali Musavirlik A.S.** is a limited liability corporation organized under the laws of Turkey. EY Turkey is headquartered in Istanbul, Turkey and is licensed to practice by the Istanbul Chamber of Public Accountants and Advisors (License No. 10356). EY Turkey is a member of the Ernst & Young Global Limited network of firms and is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns EY Turkey's failure to disclose to the PCAOB on Form 3, or to do so on a timely basis, four reportable events regarding two disciplinary proceedings brought against the Firm by the Turkish Public Oversight Accounting and Auditing Standards Authority ("POA"). PCAOB rules require registered firms, including EY Turkey, to complete and file with the PCAOB a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence. Among the events that EY Turkey is required to report on Form 3 are its becoming aware that the Firm has become a respondent in certain disciplinary proceedings, and the conclusion of such proceedings.

3. On January 3, 2019, the POA issued a warning to EY Turkey and imposed a fine on the Firm in connection with the Firm's audit of a client for the fiscal year ended December 31, 2016 ("2019 POA Proceeding"). The initiation and conclusion of the 2019 POA Proceeding constituted reportable events under Form 3.

4. On February 2, 2021, the POA issued a warning to EY Turkey and imposed a fine on the Firm in connection with the Firm's audit of a client for the fiscal year ended December 31, 2017 ("2021 POA Proceeding" and, collectively with the 2019 POA Proceeding, the "POA

¹ The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

Proceedings”). The initiation and conclusion of the 2021 POA Proceeding constituted reportable events under Form 3.

5. EY Turkey failed to report either of the POA Proceedings on Form 3 until March 1, 2023 (“March 2023 Form 3”), well after the applicable deadlines for doing so.²

C. Respondent Failed to Disclose Certain Reportable Events to the PCAOB, or to Do So on a Timely Basis, in Violation of PCAOB Rules

6. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event’s occurrence.³ One such specified event occurs when a firm “has become aware that, in a matter arising out of the Firm’s conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding.”⁴

7. Another reportable event occurs when a firm has become aware that a reportable proceeding (*i.e.*, a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁵

8. No later than January 3, 2019, EY Turkey became aware that the POA had initiated and concluded an administrative proceeding against the Firm concerning its audit of a client’s financial statements for the fiscal year ended December 31, 2016, which resulted in the POA issuing a warning to and imposing a fine on the Firm.

9. No later than February 2, 2021, EY Turkey also became aware that the POA had initiated and concluded an administrative proceeding against the Firm concerning its audit of a client’s financial statements for the fiscal year ended December 31, 2017, which resulted in the POA again issuing a warning to and imposing a fine on the Firm.

² The March 2023 Form 3 indicated solely that the POA Proceedings had concluded and did not report or provide information about the initiation of the POA Proceedings (and EY Turkey did not file any separate Form 3s reporting the initiation of the POA Proceedings).

³ See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, “reportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board’s inspection staff or enforcement staff, will be served by contemporaneous reporting of the event.” PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

⁴ PCAOB Form 3, at Item 2.7 (italics in the original removed).

⁵ *Id.*, at Item 2.10.

10. The initiation and conclusion of the POA Proceedings constituted reportable events under Form 3. Accordingly, the Firm was required to report those events to the PCAOB on Form 3 within thirty days of their occurrence.⁶ However, EY Turkey reported the conclusion of the 2019 POA Proceeding approximately four years late and the conclusion of the 2021 POA Proceeding approximately two years late. The Firm also failed to report the initiation of either POA Proceeding.

11. EY Turkey's internal compliance and reporting systems failed to identify the initiation of the POA Proceedings as reportable events, and to identify the conclusion of those proceedings as being reportable to the PCAOB on Form 3 on a timely basis. As a result, EY Turkey inappropriately notified the PCAOB of the conclusion of relevant disciplinary proceedings after the deadline for doing so, and failed to report the initiation of those proceedings.

IV.

12. EY Turkey has represented to the Board that, since the events described in this order, it has established and implemented the following changes to its policies and procedures for the purpose of providing the Firm with reasonable assurance of compliance with PCAOB reporting requirements:

- a. EY Turkey has revised and supplemented its policies and procedures for the purpose of providing the Firm with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by EY Turkey personnel who participate in the Firm's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
- b. EY Turkey has established policies to ensure training concerning PCAOB reporting requirements, at least annually, of any EY Turkey personnel who participate in the Firm's PCAOB reporting process; and
- c. EY Turkey has assigned the role of compliance with PCAOB reporting matters to an individual within the Firm who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within EY Turkey to fulfill those requirements on behalf of EY Turkey.

⁶ See PCAOB Rule 2203(a).

V.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), EY Turkey is hereby censured.
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$25,000 is imposed upon EY Turkey.
 1. All funds collected by the PCAOB as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.
 2. EY Turkey shall pay this civil money penalty within ten (10) days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by PCAOB staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies EY Turkey as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006.
 3. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.
 4. With respect to any civil money penalty amounts that EY Turkey shall pay pursuant to this Order, EY Turkey shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or

apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of EY Turkey's payment of the civil money penalty pursuant to this Order, in any private action brought against EY Turkey based on substantially the same facts as set out in the findings in this Order.

5. EY Turkey understands that failure to pay the civil money penalty described above may result in summary suspension of EY Turkey's registration, pursuant to PCAOB Rule 5304(a), following written notice to EY Turkey at the address on file with the PCAOB at the time of the issuance of this Order.

C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), EY Turkey is required to comply with its revised policies and procedures concerning PCAOB reporting, including:

1. those intended to provide reasonable assurance that reportable events are identified by EY Turkey personnel who participate in EY Turkey's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
2. those ensuring training concerning PCAOB reporting requirements, at least annually, of any EY Turkey personnel who participate in EY Turkey's PCAOB reporting process; and
3. those assigning the role of compliance with PCAOB reporting matters to an individual within EY Turkey who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within EY Turkey to fulfill those requirements on behalf of EY Turkey.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

November 28, 2023