

A DESCRIPTIVE RESEARCH ON TURKISH LISTED MANUFACTURING COMPANIES' INDEPENDENT AUDIT CHARACTERISTICS*

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ABSTRACT

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Due to its necessity of analytical thinking and knowledge of business sciences, the accounting profession definitely requires a powerful brain. Also, the variety of clients create an industry and firm-specific specific expertise. The auditor can't operate as a sole entity and requires a league of staff to execute the profession. On the other hand, the client may prefer not to work with the auditor and rotate the engagement auditor or the audit firm. This research was designed as a tool to present a detail about Turkish listed companies' independent audit. Using a sample of 1,668 firm*year observations between 2005 and 2015, this research serves an insight to the audit characteristics of manufacturing companies listed on Borsa İstanbul. Descriptive statistics are presented as the opinion, audit firm type, engagement auditor gender, audit firm and engagement auditor rotations and using cross-variable analyses between “audit opinion and audit firm”, “audit firm and auditor gender” and “auditor gender and audit opinion”.

Keywords: Audit characteristics, audit opinion, auditor rotation, auditor gender.

JEL Classification: M40, M41, M42.

HALKA AÇIK ÜRETİM ŞİRKETLERİNİN BAĞIMSIZ DENETİM KARAKTERİSTİĞİ ÜSTÜNE DESKRİPTİF BİR ARAŞTIRMA

ÖZ

Analitik düşünme ve işletme bilimleri bilgisi gereklilikleri sebebiyle, muhasebe bilimi kas gücünden ziyade kuvvetli bir beyine ihtiyaç duyar. Ayrıca, müşteri çeşitliliği, onların endüstri ve işletmeye özel uzmanlık gereksinimleri nedeniyle, denetçi kendi başına faaliyetini yürütemez ve mesleğini devam ettirebilmek için ekibe ihtiyaç duyar. Diğer taraftan, müşteri işletme denetçi veya denetim firması ile çalışmayı tercih etmeyebilir ve denetçiyi veya denetim firmasını değiştirebilir. Bu değişkenleri göz önüne çalışma ülkemizde halka açık üretim işletmelerinin denetim karakteristiğini ortaya için hazırlanmıştır. Bu

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çalışma 2005 ile 2015 yılları arasında 1.668 şirket-yıl örneklemini kullanarak, Borsa İstanbul'a kote üretim şirketlerinin denetim karakteristiğini ortaya koymaya çalışmaktadır. Deskriptif istatistik kullanarak denetim görüşü, denetim şirketi türü, sorumlu ortak baş denetçi cinsiyeti, denetim şirketi ve sorumlu ortak baş denetçi rotasyonları sunulmuştur. Ayrıca değişkenlerarası analizler ile "denetim görüşü ve denetim şirketi", "denetim şirketi ve denetçi cinsiyeti" ve "denetçi cinsiyeti ve denetim görüşü" aralarındaki ilişki ortaya konmuştur..

Anahtar Kelimeler: Denetim Karakteristiği, Denetim Görüşü, Denetçi Rotasyonu, Denetçi Cinsiyeti

JEL Sınıflandırması: M40, M41, M42.

1. INTRODUCTION

Whether in a free market (capitalist economic system) or government-controlled (socialist economic system), all economics activities require information which increases depending on the development and where accounting has its importance by providing the framework in which information is presented (Stiglitz 2010; Tracy 2008). Firms provide information disclosure through generally accepted accounting principles regulated set of statements (including the financial statements, footnotes, management discussion and analysis, and other regulatory filings) to public for their needs of financial data (Healy and Palepu 2001). In many respects, the financial statement is a starting point of providing the information as it is the primary way of communicating firm value and performance to shareholders and other stakeholders (Thomsett 2005; Yaping 2005).

Audits play an important role in serving the public interest in two ways, first it increases the managers' accountability and as second, it enforces trust and confidence in the financial statements (Liu et al. 2011). Although financial statements' credibility depends on auditing services, they are not only required by the preparer; the need arises to facilitate dealing among the interested parties and to verify the validity of financial reports with reducing information asymmetries with the verifications and certifications of the auditors; in other words, the independent audit is intended to enhance the credibility of the internally prepared financial statements in the sake of outsiders (Agrawal and Chadha 2005; Arrunada 2000; Becker et al. 1998; Lin and Hwang 2010).

In a well-functioning capital market's central component is high-quality independent auditing which creates investment and lending opportunities in the national economy by providing reliable financial information and depending on this definition, audit process can be described in the social terms constituting a social mechanism of control (Gul et al. 2013; Richard 2006; Skinner and Srinivasan 2012). Independent auditors constitute the first line of defense against financial manipulation that creates a public concern on capital markets and shareholder rights, and trust in the financial information encourage the development of equity markets but after too many financial reporting crises, a debate is going on among academics, regulators, and professionals to restore public faith (Abdel-Meguid et al. 2013; Fischbacher and Stefani 2007; La Porta et al. 2000). The higher quality of audit is a stronger assurance to the investors and lenders that the financial statements are free from material errors and it lessens the likelihood of audit failures with a return of reducing litigation risk and it can impact the entities' cash flows directly with influencing the cost of capital at which the cash flows are discounted (Barton 2005; Bushman and Smith 2003; Cenker and Nagy 2008).

This research contributes to the accounting literature by providing a detailed perspective on the audit structure of an emerging market. Using a sample of 1,668 firm*year observations between 2005 and 2015, this research serves an insight to the audit characteristics of manufacturing companies listed on Borsa İstanbul. Descriptive statistics are presented as the opinion, audit firm type, engagement auditor gender, audit firm and engagement auditor rotations and using cross-variable analyses between “audit opinion and audit firm”, “audit firm and auditor gender” and “auditor gender and audit opinion”.

2. AUDIT REPORT

The unobservable audit process begins with the agreement and ends with its outcome, the audit report, which is the only external communication tool between the auditors and stakeholders and for beneficiaries, it is the public evidence of the audit process and expression of the auditor's opinion on company's financial statements (Geiger and Raghunandan 2002; Sikka 2009). The auditor's opinions are based on the disclosed information's legitimacy, rationality and consistency, and it tells the auditor's findings to market participants to address warnings to financial report users of impending going concern problems and provide strong

signals to investors/debt holders warning of firms' default probability (DeFond et al. 2002; Ting et al. 2008; Zhu and Sun 2012).

The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and if the auditor is unable to provide an unqualified (as known as unmodified) opinion, the auditor can issue a modified opinion in accordance with ISA 705, articles 7th (qualified), 8th (adverse) and 9th (disclaimer of opinion) (International Auditing and Assurance Standards Board, 2009a, 2009b, 2009c). A modified opinion not only benefits to the financial statement reader, it also protects the auditor from the regulatory punishments (C. Chen, Martin and Wang 2013; Firth et al. 2014; Mong and Roebuck, 2005) and going-concern problem is signaled from audit reports in many different ways (Arnedo et al. 2008; Chong and Pflugrath 2008; Christensen et al. 2014; Czerney et al. 2014; Vermeer et al. 2013).

This research reviews 1,668 audit reports have been and Table 1 shows that Turkish manufacturing companies' have three adverse opinions during the period between 2005 and 2015, the engagement partners disclaimed 27 audit reports during the same period and only in 2005, there has been no modified opinion and more than 81% of the audit reports have been stated with unmodified opinion for the manufacturing companies.

Table 1. Frequency of Audit Opinion Categories as Quantity and Percentage

Distribution of Opinions	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Unqualified	139	135	134	127	126	130	135	134	142	137	139
Qualified	0	3	10	16	17	14	13	17	21	24	25
Adverse	0	2	0	0	0	0	0	1	0	0	0
Disclaimer of Opinion	0	1	1	2	2	3	3	3	2	5	5
<i>Grand Total</i>	<i>139</i>	<i>141</i>	<i>145</i>	<i>145</i>	<i>145</i>	<i>147</i>	<i>151</i>	<i>155</i>	<i>165</i>	<i>166</i>	<i>169</i>
Distribution of Opinions	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%	%
Unqualified	100	96	92	88	87	88	89	86	86	83	82

Qualified	0	2	7	11	12	10	9	11	13	14	15
Adverse	0	1	0	0	0	0	0	1	0	0	0
Disclaimer of Opinion	0	1	1	1	1	2	2	2	1	3	3
<i>Grand Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

3. AUDIT FIRM

The auditor is the person with enough qualifications to understand and check client's documents and the process but the audit is not a one-man-job considering the time limit, the number of documents to review and departments to visit. The auditor requires a league of qualified staff who know the accounting basics and have the training so the partner can plan the audit, allocate the duties and watch over them. Also, regarding the number of the clients in varying industries and their differentiating needs, one auditor will never be enough to deal with all of the clients so there will be a need of partners who have expertise on different industries and sub-topics of accounting and business such as taxation, banking, IT and so on. Under these conditions there must be a legal entity which gathers the qualified people under a single roof which is called the audit firm that provides the labor, service and knowledge. Auditing may be viewed as a public service to protect the wealth but it doesn't take away the audit firm partners' commercial concerns and audit firms can provide consulting and accounting outsource services to companies unless those services are provided to an audit client (Griffin et al. 2009). Regulators and public concern about the lower quality of audit if the firm receives more income from a specific client, at some point they will lose independence and skepticism on the audit process (Robinson 2008). A correct definition is made by Behn, Carcello, Hermanson and Hermanson (1999) in which they define the audit profession's intense and increasing competition as a "Darwinian jungle".

Table 2 shows the number of audits performed by the audit firms. It is clear that Big-4 have an undeniable and unchanging leadership on holding the Turkish audit market of the manufacturing companies with the number of clients. As the total quantity (varies from 68-91), percentage in total (fluctuates from 48% to 57%) and client per audit firm (17 clients per one of Big-4), the market leadership is clear in the listed manufacturing clients. Audit firms with an

international membership have the second place and the third belongs to the local audit firms which have no international memberships. Other global audit firms (classified as Big 5-8) have the less clients than other audit firms.

Table 2. Frequency of Audit Firm Brand Categories as Quantity and Percentage

Distribution of Audit Firms	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Big 4	68	68	76	74	75	82	86	89	91	86	86
Big 5-8	18	15	16	12	12	10	10	10	8	12	11
Intl. Membership	25	33	31	33	32	29	36	40	54	56	60
Local Audit Firms	28	25	22	26	26	26	19	16	12	12	12
<i>Grand Total</i>	<i>139</i>	<i>141</i>	<i>145</i>	<i>145</i>	<i>145</i>	<i>147</i>	<i>151</i>	<i>155</i>	<i>165</i>	<i>166</i>	<i>169</i>
Distribution of Audit Firms	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%	%
Big 4	49	48	52	51	52	56	57	57	55	52	51
Big 5-8	13	11	11	8	8	7	7	6	5	7	7
Intl. Membership	18	23	21	23	22	20	24	26	33	34	36
Local Audit Firms	20	18	15	18	18	18	13	10	7	7	7
<i>Grand Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

A detailed perspective is presented on Table 3 on two characteristics (audit opinion and audit firm) to demonstrate the distribution of the audit opinions among the audit companies. During the period from 2005 to 2015, Big-4 in Turkey never issued an adverse opinion or disclaimed an opinion. One of the most popular research is the difference in audit quality between Big-N and other audit firms. A general belief is audit reports provided by the Big N are more reliable than the ones provided by the smaller audit firms due to the belief of Big N (Al-Ajmi 2009; Azizkhani et al. 2010; Barton 2005; Boone et al. 2010; Carson et al. 2012; Cassell et al. 2013; C.J.P. Chen et al. 2010; J.-H. Choi et al. 2010; J.H. Choi and Lee 2014; Comprix and Huang

2015; Ding and Jia 2012; Eshleman and Guo 2014; J.R. Francis and Wang 2008; J.R. Francis and Yu 2009; Gul et al. 2013; Kim et al. 2003; López et al. 2013; Weber et al. 2008; Zerni 2012) but on the other hand, the accounting history and literature prove quite the contrary (Albring et al. 2007; Che-Ahmad and Houghton 1996; J.R. Francis et al. 2013; Knechel et al. 2007; Reheul et al. 2013). Marnet (2008) criticizes the “reputation” term that is used equivalent of Big N for the success or the purpose that creates the “reputation”.

Table 3. Frequency of Opinion Per Audit Firm As Quantity

Opinion per Firm	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Big 4	68	68	76	74	75	82	86	89	91	86	86
Unqualified	68	66	71	69	72	81	82	87	83	77	78
Qualified	0	2	5	5	3	1	4	2	8	9	8
Adverse	0	0	0	0	0	0	0	0	0	0	0
Disclaimer of Opinion	0	0	0	0	0	0	0	0	0	0	0
Big 5-8	18	15	16	12	12	10	10	10	8	12	11
Unqualified	18	13	15	10	11	9	7	6	7	10	10
Qualified	0	0	0	1	0	1	2	3	1	2	1
Adverse	0	1	0	0	0	0	0	0	0	0	0
Disclaimer of Opinion	0	1	1	1	1	0	1	1	0	0	0
Intl. Membership	25	33	31	33	32	29	36	40	54	56	60
Unqualified	25	32	28	26	24	18	29	27	44	42	43
Qualified	0	0	3	6	7	9	6	10	8	11	14
Adverse	0	1	0	0	0	2	1	1	0	0	0
Disclaimer of Opinion	0	0	0	1	1	0	0	2	2	3	3
Local Audit Firms	28	25	22	26	26	26	19	16	12	12	12

Unqualified	28	24	20	22	19	22	17	14	8	8	8
Qualified	0	1	2	4	7	3	1	2	4	2	2
Adverse	0	0	0	0	0	0	0	0	0	0	0
Disclaimer of Opinion	0	0	0	0	0	1	1	0	0	2	2
<i>Grand Total</i>	<i>139</i>	<i>141</i>	<i>145</i>	<i>145</i>	<i>145</i>	<i>147</i>	<i>151</i>	<i>155</i>	<i>165</i>	<i>166</i>	<i>169</i>

4. AUDITOR GENDER

Due to its necessity of analytical thinking and knowledge of business sciences, the accounting profession doesn't require muscle strength but definitely requires a powerful brain. Under these circumstances gender has no effect on being an auditor. In countries where women have social rights equal to men, *theoretically*, a woman can achieve any success that a man can do. As emphasized, gender-equally success is still a level that any country has never reached. Tietz and State (2007) show that gender stereotypes and gender role stratification in the US society are reinforced and replicated throughout the sampled introductory level accounting textbooks via the homework items, pictures, and stories. Considering this issue, accounting scholars take gender differences into account to check if the gender has effect on the company performance and audit quality.

Table 4 shows the distribution of male and female auditors in the independent audit of the Turkish listed manufacturing companies. In the total population of manufacturing company audit, the average percentage of female auditor changes from 10% to 22% with the lowest female partner is 14 in 2007 and the highest in 2012. It is shown that the portion of female auditors in the manufacturing companies has never reached the level of 30%.

Table 4. Frequency of Auditor Gender Categories as Quantity and Percentage

Distribution of Auditor Gender	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Male	111	112	131	120	118	114	121	116	138	139	141
Female	28	29	14	25	27	33	30	39	27	27	28

<i>Grand Total</i>	139	141	145	145	145	147	151	155	165	166	169
Distribution of Auditor Gender	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%	%
Male	80	79	90	83	81	78	80	75	84	84	83
Female	20	21	10	17	19	22	20	25	16	16	17
<i>Grand Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Different than Table 4, Table 5 shows the number of male and female engagement auditors who are partners in different audit firms. As one can see from the table, the number of female auditor varies through time but Big-4 have never female engagement partners less than 10 in the manufacturing industry auditing during the aforementioned periods and it is never zero for second tier audit firms but in many years auditors firms with international audit firms and local audit firms have no female engagement auditors in the manufacturing industry auditing.

Table 5. Frequency of Auditor Gender Per Audit Firm as Quantity

Gender per Firm	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Big 4	68	68	76	74	75	82	86	89	91	86	86
Male	50	46	66	57	54	62	64	57	65	60	64
Female	18	22	10	17	21	20	22	32	26	26	22
Big 5-8	18	15	16	12	12	10	10	10	8	12	11
Male	13	12	12	10	9	5	4	8	7	11	10
Female	5	3	4	2	3	5	6	2	1	1	1
Intl. Membership	25	33	31	33	32	29	36	40	54	56	60
Male	23	29	31	29	30	24	34	37	54	56	56
Female	2	4	0	4	2	5	2	3	0	0	4
Local Audit Firms	28	25	22	26	26	26	19	16	12	12	12
Male	25	25	22	24	25	23	19	14	12	12	11

Female	3	0	0	2	1	3	0	2	0	0	1
<i>Grand Total</i>	<i>139</i>	<i>141</i>	<i>145</i>	<i>145</i>	<i>145</i>	<i>147</i>	<i>151</i>	<i>155</i>	<i>165</i>	<i>166</i>	<i>169</i>

On the other hand, some researches prove that there are no difference between genders (Arun et al. 2015; Collin et al. 2007; Francoeur et al. 2007; Gold et al. 2009; Krishnan and Parsons 2007; Ruiz Castro 2012; Sun et al. 2010)

Table 6 shows the type of audit opinions issued by the different genders. Compared to their male counterparts, female engagement auditors issued less of modified opinions especially disclaimer of opinion. There are many studies in the accounting proving that female directors, board members and auditors create a positive difference on financial issues such as stock performance, corporate governance, audit quality, company performance, and cost of capital (Breesch and Branson 2009; Campbell and Mínguez-Vera 2007; Collin et al. 2007; Dalton et al. 2014; B. Francis et al. 2013; Gul et al. 2013; Ittonen et al. 2013; Srinidhi et al. 2011; Terjesen et al. 2009; Torchia et al. 2011; Vahamaa 2014) There are not many studies in Turkish accounting literature but Ocaak and Can (2017) revealed that female engagement partners have a negative effect on the absolute value of discretionary accruals.

Table 6. Frequency of Audit Opinion Per Gender as Quantity

Opinion per Gender	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Male	111	112	131	120	118	114	121	116	138	139	141
Unqualified	111	109	122	105	102	100	109	96	117	110	115
Qualified	0	1	9	13	15	11	10	16	19	18	21
Adverse	0	1	0	0	0	0	0	1	0	0	0
Disclaimer of Opinion	0	1	0	2	1	3	2	3	2	5	5
Female	28	29	14	25	27	33	30	39	27	27	28
Unqualified	28	26	12	22	24	30	26	38	25	23	24
Qualified	0	2	1	3	2	3	3	1	2	4	4
Adverse	0	1	1	0	0	0	0	0	0	0	0
Disclaimer of Opinion	0	0	0	0	1	0	1	0	0	0	0

<i>Grand Total</i>	139	141	145	145	145	147	151	155	165	166	169
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5. AUDITOR ROTATION

The audit agreement creates a relationship between the reporting entity and the audit firm staff which may go beyond business that might turn into a friendship that may continue as long as possible but the company might have to change the auditor or the firm for a wide variety of reasons which ends with two actions as dismissal or resignation of the current firm and the company can either change the audit firm or the audit partner in the same firm (Bamber and Bamber 2009; Blouin et al. 2007; Wallace III et al. 2006). The client may dismiss the auditor before the reporting period ends and appoint a new auditor to get the clean opinion which may result from management's desire to manipulate earnings and changing the auditor to obtain a desired opinion is also called 'opinion shopping' in the accounting literature (Gray and Ratzinger 2010; Wallace III et al. 2006). Myers, Myers, and Omer (2003) highlight for and against opinions in mandatory auditor rotation as a decrease in earnings quality is associated with an extended auditor but on the other hand in a longer tenure, auditors can have a firm-specific expertise that helps them to understand the business and let them rely less on management estimates. A research based on survey and interview by Ewelt-Knauer, Gold, and Pott (2013) showed that regulators are standing on the side of mandatory rotation that they believe as a cure for problems created by excessive tenure. Conversely, audit firms criticize and draw attention to the loss of client knowledge and expertise.

The proponents of mandatory rotation are concerned with a deterioration of auditor independence defending that lengthily tenure will cause problems for the financial statement users; the auditor will be sympathetic towards the management, lose his fair view and 'turns a blind eye' to fraudulent behavior. Also, audited financial reports are perceived as less reliable if users of financial reports view lengthy tenure as having an adverse effect on auditor independence and audit quality (Bauer 2011; S. Choi et al. 2015; Fairchild 2008; Geiger and Raghunandan 2002; Ghosh and Moon, 2005; González-Díaz et al. 2015; Lee et al. 2009; Lennox et al. 2014; Marnet 2008).

It cannot be said this argument is accepted by the entire accounting scholars. Although mandatory rotation increases auditor independence, on the expense side for the auditors, she/he loses client-specific experience but if the firm is rotated this will lead to client-specific knowledge loss (Daugherty et al. 2012; Firth et al. 2012). Depending on the duration of business relation between the auditor and the entity, the auditor will have experience and knowledge about the company's internal control, organizational structure, business ethics and information system but in the case of rotation, client will face the start-up costs for the auditor due to the new audit engagement (Bamber and Bamber 2009; Bandyopadhyay et al. 2014; Blouin et al. 2007; Cameran et al. 2013; García Blandón and Argilés Bosch 2013; Jenkins and Velury 2012; Johnson et al. 2002; Kwon et al. 2014).

Table 7 shows how many Turkish listed manufacturing companies rotated their audit firm during the financial reporting period. Highest turnover occurred in 2010, 2013 and 2014 with over 80 which resulted more than 50 percent of the total audit firm rotations.

Table 7. Frequency of Audit Firm Rotation as Quantity and Percentage

Distribution of Audit Firm Rotation	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Audit Firm not Rotated	127	125	119	91	118	59	125	124	78	82	107
Audit Firm Rotated	12	16	26	54	27	88	26	31	87	84	62
<i>Grand Total</i>	<i>139</i>	<i>141</i>	<i>145</i>	<i>145</i>	<i>145</i>	<i>147</i>	<i>151</i>	<i>155</i>	<i>165</i>	<i>166</i>	<i>169</i>
Distribution of Audit Firm Rotation	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%	%
Audit Firm not Rotated	91	89	82	63	81	40	83	80	47	49	68
Audit Firm Rotated	9	11	18	37	19	60	17	20	53	51	39
<i>Grand Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Different than the previous tables' grand total, Table 8's grand total equals to the "Audit Firm not Rotated" row of Table 7 because rotating the audit firm automatically results as rotating the engagement partner. The reporting entity can rotate the engagement auditor if they keep cooperating with the current audit firm and Table 8 shows how many times the reporting entity didn't rotate the audit firm but the engagement partner.

Table 8. Frequency of Partner Rotation as Quantity and Percentage

Distribution of Partner Rotation	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Partner not Rotated	108	104	85	91	101	45	101	93	65	49	76
Partner Rotated	19	21	34	16	17	14	24	31	13	33	31
<i>Grand Total</i>	<i>127</i>	<i>125</i>	<i>119</i>	<i>107</i>	<i>118</i>	<i>59</i>	<i>125</i>	<i>124</i>	<i>78</i>	<i>82</i>	<i>107</i>
Distribution of Partner Rotation	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%	%	%
Partner not Rotated	85	83	71	85	86	76	81	75	83	60	71
Partner Rotated	15	17	29	15	14	24	19	25	17	40	29
<i>Grand Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

6. CONCLUSION

This study shows the general context of the audit characteristics in the Turkish listed manufacturing companies using a total sample of 1,668 firm*year observations between 2005 and 2015. In the research, audit characteristics are defined as the opinion, audit firm type, engagement auditor gender, audit firm and engagement auditor rotations. Also cross-analyses were run for the relationships between “audit opinion and audit firm”, “audit firm and auditor gender” and “auditor gender and audit opinion”. The descriptive of the data shows that Turkish female engagement partners never signed more than 30% of the audit reports of the manufacturing companies and their modified opinion rate is far less than their male counterparts. There are not many researches in Turkish accounting literature analyzing the effect of the engagement auditor's gender.

Limitations of this research must be clarified. First of all, this descriptive research is not based a regression model or any hypothesis to provide a proof on an issue. It serves to provide an insight about Turkish listed manufacturing companies' characteristics. Second, Borsa Istanbul was established in 1986 as Istanbul Stock Exchange and the research period begins from 2005 which can be extended to the earlier periods. The third limitation is audit firm transparency report became mandatory for Turkish audit firms in 2008 for those who had the permission of auditing insurance firms and it became for all of the audit firms in 2012. To keep the consistency of the analyses, data based on the transparency reports such as audit firm revenue, training hours, variety of the clients and many other data were kept out of the research. For a future study, the research can be extended to the other industries and the effect of rotation to or from Big-4 audit firms and female engagement auditors can be tested on the audit opinions and financial reporting quality. Also, measuring the audit firms' ranking in the market can be an useful research in emerging and frontier markets.

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APPENDIX 1 – LIST OF DISCLAIMER OF OPINION

TICKER	COMPANY	YEAR
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2006
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2007
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2008
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2009
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2010
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2011
DARDL	DARDANEL ÖNENTAŞ GIDA SANAYİ A.Ş.	2012
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2010
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2011
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2012
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2013
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2014
EPLAS	EGEPLAST EGE PLASTİK TİCARET VE SANAYİ A.Ş.	2015
FENIS	FENİŞ ALÜMİNYUM SAN. ve TİC. A.Ş.	2013
FENIS	FENİŞ ALÜMİNYUM SAN. ve TİC. A.Ş.	2014
FENIS	FENİŞ ALÜMİNYUM SAN. ve TİC. A.Ş.	2015
GEDIZ	GİMSAN GEDİZ İPLİK VE MENSUCAT SANAYİİ A.Ş.	2009
GEDIZ	GİMSAN GEDİZ İPLİK VE MENSUCAT SANAYİİ A.Ş.	2010
GEDIZ	GİMSAN GEDİZ İPLİK VE MENSUCAT SANAYİİ A.Ş.	2011
IDAS	İDAŞ İSTANBUL DÖŞEME A.Ş.	2014
IDAS	İDAŞ İSTANBUL DÖŞEME A.Ş.	2015
MANGO	MANGO GIDA SANAYİ VE TİCARET A.Ş.	2014
MANGO	MANGO GIDA SANAYİ VE TİCARET A.Ş.	2015
MRTGG	MERT GIDA GİYİM SANAYİ VE TİCARET A.Ş.	2014
SKPLC	ŞEKER PİLİÇ VE YEM SANAYİ TİCARET A.Ş.	2012

TARAF	TARAF GAZETECİLİK SANAYİ VE TİCARET A.Ş.	2015
UZEL	UZEL MAKİNE SANAYİ AŞ	2008

APPENDIX 2 – AUDIT FIRM CLASSIFICATIONS

The lists are in alphabetical order.

BIG-4

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Drt Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

SECOND TIER

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş.

Denge Ankara Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.

Denge Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş.

Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.

Eren Bağımsız Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi

MBK Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

AUDIT FIRMS WITH INTERNATIONAL NETWORK MEMBERSHIP

AC İstanbul Uluslararası Bağımsız Denetim ve SMMM A.Ş.

Aday Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Arılar Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Arkan Ergin Uluslararası Bağımsız Denetim ve SMMM A.Ş.

Artı Değer Uluslararası Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

As Bağımsız Denetim ve YMM A.Ş.

Ata Uluslararası Bağımsız Denetim ve SMMM A.Ş.
Bilgili Bağımsız Denetim ve YMM A.Ş.
Birleşik Uzmanlar Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.
Birleşim Bağımsız Denetim ve YMM A.Ş.
Consulta Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Crowe Horwath Olgu Bağımsız Denetim ve YMM A.Ş.
Değer Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Ege Bağımsız Denetim A.Ş.
Güçbir Bağımsız Denetim A.Ş.
Güncel Bağımsız Denetim Danışmanlık ve Yeminli Mali Müşavirlik A.Ş.
Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.
HLB Saygın Bağımsız Denetim A.Ş.
Karar Bağımsız Denetim Danışmanlık Smmm A.Ş.
Karma Bağımsız Denetim A.Ş.
Kavram Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
MGI Bağımsız Denetim A.Ş.
RSM Turkey Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Ser-Berker Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Sun Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Yeditepe Bağımsız Denetim A.Ş.
Yöntem Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

LOCAL AUDIT FIRMS

A-1 Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

AAC Bağımsız Denetim Danışmanlık ve Yeminli Mali Müşavirlik A.Ş.

Adalya Uluslararası Bağımsız Denetim ve SMMM A.Ş.

ADM Bağımsız Denetim A.Ş.

AG Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

Ak Bağımsız Denetim ve SMMM A.Ş.

Ak Denetim Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

Akademik Bağımsız Denetim Danışmanlık ve Yeminli Mali Müşavirlik A.Ş.

Aksis Uluslararası Bağımsız Denetim Anonim Şirketi

Akt Bağımsız Denetim A.Ş.

Aktan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Alternatif Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Analiz Bağımsız Denetim ve Danışmanlık A. Ş.

Anıl Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

Aren Bağımsız Denetim ve SMMM A.Ş.

Avrasya Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Ayk Bağımsız Denetim ve Danışmanlık A.Ş.

Bakış Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

Ban-Den Bağımsız Denetim Hizmetleri A.Ş.

Batı Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

BD Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

BDD Bağımsız Denetim ve Danışmanlık A.Ş.

Bilgi Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Birleşik Ekol Bağımsız Denetim A.Ş.

CPA Bağımsız Denetim ve Danışmanlık A.Ş.

Cpaturk Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Elit Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
İrfan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Mercek Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
MOD Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş.
Oluşum Bağımsız Denetim ve Danışmanlık A.Ş.
Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.
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YKY Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.