

ORDER

consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.²

III.

On the basis of Respondent's Offer, the Board finds³ that:

A. Respondent

1. Hüseyin Gürer, 57, is a former partner of the registered public accounting firm DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş. ("Deloitte Turkey" or "Firm"). Gürer served as the Firm's Chief Executive Officer and the Chairman of the Firm's Executive Committee from 2007 to May 2016. In those roles, Gürer's responsibilities encompassed the management of the Deloitte Turkey partnership, including the development and implementation of policies and procedures to provide reasonable assurance that the Firm's audit engagement personnel met applicable professional standards, including PCAOB standards, and that engagement personnel performed all professional responsibilities with integrity.

2. On or about September 8, 2016, the Firm placed Gürer on administrative leave due to the conduct described in this Order, and effective October 30, 2016, he retired from the Firm. At all relevant times, Gürer was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

² 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.

³ The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5)(A) of the Act, which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard.

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B. Respondent Directly and Substantially Contributed to Deloitte Turkey's Failure to Cooperate with a Board Inspection and to the Firm's Violation of PCAOB Quality Control Standards

Applicable PCAOB Rules and Standards

3. PCAOB Rule 4006, *Duty to Cooperate with Inspectors*, requires registered firms and their associated persons to cooperate with inspections conducted by the Board.⁴ The cooperation requirement of Rule 4006 includes an obligation "not to provide misleading documents or information in connection with the Board's inspection processes."⁵

4. PCAOB rules also require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.⁶ Auditing Standard No. 3, *Audit Documentation* ("AS 3"), requires that the complete and final set of documentation for an audit be assembled for retention by the "documentation completion date," a date no later than 45 days from the date on which the auditor grants permission to use its report.⁷ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but it may be added as long as the auditor documents the date the information was added,

⁴ All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant conduct. As of December 31, 2016, the PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. See *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Rel. No. 2015-002 (Mar. 31, 2015).

⁵ *DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş.*, PCAOB Rel. No. 105-2017-050 (Dec. 19, 2017); *Berkman Özata*, PCAOB Rel. No. 105-2017-051 (Dec. 19, 2017); *Şule Firuzment*, PCAOB Rel. No. 105-2017-052 (Dec. 19, 2017).

⁶ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

⁷ AS 3 ¶ 15.

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the name of the person who prepared the additional documentation, and the reason for adding the documentation.⁸

5. PCAOB rules further require that a registered public accounting firm comply with the Board's quality control standards.⁹ PCAOB quality control standards require that a registered public accounting firm "have a system of quality control for its accounting and auditing practice."¹⁰ As part of its system of quality control, a firm should establish policies and procedures to provide the firm with reasonable assurance that (1) "personnel ... perform all professional responsibilities with integrity;"¹¹ and (2) "the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."¹²

6. Finally, PCAOB rules also prohibit associated persons of registered public accounting firms from taking or omitting to take any action "knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that registered public accounting firm of," among other things, PCAOB rules or standards.¹³

Respondent Violated PCAOB Rule 3502 in Connection with the Board's 2014 Inspection of Deloitte Turkey

7. The Board conducted its first inspection of Deloitte Turkey in 2014. On or about August 28, 2014, the Board's Division of Registration and Inspections ("Inspections") informed the Firm that its work in connection with three particular issuer audits would be inspected. At the time Inspections notified the Firm of the engagements it had selected for inspection, the documentation completion date for each of the audits

⁸ See *id.* ¶ 16.

⁹ See PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹⁰ QC § 20.02, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

¹¹ QC § 20.09.

¹² QC § 20.17.

¹³ PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

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had long since passed, and a complete and final set of documentation had been assembled for retention ("archived").¹⁴

8. Following the PCAOB's notification of the engagements it had selected for inspection, Gürer was informed by certain senior partners of the Firm that "preparations" would need to be made in connection with the PCAOB's inspection. In furtherance of those "preparations," one of the senior partners requested that Gürer approve the use of three laptop computers with administrative rights.¹⁵ Gürer approved the request with the understanding that it was being made in connection with an effort to potentially improperly alter the previously archived work papers for the three engagements the PCAOB had selected for inspection.

9. As an experienced auditor and the Firm's CEO, Gürer knew that, if improper alterations were made to the previously archived work papers, that conduct would violate PCAOB audit documentation standards. He also knew that, if improperly altered documentation was made available to PCAOB inspectors, that conduct would violate the Firm's obligation to cooperate with the PCAOB's inspection. As the individual ultimately responsible for the Firm's system of quality control, Gürer also was aware that his approval of a project pursuant to which Firm personnel might engage in such conduct was inconsistent with the Firm's obligation to implement policies and procedures to provide reasonable assurance that personnel performed their professional responsibilities with integrity and in compliance with professional standards.

10. Following Gürer's approval of the use of three computers with administrative rights, and in advance of the PCAOB's inspection, the lead partner for one of the engagements the PCAOB had selected for inspection did, in fact, improperly alter the previously archived work papers for that engagement. Moreover, she

¹⁴ One issuer filed its Form 20-F with the U.S. Securities and Exchange Commission ("SEC") on March 21, 2014, and thus the documentation completion date for that audit was no later than May 5, 2014. The other two issuers filed Forms 10-K with the SEC on February 28, 2014 and June 5, 2014, respectively, and thus the documentation completion dates for those audits were no later than April 14, 2014 and July 20, 2014, respectively.

¹⁵ Firm policy required CEO approval for the release of computers with administrative rights.

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subsequently made those improperly altered work papers available to Inspections, without revealing that the alterations had occurred.¹⁶

11. As a result of the conduct described above, Deloitte Turkey (a) violated its duty to cooperate with Inspections; and (b) violated PCAOB quality control standards requiring the Firm to establish and maintain policies and procedures to provide it with reasonable assurance that its personnel "perform all professional responsibilities with integrity" and that "the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."¹⁷

12. Through the conduct described above, Gürer took or omitted to take actions knowing, or recklessly not knowing, that his acts and/or omissions would directly and substantially contribute to the Firm's violation of its duty to cooperate with Inspections and its violations of PCAOB quality control standards. Gürer thereby violated PCAOB Rule 3502.

IV.

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), Hüseyin Gürer is censured;
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Hüseyin Gürer is barred from being an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);¹⁸

¹⁶ See Şule Firuzment, PCAOB Rel. No. 105-2017-052 (Dec. 19, 2017).

¹⁷ QC §§ 20.09, 17.

¹⁸ As a consequence of the bar imposed in this Order, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Gürer. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a

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- C. After three (3) years from the date of this Order, Hüseyin Gürer may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- D. 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 Hüseyin Gürer. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Gürer 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 Board 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 Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Gürer 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.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

May 9, 2018

financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."