

MULTIPLE AUDIT SYSTEM FOR COOPERATIVES IN TURKISH LAW

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Abstract. In the jurisprudential landscape of Turkey, cooperatives occupy a unique position, regulated under the comprehensive purview of the Turkish Commercial Code with delineated prescriptions in the Cooperatives Code. Cooperatives are distinct from commercial entities in that they aim to procure economic advantages through collective solidarity and mutual aid, rather than through profit accrual and distribution. However, this does not exempt them from the rigorous auditing requirements that other commercial entities are subject to, necessitating a robust audit framework. The legislative architecture in Turkey has endorsed a multiplex audit regimen for cooperatives, thereby establishing a composite of external, independent, and mandatory internal audits conducted by the cooperative's governing body as the standard practice. This prescriptive embrace of internal audits, divergent from the practices in capital companies, serves to elucidate a strategic safeguard against the potential dilution of accountability mechanisms within cooperatives. However, the eclectic and fragmented legal foundation underpinning this multifaceted audit system presents analytical challenges, particularly with regard to the redundancy of mandated internal audits in the presence of comprehensive external and independent evaluations. This raises questions about the pragmatism and proportionality of such regulatory mandates within the cooperative sector. Therefore, the conglomerate audit structure, while demonstrating a commitment to enhanced transparency and fiduciary diligence, requires a critical re-evaluation of its alignment with the operational and existential ethos of cooperatives.

Keywords: Turkish company law; cooperatives in Turkish law; independent audit; internal audit; external audit.

INTRODUCTION

In the jurisdiction of Turkey, cooperatives are classified under a distinct category of commercial entities, governed by a specific regulatory framework that distinguishes them from other commercial organizations. Predominantly, cooperatives are oriented towards economic objectives; however, their distinctive feature lies in the pursuit of economic advantages not through profit generation and distribution but via a paradigm of mutual aid and collective welfare. This unique orientation does not detract from their

identity as commercial entities. Like all commercial entities, cooperatives are subject to a bespoke regulatory audit framework.

Distinct from the internal or self-audit procedures applicable to personal companies, such as collective and limited partnerships, and the independent audit model mandated for capital companies, such as joint-stock and limited liability companies, the legislative architecture for cooperatives embraces a more intricate and hybrid audit protocol. Following amendments to the Turkish Cooperatives Code (CoC) in 2021, the pre-existing mandate for internal audits conducted by a designated cooperative body has been retained. Additionally, a new provision has been introduced, requiring cooperatives that meet specific criteria to undergo external or independent audits, though this requirement is not universally applied across all cooperatives. This nuanced approach underscores the significant role cooperatives play within the public sphere, prompting the legislature to adopt a protective and supervisory stance aimed at fostering a robust and sustainable cooperative ecosystem within the Turkish economy.

This scholarly examination delves into the complexities of the audit mechanisms uniquely tailored for cooperatives. It is structured under two primary sections: the initial segment elucidates the principles underpinning the multifaceted audit system as prescribed in Turkish law, while the subsequent section critically assesses the merits and demerits of this cooperative-specific audit framework from the perspective of *de lege ferenda*. The ultimate objective of this analysis is to furnish foreign legal practitioners and cooperative stakeholders with a comprehensive understanding of the legislative schema governing the multifaceted audit system of cooperatives within the realm of Turkish law.

1. MULTI AUDIT SYSTEM FOR COOPERATIVES IN TURKISH LAW

1.1. Fundamentals of Audit of Cooperatives

The discourse surrounding the juridical essence of cooperatives posits a notable differentiation from conventional commercial entities, engendering substantive debate within legal scholarship and judicial determinations [Tekil 1994, 91; Tekinalp 1972, 24; Kahyaoglu and Kurt 2017, 712]. Despite divergent perspectives, the consensus delineates cooperatives as embodying the characteristics of a commercial corporation, albeit distinguished by an economic objective not predicated on profit maximization and distribution. Rather, cooperatives are conceptualized as vehicles for enhancing economic conditions through the principles of mutual aid and solidarity among members [Demir 2006, 15; Özmen 2012, 13; Aykan 2007, 18].

Predominantly, the legal framework governing cooperatives is encapsulated within the CoC and the provisions of the Turkish Commercial Code (TCC). The legislative revision introduced through Law No. 7339 in 2021 to the CoC No. 1163 (dating back to 1969) signifies a substantive overhaul of the cooperative auditing paradigm [Pınar 2014, 142]. This amendment instituted a dual-auditing mechanism, mandating external audits alongside internal audits for cooperatives exempt from independent auditing requirements. This development was aimed at bolstering the efficacy and reliability of cooperative audits. Furthermore, the TCC No. 6102 (enacted in 2012) explicitly extends its regulatory purview to cooperatives under its second section, which is dedicated to commercial entities. Thus, the general legal stipulations applicable to commercial enterprises are concomitantly pertinent to cooperatives, underscoring the legislative intent to integrate cooperatives within the broader commercial legal regime while acknowledging their unique operational ethos. The legislative emphasis on cooperatives underscores their pivotal role in fostering public benefit and contributing to the fortification of the Turkish economy. This is elucidated through specific regulatory measures such as the compulsory inclusion of a Ministry of Trade representative in cooperative general assemblies, the empowerment of the Ministry to initiate termination lawsuits against cooperatives infringing public order or their statutes, and the prerequisite of obtaining Ministry authorization for the establishment of cooperatives [Aykan 2007, 10; Coşkun 2023, 49; Aydın 2024, 38]. These regulatory provisions manifest the state's proactive oversight in the cooperative sector, indicative of a legal architecture that balances cooperative autonomy with public accountability mechanisms. Coupled with the fact that cooperative memberships can scale up to 10,000 partners, the significance of cooperatives as instruments of market stability and economic proliferation cannot be overstated. The legislative objective, therefore, has been to cultivate a pragmatic auditing schema to ensure cooperatives' adherence to financial and operational integrity [Poroy, Tekinalp, and Çamoğlu 2017, 1771]. Consequently, the 2021 amendment to the CoC inaugurated an external audit system, reinforcing the oversight mechanism without superseding the existing internal audit frameworks mandated by legal statute [Özmen 2012, 19; Çevik 1990, 179; Üstün and Aydın 2017, 30; Bozgeyik, Coşkunsu, and Parlak 2025, 5]. Such is the legal schema that independent audits and external audits are mutually exclusive, affirming the legislature's stance against the concurrent applicability of both auditing processes to cooperatives. Irrespective of the auditing methodology employed, the intrinsic internal auditing mechanism, under the jurisdiction of the auditor or auditing board (a legally mandated entity within cooperatives), perpetuates, thus ensuring a comprehensive and multifaceted auditing protocol for cooperatives [Yazıcı 2021, 115; Poroy, Tekinalp, and Çamoğlu 2017, 1751; Kahyaoğlu and Kurt 2017, 715].

1.2. Internal Audit

The practice of internal auditing within cooperative entities is mandated by law, distinguishing them significantly from corporate entities [Çevik 1990, 639; Yazıcı 2021, 144]. This differentiation arises notably in the context of the legislative abandonment of internal audits within limited liability and joint-stock companies, as per the TCC, which instead solely endorses an independent audit mechanism [Yüce 2023, 585; Bozgeyik, Coşkun, and Parlak 2025, 9]. Conversely, cooperatives persist in implementing internal audits, driven by legislative intent to circumvent the pitfalls observed in the audit mechanisms of joint-stock and limited liability companies. The TCC's shift from internal to exclusively independent auditing for said companies underscores this transition [Yüce 2023, 553]. Moreover, the criteria for capital companies to undergo independent audits are stipulated by the Presidency, albeit with an annual update, yet only about 1.5 percent of these companies currently meet the latest standards. This presents an opaque scenario concerning the audit system applicable to capital companies failing to satisfy these criteria. Despite anticipations for the Presidency to regulate an auditing system for joint-stock companies exempt from independent auditing, such regulatory action remains unexecuted for approximately eleven years, post-TCC enactment in 2012. Consequently, this regulatory inertia has perpetuated a *de facto* and, for certain entities, *de jure* auditing void in the corporate sector, particularly pronounced within limited liability companies which lack even a theoretical provision for an audit mechanism should they not meet independent audit criteria. The legislative approach towards cooperatives has been to mandate internal auditing universally, to avert replicating the oversight apparent in the corporate audit regime [Haberal, and Öztürk 2020, 1542; Bozgeyik, Coşkun, and Parlak 2025, 9-10; Yüce 2023, 585; Pınar 2014, 145]. Nevertheless, the coexistence of internal and external (independent) audits within cooperatives does not negate the requirement for internal audits, posing questions of efficacy and realism. This legislative strategy thus ensures, at minimum, the implementation of internal audits across cooperatives, reflecting a cautious approach to maintaining audit integrity within these entities.

In the governance structure of cooperatives, an imperative statute stipulates the election of no less than one auditor to scrutinize and regulate all transactions and accounts on the behalf of the general assembly. This mechanism serves as a fiduciary bridge ensuring transparency and accountability within cooperative entities [Poroy, Tekinalp, and Çamoğlu 2017, 1959; Deryal 2013, 918; Coşkun 2023, 1072; Çevik 1990, 640]. In instances where the general assembly decides to elect multiple auditors, this group coalesces into a formal entity known as the Board of Auditors or Audit Board [Bilgili and Demirkapı 2018, 523; Üstün and Aydın 2017, 157]. The formation

of such a board, whether through the election of a singular auditor or multiple auditors, underscores the establishment of a legally mandated entity within the cooperative's governance framework. Furthermore, the statutes provide for the election of an equivalent number of alternate auditors, commensurate with the primary auditors elected. The designation of substitute members is articulated as not a mandatory requisite but rather a discretionary prerogative vested in the general assembly. In the event of the resignation or the vacancy of a main auditor for various reasons before the termination of their mandated tenure, the substitute auditor who has garnered the highest number of votes is bestowed the responsibility to occupy the vacated position on the board [Yüce 2023, 585-86].

The prerogative to elect auditors is exclusively reserved for the general assembly. This authority is inherently non-transferable and indelible under the cooperative's constitutional documents or governance policies. The autonomy vested in the general assembly to elect auditors is insusceptible to limitation, except under statutory constraints [Eriş 1998, 1191]. These constraints include, but are not limited to, the stipulation regarding the tenure of the auditors, which, as per the authority of the general assembly, shall not exceed a term of four years. An exceptional caveat to the inviolability of the general assembly's electoral authority is the provision allowing remaining auditors to appoint provisional auditors in the event the total number of auditors, including substitutes, dwindles below the minimum threshold predefined by the general assembly. This temporary appointment persists until the convening of the subsequent general assembly. Conversely, the absence of any auditors triggers an immediate convocation of the general assembly by the board of directors, specifically to address the exigency of electing new auditors. This elucidation not only affirms the sacrosanct autonomy of the general assembly in the auditorial elections but also delineates the legal frameworks ensuring the continuity and the integrity of financial oversight within cooperatives [Eriş 1998 1192; Pınar 2014, 145].

1.3. External Audit

The revision to the Cooperative Code (CoC) through Law No. 7339 in 2021 introduced an additional regulatory oversight mechanism for cooperatives, namely, external auditing. Unlike the pre-existing internal audit requirements, the proviso for external audits does not apply universally to all cooperatives. Instead, it is selectively enforced on entities as designated by the Ministry of Commerce. In its determination, the Ministry leverages specific criteria such as the cooperative's operational domain, membership size, and financial turnover. The imperative for undergoing external audits is imposed upon cooperatives satisfying the stipulated benchmarks

drawn from the aforementioned factors. Non-compliance with this mandate renders the cooperative's financial statements, the annual activity report by the board of directors, and resolutions regarding the discharge from liabilities, adopted at the general assembly, as invalid [Coşkun 2023, 1093].

External audit, when distilled to its essence, represents the examination of financial statements. The scope of external audit encompasses the assessment of whether the financial statements of cooperatives comply with the applicable statutory framework, whether the foundational documents underpinning their revenue and expenditures adhere to the pertinent legislation, and whether the income and expense accounts along with balance sheet accounts are congruent with the official records, books, and documentation [Ertugay 2024, 441]. Furthermore, the audit extends to ascertain whether the financial data presented in the annual activity report by the board of directors aligns with the audited financial statements and accurately portrays the true financial condition, thereby embodying the breadth of external audit's domain [Coşkun 2023, 1093; Ertugay 2024, 442].

In accordance with the governing statutes, the prerogative to appoint the external auditor is vested in the general assembly. The selection of external auditors, as circumscribed by the principles outlined in the Code of Conduct (CoC), is limited to professionals within specific categories. These categories comprise: 1) independent auditors who have received authorization from the Public Oversight, Accounting, and Auditing Standards Authority, 2) professional individuals governed by the Law on Certified Public Accountants and Sworn-in Certified Public Accountants, and 3) affiliated central unions sanctioned by the Ministry of Trade for the purpose of external auditing, or, in the absence of such central unions, affiliated unions. It is incumbent upon the general assembly to exercise this selection prerogative from among the enumerated professional groups when appointing the external auditor [Coşkun 2023, 1096; Ertugay 2024, 448].

Moreover, the dispensation to terminate the services of the selected external auditor prior to the expiration of their term of office is granted exclusively under circumstances deemed to be justified. In the event that a reserve (substitute) external auditor has not been previously appointed, it becomes imperative to undertake the selection of a new external auditor during the same session of the general assembly. Acts of contravention against legislative mandates, omission, or the intentional failure to execute assigned duties, among other analogous reasons, may be recognized as valid grounds for the termination of the external auditor's engagement.

The Ministry of Trade, pursuant to its regulatory authority, has promulgated an Auditing Regulation tailored specifically to govern the audit procedures of cooperatives. This regulatory framework stipulates that cooperatives engaged in active operations shall be subjected to external audit oversight

if they fulfil any of the criteria enumerated below: 1) cooperatives engaged in sectors such as agricultural sales, agricultural credit, credit and guarantees for merchants and artisans, and sugar beet cultivation; 2) cooperatives that possess a building permit and are operational in sectors pertaining to construction, tourism development, and real estate management and have a partnership base comprising 100 or more individuals; 3) cooperatives that have recorded a net sales revenue equal to or in excess of 30 million Turkish Liras, irrespective of the sector of their operational activities; 4) cooperatives that boast a membership total of 2,000 or more partners, independent of their field of endeavour.

It is pertinent to note that cooperatives which are already subjected to independent auditing by virtue of relevant provisions within the TCC are exempted from the mandate of this external audit requirement [Coşkun 2023, 1095; Ertugay 2024, 442].

1.4. Independent Audit

The institution of independent auditing, guided by the fundamental tenets of impartiality, obligation, professional conduct, integrity, and continuity, is reserved exclusively for authorized individuals and entities. This form of auditing is executed within the ambit of regulatory frameworks pertinent to joint-stock companies as delineated in the TCC. Independent and external auditing modalities are distinguished from internal auditing mechanisms employed by cooperative entities, due to their orientation towards external review. Yet, legislative prescriptions have delineated the application of independent auditing to federations of cooperatives rather than singular cooperative entities. In the context of cooperatives affiliated with unions, the legislative framework endorses the conduct of auditing by impartial professionals exclusively under the category of external auditing. This bifurcation, while initially precipitating some ambiguity with respect to the multiplicity of auditing forms and the regulatory authority derived therein, has been embraced as a pragmatic delineation. This endorsement is predicated on the rationale that it aptly highlights the distinction between cooperatives and capitalistic corporate structures. Hence, in the realm of capital companies, what is constituted as independent auditing finds its parallel in external auditing for cooperatives. The role of professional auditing within the ambit of cooperative unions similarly parallels the framework for independent auditing in capitalistic entities. This demarcation confers the regulatory oversight of external auditing in cooperatives upon the Ministry of Trade, whilst bestowing the authority to regulate independent auditing within cooperative unions to the Public Oversight, Accounting, and Audit Standards Authority. This nuanced differentiation underscores a legislative intent to balance the unique

operational dynamics of cooperatives against the structured governance requirements of capital companies. It embodies a legislative attempt to reconcile the inherent disparities between these entities while preserving the integrity and effectiveness of the auditing processes [Ertugay 2024, 441-42].

The breadth of the independent audit encompasses a comprehensive evaluation of the financial statements alongside the reports of the board of directors' activities [Çevik 1990, 639; Üstün and Aydın 2017, 317]. Auditors are tasked with assessing the conformity of these financial presentations and reports to pertinent legal frameworks, the Turkish Auditing Standards, and the stipulations set forth within the articles of association pertaining to financial statements and activity reports. Should these financial documents and narratives of activity eschew the process of auditing, their legitimacy is forfeited, rendering them neither valid nor enforceable.

The designated entity responsible for the election of the independent auditor is the general assembly. Said independent auditors are designated by the general assembly for each respective period of activity, optimally preceding the termination of the period within which they are to fulfil their obligations. The prerogative vested in the general assembly to select the independent auditor is both non-transferrable and imperative, underscoring the intrinsic value and autonomy of this process. Exceptionally, provisions exist allowing for the appointment of an independent auditor by judicial decree or election through the Board of Directors, albeit in extraordinary circumstances. In events where the general assembly is either incapable of convening or fails to reach a consensus concerning the appointment of the independent auditor, and such appointment remains unfulfilled within the initial four months subsequent to the commencement of the activity period, judicial intervention is permitted to mandate the appointment of an independent auditor. Additionally, the judiciary possesses the authority to assign a new auditor in replacement of one whose contract has been terminated or whose tenure has concluded. As an extraordinary measure, the Board of Directors retains the discretion to appoint an independent auditor. This measure is contemplated in instances where the incumbent auditor prematurely vacates their position due to resignation, demise, dismissal, or the loss of auditor status for any other contention. In such a scenario, the Board of Directors is entitled to appoint a provisional auditor. This temporarily appointed auditor enjoys full auditing powers and retains such status until the subsequent general assembly, which is convened with the specific agenda of auditor selection. At this juncture, the general assembly may either elect a new auditor to replace the temporary appointee or resolve to extend the tenure of the temporary auditor.

The classification of eligible entities for the role of independent auditors has been distinctly categorized into three primary groups, these

are: 1) Independent Auditing Firms, 2) Certified Public Accountants, and 3) Independent Accountants and Financial Consultants.

The selection of independent auditors is conducted on an individual basis for each respective activity period, ensuring a rigorous and unbiased auditing process. Within the context of cooperative unions, an auditor who has fulfilled the role for a cumulative duration of seven years over the preceding decade is subject to specific eligibility constraints for reappointment. Precisely, such an individual is only reconsidered for the role in the same cooperative union if a minimum interlude of three years has transpired following the conclusion of their most recent auditing engagement. This provision is instituted to uphold the principles of independence and impartiality, which are paramount in the auditing profession.

The completion of the audit, the demise of the auditor, incapacitation in exercising civil rights, dissolution of the cooperative union, and the cessation of conditions requisite for independent auditing delineate the primary grounds for the cessation of an auditor's obligations. Besides these conventional grounds, the auditor's duties may be abrogated for extraordinary reasons. The juridical essence of the concord between the independent auditor and the cooperative union is encapsulated within the audit contract. Despite the general assembly or the board of directors possessing the prerogative to select the auditor, the unilateral removal of the auditor from their position or the voluntary resignation of the independent auditor is precluded. While the association is contractual, it precludes the termination of the auditor's responsibilities through mutual agreement. Exclusively a judicial decree can effectuate termination for extraordinary causes. This provision aims to fortify the audit's independence, veracity, and transparency, converging towards the public interest [Çevik 1990, 639; Üstün and Aydın 2017, 318, Yazıcı 2021, 195]. Upon such extraordinary circumstances, the judiciary extinguishes the auditor's mandate and nominates a successor. The board of directors, representing the cooperative union, or the auditor independently, can petition the judiciary to dissolve the auditing engagement. In either scenario, the petitioner is obliged to substantiate the necessity of terminating the auditor's mandate with justifiable grounds, compelling the judiciary to ascertain the legitimacy of these grounds.

In delineating the framework for the inclusion within the scope of independent audits, it is pertinent to elucidate that only those cooperative entities, specifically unions, are eligible for such reviews, with a distinction drawn conspicuously narrower than the ambit applicable to cooperatives and unions undergoing external audits. It is imperative to note that the purview of independent auditing within cooperatives is circumscribed to only those unions affiliated with agricultural sales cooperatives. The pertinent legislation, the Law on Agricultural Sales Cooperatives

and Unions, stipulates that the agricultural sales cooperative unions, subject to independent auditing, are to be designated by the Ministry of Commerce. This designation takes into account specific parameters such as the quantum of partners and the turnover. The Ministry of Commerce has operationalized the Communiqué on the Determination of Agricultural Sales Cooperative Unions Subject to Independent Audit, therein making independent auditing compulsive for certain agricultural sales cooperative unions. This Communiqué establishes quantifiable criteria, including total assets, annual net sales revenue, the number of partners within affiliated cooperatives, and the employment threshold, as benchmarks to ascertain eligibility for independent auditing. Concretely, agricultural sales cooperative unions that surpass the threshold in three out of these four criteria are mandated to undergo independent auditing. The enumerated criteria are as follows: 1) the possession of total assets valued at or exceeding 40,000,000 Turkish Lira (TL), 2) the realization of annual net sales revenue of or exceeding 50,000,000 TL, 3) the affiliation of a cooperative with a partner base that numbers 3,000 individuals or more, and 4) an employee count reaching or surpassing 150 individuals.

This delineation underscores the regulatory framework's intent to impose rigorous financial and operational transparency on agricultural sales cooperative unions, thereby facilitating more stringent oversight and ensuring fiscal prudence within this sector.

The oversight framework pertinent to agricultural sales cooperative unions, excluding those identified for mandatory independent auditing, incorporates an architecture of dual scrutiny, encompassing both internal and external auditing dimensions. Moreover, a distinctive scenario emerges pertaining to the domain of independent auditing within cooperative entities.

In this context, it is provisioned that unions possess the delegation from the Ministry of Trade to enact external auditing procedures, whilst central unions are imperative participants in the independent auditing process. This regulatory alignment underscores the stratified approach towards auditing within cooperative frameworks, delineating a nuanced governance structure aimed at enhancing accountability and operational transparency.

2. EVALUATION OF THE MULTIPLE AUDIT SYSTEM IN COOPERATIVES

The genesis of the multiple audit system within cooperative entities is attributable to a discernible necessity. The inefficacy of internal audits, compounded by the contingent nature of auditors' tenure – subject to dismissal by the general assembly at any juncture – coupled with a predominant

unprofessional rapport between auditors and board members, underscore the imperfections inherent in the existing audit framework. Whilst the appointment of non-cooperative entities as internal auditors is theoretically viable, its practical application remains nominal. Such internal auditors frequently lack the requisite legal and accounting acumen, delineating significant deficiencies within the internal audit mechanism [Bozgeyik, Coşkun, and Parlak 2025, 12-13]. The institution of a multiple audit system seeks to ameliorate these shortcomings, positioning cooperatives distinctively amongst commercial entities. Contrastingly, sole proprietorships eschew internal audits entirely, opting instead for a system predicated upon each partner's right to information and scrutiny. Conversely, in capital companies, the notion of an internal audit conducted by an organizational body has been eschewed in favour of a theoretical framework endorsing independent audits. Yet, the stringent criteria for such independent audits render them a practical challenge. Presently, a mere 15,000 out of 1,000,000 capital companies are subjected to independent auditing. This paradigm reflects a considerable deviation from legislative intent and the overarching objectives of transparency and accountability within capital enterprises. Alarming, this evidences that approximately ninety-nine percent of capital companies remain effectively outside the purview of audit scrutiny.

In examining the legislative approach towards cooperative entities, it is evident that the legislator has diligently avoided replicating the oversight observed in the regulatory framework applicable to capital corporations, particularly concerning the implementation of a multiple audit system. This decision underscored the nuanced recognition of the legislative body in acknowledging the distinct nature of cooperative entities as compared to their corporate counterparts. The institutionalization of the multiple audit system for cooperatives signifies a deliberate and informed legislative choice. It enables cooperatives meeting predefined criteria to engage in a more comprehensive and sophisticated audit process, facilitated by external and independent specialists. This mechanism not only elevates the standard of scrutiny these entities are subject to but also fosters a culture of accountability and professional oversight, thereby enhancing the integrity of the cooperatives' operational and financial modalities. Conversely, the legislation ensures that cooperatives, which do not qualify for external or independent audits, are not exempt from the obligation of audit altogether. Through the validation of internal audits, the legislative framework accommodates a method of oversight for such entities. Despite scepticism regarding the efficacy and objectivity of internal audits – stemming from concerns over non-professional conduct and the potential compromise of impartiality due to the capability of cooperative members serving as auditors – the alternative, which would entail a complete absence of any form of audit, is categorically

considered less favourable. This nuanced legislative strategy reflects an acute awareness of the operational realities of cooperatives, and the indispensable need for a tailored regulatory approach that acknowledges the unique challenges and dynamics within such entities. Thus, the legislator's foresight in designing a dual audit system manifests not only a commitment to ensuring financial propriety and transparency within cooperatives but also a broader intention to cultivate an environment conducive to their sustainable and responsible growth.

In examining the systemic critiques applicable to the multiplicity of audit mechanisms within cooperative entities, it becomes evident that the integration and validation of internal audits, within cooperatives undergoing external or autonomous evaluations, present a dubious necessity. The redundancy and potential superfluity of internal audits, in the presence of comprehensive external or independent scrutiny, raises significant inquiries regarding their added value, coverage of unaddressed oversight dimensions, and the amelioration of existing oversight deficiencies. Furthermore, it is imperative to recognize the implications of internal audits in terms of labour allocation and supplementary financial burdens on cooperatives already subject to outsider evaluations. Therefore, it is advocated that a re-evaluation of audit regime frameworks, favouring the implementation of internal audits exclusively within cooperatives exempt from external or independent audits, constitutes a more efficacious and resource-optimal approach. This recommendation stems from a critical analysis of operational efficiencies, cost-benefit considerations, and the overarching objective of ensuring rigorous and comprehensive cooperative oversight.

An additional critique that can be leveled against the multiple audit system within cooperatives pertains to the disperse legislative sources governing such audits. The norms applicable to the auditing of cooperatives are primarily contained within the CoC. Conversely, regulations encompassing the guidelines for both internal and external auditing of cooperatives also constitute a part of the legal framework undergirding the multiple audit system. Moreover, provisions related to joint-stock companies within the TCC further serve as a reference point for the intricate audit mechanism within cooperatives. In instances where cooperatives are mandated to undergo independent auditing, the criteria stipulated in the TCC concerning the appointment of auditors, the qualifications requisite for independent auditors to conduct said audits, alongside the responsibilities and prerogatives of the auditor, are invoked. Additional stipulations relevant to the mandatory independent auditing of cooperatives find their place within the specialized statute for agricultural sales cooperatives. The dispersed state of these legal provisions across various legislative documents inherently breeds issues concerning legal certainty. From an ideal standpoint, the entirety of norms

pertinent to the multiple audit system in cooperatives ought to be consolidated within the CoC to mitigate such issues.

CONCLUSION

In the legal framework of the Republic of Turkey, a Cooperative represents a distinct archetype of commercial entity, which is regulated not only under the TCC but also by a specialized statute, the CoC. The state exercises a significant degree of oversight over cooperatives, implementing both direct and indirect supervisory mechanisms. This heightened level of surveillance is attributed to the pivotal role cooperatives play in serving the public interest, setting them apart from conventional commercial entities in multiple respects. One of the most salient distinctions between cooperatives and other forms of commercial companies is manifested in the auditing processes to which they are subjected. Unlike the trajectory observed in the TCC pertaining to capital companies, where internal auditing mechanisms were overlooked, the legal framework governing cooperatives has diligently preserved these internal audit systems. This preservation applies universally across various types of cooperatives, in spite of whether they are also subjected to external or independent audits, thereby avoiding a significant oversight made in corporate legislation. The legislative approach toward ensuring rigorous oversight of cooperatives was further augmented in 2021 through an amendment to the CoC, which extended the requirement of an external audit mechanism to cooperatives. Nevertheless, this requirement is not universally applied but is conditional upon the cooperative fulfilling certain criteria as stipulated by a Regulation promulgated by the Ministry of Trade. Additionally, the Turkish legal system has introduced the concept of an independent audit as a potential oversight mechanism for cooperatives. At present, this framework is exclusively applicable to the federations of agricultural sales cooperatives, which must meet specific standards established in a Communiqué issued by the Ministry of Trade in order to be eligible for independent auditing. It is noteworthy that federations which are subject to independent audit are exempt from the external audit requirement, indicating a tailored approach to ensuring financial and operational accountability in these entities. The preservation of such diversified audit mechanisms, particularly the maintenance of internal audit alongside the introduction of external and independent audits, underscores a legal recognition of cooperatives' unique position within both the market and society. Furthermore, these legislative choices reflect a deliberate effort to safeguard the public interest by enhancing the transparency and accountability of cooperatives, which are integral to Turkey's socio-economic landscape.

The robustness and efficacy of the multiple auditing systems utilized within cooperative entities are subject to considerable scrutiny due to inherent limitations. The divergence of legislative foundations underpinning each auditing modality presents an unequivocal impediment with regard to legal stability. In the optimal regulatory framework, it is imperative that all statutes governing the multifaceted auditing schema within cooperatives be amalgamated within the Cooperative Code (CoC). Whilst the preservation of internal auditing mechanisms serves to safeguard cooperatives from an audit deficit, mandating such internal audits for cooperatives concurrently subjected to external or independent audits may culminate in inefficiencies and superfluous expenditures. Moreover, the incremental value derived from internal audits, when juxtaposed with the assessments executed by professionals of higher qualification and expertise in the realm of external and independent auditing, remains dubious. Accordingly, it is posited that the internal audit mechanism should be selectively applicable solely to those cooperatives not already under the purview of external or independent audit processes.

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