



Audit In Private Sector and Local Governance in Turkey

KEYWORDS

Audit, internal control, inspection, internal audit

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ABSTRACT *In today's sophisticated world, the concepts are getting enriched day by day and have been gaining new meanings. One of the best examples of these is the word "audit". At first glance, it is defined a proactive approach of inspection, however, especially in public sector it is far away from being a part of inspection, instead it is somehow counselling service. So its meaning has differentiated in the course of time. Today in private sector, it has still been perceived as inspecting function but in public sector, the perception of it is as counselling services for detecting risk factors.*

That is why audit will be taken on hand from two different aspects, and impact of it will be compared in depth. This paper illustrates the possibilities for conducting audits with a comprehensive focus using both counselling and compliance framework. Because the multinational structure of the establishments lead to the comprehensive information, especially financial information, of the companies involved. Financial information of a company relies on the accounting methods, reporting systems and audit system.

In partnership with governments and institutions, the Audit mechanism works to build institutional capacity so governments are responsive, transparent and accountable to their citizens. In democratic systems, the concept of accountability for public entities is a crucial factor in the governing process. Accountability and audit are important for ensuring the role of law and enhancing democratic values in the area of public finances and good governance.

Preamble:

Urbanization process increased by rapid population growth and as a result of rapid development and conversion faced in scientific and social area, current Public management structures become insufficient to satisfy new needs arose in local and national level.

Local Governances make use of affiliate corporates to deliver alternative services to meet local social needs effectively. As a result of this, auditing has gained a special importance, and transparency and accountability became mile stones to reveal the performance of governing bodies to the public.

1) Definitions:

For common understanding, the specific terminology has been introduced herebelow.

Local administrations: refer to municipalities, special provincial administrations and to associations and administrations related to or established by them, or where they are a member which perform public activities with authorities limited to specific geographic regions and services. However, public administrations within the scope of central government: refer to public administrations in General.

Audit: The general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product. The term most commonly refers to audits in accounting, but similar concepts also exist in project management, quality management, and in other management fields to provide an assurance for related parties..

In its most generic sense this can mean any examination ex-post of a transaction, procedure or report with a view to verifying any aspect of it – its accuracy, its efficiency, etc. The word usually needs to be qualified more narrowly to be useful.

Accountability: Those who are assigned duties and vested with authorities for the acquisition and utilization of public resources of all kind are accountable vis-à-vis the authorized bodies and responsible for the effective, economic and efficient acquisition, utilization, accounting and reporting of the resources on the basis of law, as well as for taking necessary measures to prevent the abuse of such resources.

Accountability signifies giving and demanding of reasons for conduct in which the authorities are required to take responsibility for, to explain and to justify for. (Parker, 1999:23)

Fiscal Transparency : In order to ensure supervision in the acquisition and utilization of all types of public resources, the public shall be informed timely. Public administrations are responsible for making necessary arrangements and taking measures to ensure the fiscal transparency, which shall be monitored by the Ministry of Finance.

Fiscal transparency is a means contributing to an effective, efficient and comprehensive accountability and auditing that aim at securing full answerability (Premchand, 2001:27)

Internal Control: Internal control is the whole of the financial and other controls comprising organization, methodology, procedure and internal audit established by the administration in order to provide that the activities are performed in an effective, economic and efficient way in accordance with the aims, defined policies of the administration and with legislation, the assets and resources are protected, the accounting records are held correctly and completely, the financial information and management information are produced in time and securely. (Coso, 2009: 53)

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve

an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (www.theiia.org.2011)

II)The importance of Audit;

Audits are performed to ascertain the validity and reliability of information; also to provide an assessment of a system's internal control. The goal of an audit is to express an opinion on the person / organization / system (etc.) in question, under evaluation based on work done on a test basis.

Due to practical constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error.

Although auditing is a vital part of accounting, recently it has begun to include non-financial subject areas, such as safety, security, information systems performance, compliance and environmental concerns. There has been an increasing need for performance audits from especially governing bodies, examining their success in satisfying mission objectives.

An audit must adhere to generally accepted standards established by governing bodies. These standards assure third parties or external users that they can rely upon the auditor's opinion on the fairness of financial statements, or other subjects on which the auditor expresses an opinion.

Risk-based audits that can cover multiple regulations and standards from a single audit event, have been adopted by organizations because of the facts that new regulations and need for operational transparency increase. In order to meet governance requirements in public, this new approach has been considered (Picket,2006;73)

In this regard, accountability and fiscal transparency are inseparable parts of auditing. Accountability has broader economic and social purposes and objectives by virtue of the various groups that have a legitimate interest in knowing about the activities and operations of local governance.(Grossi,2010;13)

For the realization of better accountability and auditing, Commission Directive 2000/52/EC brought an obligation of separation of accounts, according to which public entities are Under obligation of separation of accounts between their activities falling inside the scope of the services of general economic interest and outside. These accounts must show the separation of activities, the costs and revenues associated with each activity and methods of cost and revenue assignment and allocation.(Commission Directive 2000/52/EC)

Modern auditing does not center around the accounting records only. It focuses on the performance of the management and it is called performance audit.

According to INTOSIA (International Organization of Supreme Audit Institutions) performance audit is oriented towards examining the performance, economy, efficiency and effectiveness of public administration and thus covers not only specific financial operations, but also the full range of government activity including both organizational and administrative systems.(www.issai.org/ 2011)

III) Internal Audit in Private Sector;

After accounting scandals there is an internal auditing, risk management systems and audit committees in the corporate organizations. Audit committee is the governance body that is charged with overseeing the organization's audit and control functions.

In this environment, after accounting scandals the Sarbanes-Oxley Act was legislated to improve the corporate governance applications in 2002.

The Sarbanes – Oxley Act is not only the corporate governance act but also an accounting based act which brings extra responsibilities for managements of publicly traded firms, and the act defines crimes related with corporate executives and also determines punishments. The Act includes some arrangements which strengthen the corporate governance system of publicly traded firms (Mufad,2003;76)

The Sarbanes – Oxley Act increased audit committees responsibilities and raised membership requirements and committee composition to include more independent directors.(Keinath,2004;23)

The main purpose here is to collect relevant and accurate information for third parties as well as share holders and directors.

In parallel with audit and corporate governance regulations and new legislations after accountingscandals, similar regulations were also prepared in Turkey. However the established regulations are not compatible with international level in audit standards.(Kishali,2007;272)

IV)Internal Audit and Implementation in Public in Turkey;

Due to the economic crisis throughout the world; reactions towards inefficient utilization of public resources have increased, accountability of managers on the efficient and rational use of public resources has gained significance.

Therefore concepts like managerial responsibility, responsibilities concerning the programs, society and the processes have been introduced in public administration.

With Public Financial Management and Control Law No. 5018; it is stipulated that public financial management and control system in Turkey shall be re-structured, abiding by the principles of accountability and fiscal transparency as well as principles of effective, efficient and economic utilization of resources allocated to achieve the targets set taking the strategic priorities and international best practices into consideration .

One of the most important mechanisms of this newly established system is the "internal audit" activity. Internal audit is stipulated to be performed in a systematic, continuous and disciplined approach and in accordance with generally accepted standards in order to evaluate and improve the management and control structures of public administrations as well as the efficiency of risk management, management and control processes of financial transactions performed in these public administrations.

Internal auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to

governing bodies and senior management as an objective source of independent advice. (Dunn,1996;18)

The scope of internal auditing within a public organization is broad and may involve topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, internal auditors are not responsible for the execution of company activities; they advise management only in public sector. It highlights the basic difference internal audit between public and private sector enterprises.

To perform their role effectively, internal auditors require organizational independence from management, to enable unrestricted evaluation of management activities and personnel. Providing objectivity is essential. Thus, for the accuracy and reliability of the audit, the auditors must be independent.

The independence of the Internal Audit is applied by most international institutions: for instance, the European Commission audit is accountable to the Audit Progress Committee; the IBRD Auditor General reports to the president and to the audit committee comprising eight of the 24 executive directors; The IMF's internal audit is overseen by the External Audit Committee (three members, all external and with the "accounting and financial expertise required"); The OSCE's Office of Internal Oversight reports to the Secretariat General and the Permanent Council. (Directive, 2006/43/EC)

Regarding public institutions, the same principle of independence of internal audit applies; cf. INTOSAI's standard GOV9140 "Internal auditor independence in the public sector" endorsed in 2010, article 9.32. (www.issai.org, 2011)

It is aimed that the transition process to be adopted and public financial management and control system which is compliant to international standards and EU practices shall be established.

Public Financial Management and Control Law No. 5018 regulates the implementation of "Internal auditing" in public in Turkey. Article 63 and successive articles form the essentials of implementation as follows (Law: 5018, 2003)

Legal Background of Internal Audit in Turkey:

Article 63-Internal audit is an activity of providing independent and objective assurance and consultancy, performed in order to improve and add value to the activities of the public administrations by evaluating whether the resources are managed in conformity with the principles of economy, effectiveness and efficiency, and by providing guidance. Such activities are performed with a systematic, regular and disciplined approach and in accordance with generally accepted standards, aiming to evaluate and improve the efficiency of risk management and of management and control processes on the management and control structures and financial transactions of administrations.

(Rearrangement second paragraph: 22/12/2005 -5436/10-b art.) Internal audit is performed by the

internal auditors. (Annexed sentence: 22/12/2005-5436/10

art.) Taking into account the structure and personnel number of public administrations, upon the positive opinion of the Internal Audit Coordination Board, internal audit units may be established, which are directly subject to the head of the public administrations.

Duties of Internal Auditors

Article 64-Annual internal audit program of public administrations shall be prepared by the internal auditors by considering the proposals of heads of public administrations, and shall be approved by the head of public administration.

The following are the duties of internal auditors shall perform the following duties:

- a) To evaluate the management and control structures of the public administration on the basis of objective risk analysis,
- b) To make studies and proposals with regard to economic, efficient and effective utilization of resources,
- c) To perform ex post audits on legal compliance,
- d) To audit and evaluate the administrations' expenditures, decisions and operations on financial transactions according to their compliance with the objectives, policies, development plan, programs, strategic plans and performance programs.
- e) To perform system audit on the processes of financial management and control, and to make proposals thereon,
- f) In the framework of audit results, to make proposals regarding the ameliorations,
- g) To report to the highest administrator of the administration concerned if a case requiring an investigation is observed during the audit or according to audit results.

The internal auditor performs his/her duties in line with the internationally accepted control and audit standards defined by the Internal Audit Coordination Board.

Internal auditor performs his/her duties independently and no other duty, out of his/her primary duty can be assigned or commissioned to the internal auditor.

Internal auditors submit their reports directly to the heads of public administration. Following the evaluation of the head of administration, these reports shall be given to the concerned units and financial services unit for taking necessary action. Internal audit reports and the actions taken about them shall be sent by the head of public administration, latest in two months to the Internal Audit Coordination Board.

Qualifications and Appointment of Internal Auditor

Article 65-The officials to be appointed as internal auditors must possess the following qualifications in addition to the qualifications set out under Article 48 of the Civil Servants Law No 657:

- a) To have graduated from at least a four-year-university in one of the areas to be determined by the Internal Audit Coordination Board considering the particularities of the public administration concerned.
- b) To have served at least for five years as audit personnel in a public administration or worked at least for eight years in areas to be determined by the Internal Audit Coordination Board.
- c) To possess the knowledge, qualification and presenta-

tion skills required by the profession.

- d) Other conditions required by the Internal Audit Coordination Board.

Those to be appointed as internal auditors in public administrations shall receive professional training from the Ministry of Finance under the coordination of the Internal Audit Coordination Board. The training program shall be prepared in a manner to provide adequate knowledge to the internal auditor candidates on auditing, budgets, financial control, public procurement legislation, accounting, personnel legislations, EU 26 As per Article 10 of Law No. 5436 dated 22/12/2005, "and is consulting activity providing objective assurance and consultancy" statement in the first sentence of article 63 has been replaced by the statement of "an activity of objective assurance and consultancy";

"monitor" statement in subparagraph (d) of article 64 has been replaced by the statement of "audit", and second sentence of Article 63 has been rearranged as second paragraph. legislations and other professional issues. Those having successfully completed such training shall receive certificates. The duration, subjects and post-training procedures of the training program for the internal auditor candidates shall be arranged through the regulation to be prepared by the Internal Audit coordination Board and issued by the Ministry of Finance.

(Amendment first sentence: 22/12/2005 -5436/10 art.) Internal auditors shall be appointed by the Minister in ministries and related administrations upon the recommendation of the heads of public administrations, and in other administrations by the heads of public administrations from among the candidates having certificates and shall be dismissed from duty with the same procedure. The number of internal auditors for public administrations, their working procedures and principles and other related issues shall be arranged through the regulation to be prepared by the Internal Audit Coordination Board and issued by the Council of Ministers upon the proposal of the Ministry of Finance.

Internal Audit Coordination Board

Article 66-The Internal Audit Coordination Board affiliated with the Ministry of Finance consists of seven members. One of these members is proposed by the Prime Minister, one by the Minister in charge of the Undersecretariat of Treasury, one by the Minister in charge of the Undersecretariat of State Planning Organization, one by the Minister of Interior and three, including the chairman, by the Minister of Finance, and appointed for a period of five years by the Council of Ministers. Those who will be appointed to the Internal Audit Coordination Board should possess the qualifications necessary to carry out the tasks defined under Article 67. The person to be proposed by the Minister of Finance should be an academician having a doctoral degree in one of the branches including economics, finance, accounting or business administration.

Members may be reappointed at the end of their terms.

If necessary, the Internal Audit Coordination Board may invite experts for technical assistance and consultancy with the condition of having no voting right. The working procedures and principles of the Board and other issues shall be arranged through a regulation to be proposed by the Internal Audit Coordination Board and to be issued by the Ministry of Finance.

Those who are assigned in this Board continue to carry out their primary duties. The Chairman and the members shall be paid, not to be more than four times a month, an attendance pay not exceeding the amount calculated by multiplying the index figure (3000) by civil servant monthly coefficient, for every day of meetings.

Duties of Internal Audit Coordination Board

Article 67-Internal Audit Coordination Board performs following duties in order to monitor the internal audit systems of the public administrations and to serve as an independent and impartial body:

- a) To determine internal audit and reporting standards, and to prepare and develop audit guidelines.
- b) To develop risk evaluation methods in line with international practices and audit standards.
- c) To ensure cooperation with the audit units of public administrations.
- d) To make proposals in order to take necessary measures for eliminating frauds or irregularities.
- e) To make proposals to the public administrations for specific audits out of the program, which will be carried out by the internal auditors in risky areas.
- f) To arrange the training programs of internal auditors.
- g) To contribute to the settlement of conflicts in cases of divergence of opinions between the internal auditors and the heads of public administrations.
- h) To evaluate the internal audit reports of the administrations and to consolidate their results in an annual report to be submitted to the Minister of Finance, and publicize it.
- i) (Amendment: 22/12/2005 -5436/10 art.) To determine, according to the volume of the transactions and personnel number, whether internal auditors shall be appointed for administrations and district and village municipalities.
- j) To determine other procedures on the appointment of internal auditors.
- k) To determine ethical rules to be followed by the internal auditors.
- l) (Annex: 22.12.2005 -5436/10 art.) To prepare quality assurance and development program and to evaluate the internal audit units within this scope.
- V) Internal Audit and internal control

Internal auditing activity is primarily directed at improving internal control. Under the COSO Framework, internal control is broadly defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories. (COSO,1992:23)

Effectiveness and efficiency of operations.
Reliability of financial reporting.
Compliance with laws and regulations.

Management is responsible for internal control. Managers establish policies and processes to help the organization achieve specific objectives in each of these categories. However controlling activity requires two essential elements: MIS and Performance (Neculai,2005;67) Internal auditors perform audits to evaluate whether the policies and processes are designed and operating effectively and provide recommendations for improvement.

The following paragraphs explain internal control as an auditing standard.(Intosia,1995;60)

3.3.2 The study and evaluation of internal control should be carried out according to the type of audit

undertaken. In the case of a regularity (financial) audit, study and evaluation are made mainly on controls that assist in safeguarding assets and resources, and assure the accuracy and completeness of accounting records. In the case of regularity (compliance) audit, study and evaluation are made mainly on controls that assist management in complying with laws and regulations. In the case of performance audit, they are made on controls that assist in conducting the business of the audited entity in an economic, efficient and effective manner, ensuring adherence to management policies, and producing timely and reliable financial and management information.

3.3.3 The extent of the study and evaluation of internal control depends on the objectives of the audit and on the degree of reliance intended.

3.3.4 Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data. The controlling activity is more efficient when it receives more accurate information, transmitted inside a viable internal control system, validated by internal audit.

An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control (ISA 610,2010;3)

Public Financial Management and Control Law No. 5018 regulates the implementation of "Internal Control" in public in Turkey. Article 55 and successive articles form the essentials of implementation as follows (Law:5018,2003)

Legal Background of Internal Control in Public in Turkey.

Within the framework of Law 5018, the concept of internal control is taken on hand as follows:

Internal Control:(Article 55) Internal control is the whole of the financial and other controls comprising organization, methodology, procedure and internal audit established by the administration in order to provide that the activities are performed in an effective, economic and efficient way in accordance with the aims, defined policies of the administration and with legislation, the assets and resources are protected, the accounting records are held correctly and completely, the financial information and management information are produced in time and securely.

Objectives of Internal Control

Article 56-The objectives of internal control are:

- To manage the public revenues, expenditures, assets and liabilities in an effective, economic and efficient way,
- To ensure that public administrations operate in accordance with the laws and other legislations,
- To prevent irregularities and frauds in all kinds of financial decisions and transactions,
- To ensure regular, timely and reliable reporting and acquisition of information for taking decisions and monitoring,
- (Amendment: 22/12/2005-5436/10 art.) To prevent the misuse and waste of assets and protect against losses.

Structure and Functioning of Control

Article 57-(Amendment: first paragraph: 22/12/2005-5436/10 art.) Public administrations' financial management and control systems consist of spending units, accounting and financial services, ex ante financial control and internal audit.

In order to establish an adequate and effective control system; necessary measures shall be taken by the heads and other administrators of the relevant administrations by considering duties, authorizations and responsibilities, for building high professional values and an honest administration concept; for granting financial authorities and responsibilities to well-informed and qualified administrators and staff; for ensuring that established standards are followed; for avoiding activities against legislation; and for ensuring a comprehensive management approach and a suitable work environment as well as transparency.

(Abolishment: last paragraph 22/12/2005-5436/10 art.)

21 As per Article 10 of Law No 5436 and Dated 22/12/2005, "ex ante" statement in this paragraph has been replaced with "internal" statement.

Ex ante Financial Control

Article 58-(Amendment: 22.12.2005 -5436/6 art.) Ex ante financial control covers the controls performed during the realization of the procedures in the spending units and the controls performed by the financial services unit.

The ex ante financial control process consists of the preparation of financial decisions and transactions, undertaking commitment, realization of works and transactions and their documentation.

At public administrations ex ante financial control duty is performed within the framework of the managerial responsibility. The principles and procedures for minimum controls to be performed during the realization of the procedures at the spending units, financial decisions and transactions to be subject to ex ante financial control by the financial services unit and the standards and methods regarding ex ante financial control shall be determined by the Ministry of Finance. Provided not contradicting with these standards and methods the public administration may make arrangements in this subject.

VI) Internal audit and External Advisory,

According to INTOSIA, the purpose of external audit is to ascertain the proper and effective use and run of public funds, sound management, the administrative propriety and public accountability through the publication of objective audit report. (www.issai.org,2011)

External advisors have knowledge that allows them to report to diversity of reference systems, which auditors cannot always access. External advisors functions are exercised by specialist from various fields of activity. Given the internal audit missions, the advisory ones have more characteristic (Pitulice,2007;497) .

The advisor has in mind a certain problem, well delimited, specific to its competency domain.

The advisor considers a mission with a clear objective, and generally, the period of the mission is fixed.

The advisor works for a certain responsible (for example a manager specialized in certain area) who has Mainly requested a point of view.

The advisor's role can be enlarged from a simple diagnosis of the analyzed situation to the establishment of a new organization for the entity.

However, internal audit function and advisory function resemble, because between the two professional (internal auditor – external advisor)there is a complementarily relation, one being unable to eliminate the other.

In general, external advisory has many forms: financial – accounting advisory, tax advisory, management advisory, etc.

External audit in public in Turkey has been regulated by Public Financial Management and Control Law No. 5018 as follows:

Legal Background of External Audit in Turkey:

Article 68-The purpose of the ex post external audit to be performed by the Court of Accounts is to

audit, within the framework of the accountability of public administrations within the scope of general government, the financial activities, decisions and transactions of management in terms of their compliance with the laws, institutional purposes, targets and plans, and to report their results to the Turkish Grand National Assembly .

The external audit is performed in accordance with the generally accepted international audit standards by carrying out the following:

- a) On the basis of public administrations' accounts and relevant documents, to perform financial audit on the reliability and accuracy of financial statements, and to determine whether the financial transactions related to revenues, expenditures and assets of public administrations comply with the laws and other legal arrangements.
- b) To determine whether the public resources are used in an effective, economic and efficient way, to measure the activity results and to evaluate them as to their performance.

During the external audit, reports issued by the internal auditors of the public administrations shall be submitted to the information of the Court of Account auditors, if required so.

At the end of the audits, the reports on the issues stated in the subparagraphs (a) and (b) of second paragraph of this article shall be consolidated according to the administrations, and a copy shall be submitted to the relevant public administration and replied by the head of public administration. The Court of Accounts shall prepare the External Audit General Evaluation Report by taking into account the audit reports and replies given thereto, and present it to the Turkish Grand National Assembly.

The finalizations of accounts by the Court of Accounts means taking a decision on whether the revenue, expenditure and asset accounts and related transactions of the public administrations within the scope of general government are in compliance with the legal provisions.

Other issues on the finalization of external audit and accounts shall be stipulated in the relevant law.

VII) Internal audit and Inspection,

Internal audit and inspection are stil two coexisting functions. Considering inspection functions, we can say that, given the internal audit, this has the following characteristics(Bayrı,2010;215)

Inspection does not interpret rules and directives. If this situation happens, then we can say that the inspection exercises, at least in part, an audit function.

Inspection requires less simple, aleotory tests, because it develops exhaustive controls,

Inspection can intervane in a spontaneous manner, while internal audit intervanes only on a mandate basis.

All the charecteristics of the inspection function request that it is assumed by persons different from internal auditors. These persons have to be experienced individuals, with authority, and that generally have a very high position in the hierarchy.

At present, inspection activity in Turkey is realized by a special inspection committee in the institutions that verify the companies fulfilled their obligations towards related bodies. They also monitor the relationship between companies and their employees, the quality of the goods and services delivered by entities for final consumers, etc.

An atypical situation regarding the relation between inspection activity and internal audit is to be found at some public sector entities, where the old internal inspection structures have been transformed in internal audit departments. Thus, some of the inspectors that formed the old structures are presently working as internal auditors.

VIII)Internal audit reports

Internal auditors typically issue reports at the end of each audit that summarize their findings, recommendations, and any responses or action plans from management. Reported audit findings are often called "issues" or "deficiencies." Professional standards require audit functions to track reported findings to resolution, which effectively requires the maintenance of an issues follow-up database. Each audit finding within the body of thereport may contain five elements, sometimes called the "5 C's": (IIA –GAIN,2009)

1. Condition: What is the particular problem identified?
2. Criteria: What is the standard that was not met? The standard may be a company policy or other benchmark.
3. Cause: Why did the problem occur?
4. Consequence: What is the risk/negative outcome (or opportunity foregone) because of the finding?
5. Corrective action: What should management do about the finding? What have they agreed to do and by when?

The recommendations in an internal audit report are designed to help the organization achieve its goals, which may relate to operations, financial reporting or legal/regulatory compliance. They may relate to effectiveness (i.e., whether goals were met or compliance with standards was achieved) or efficiency (i.e., whether the outputs were generated with minimum inputs).

Audit findings and recommendations also relate to particular assertions about transactions, such as whether the transactions audited were valid or authorized, completely processed, accurately valued, processed in the correct time period, and properly disclosed in financial or operational reporting, among other elements.

XI) Conclusion:

Within this framework, important aspects of contemporary financial management and control practices such as strategic planning, performance based budgeting, managerial accountability, internal control, internal audit, transparency and reporting have been introduced.

One of the most important mechanisms of this newly established system is the "internal audit" activity. Internal audit is stipulated to be performed in a systematic, continuous and disciplined approach and in accordance with generally accepted standards in order to evaluate and improve the management and control structures of public administrations as well as the efficiency of risk management, management and control processes of financial transactions performed in these public administrations.

No doubt that internal auditing in public with its new form has filled a gap in terms of providing advisory services as well as providing the criterias for risk management. Ration-

alism in management will exist via new understanding.

Also, It will be precoution for all sort of corruption both in private and public sector. It is hoped that bribery and misuse and abuse of public rights can be kept fairly for the benefit of public and the people.

It is possible to attribute to many tasks to audit,however people and public imlement the rules together for any expected success story. If one side neglects the importance of the subjet, it is almost impossible to reach the expected outcomes of audit and internal control. From this aspect, audit is a medium for people's welfare and transparent management. So,Public and private sector should;

- Pay utmost importance to audit and internal control,
- Prepare the ground for it,
- Traine the good practioners for it,
- Evaluate the reports timely and take necessary measurements,
- Take the higlighted points into consideration while preparing development plans,

Audit is the milestone for stable economic growth.

REFERENCE

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