

PUBLIC INTERNAL AUDIT STANDARDS

Public internal audit standards have been determined by the Internal Audit Coordination Board (the Board) as per line (a) of the first paragraph of Article 67 of Law No. 5018. Pursuant to paragraph (1) of Article 9 of the Regulation on Working Procedures and Principles of Internal Auditors, internal auditors are obliged to abide by these standards.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve a public administration's operations by evaluating whether the resources are managed according to the principles of economy, efficiency and effectiveness and providing guidance. This activity is carried out according to generally accepted standards and through a systematic, continuous and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In the determination of Public Internal Audit Standards (Standards), "The International Standards for the Professional Practice of Internal Auditing" of the International Institute of Internal Auditors (IIA) have been taken as a basis, and we have benefited from other international audit standards. Standards define the attributes of internal auditors and the processes required to be carried out in internal auditing activity.

Standards regulate issues concerning planning, performing and reporting of internal audit and competent, honest, impartial and independent working of internal auditors.

Standards aim to increase the added value of internal audit through defining the basic principles for implementation of internal audit, providing a framework for practice, establishing the basis for evaluation of the quality of internal audit, and fostering the improvement of organizational operations and processes.

For acceptance of quality of internal audit within and outside the public administration, it is of great importance that Standards and Professional Code of Ethics are well understood by the internal auditors and they are adhered to during the performance of internal auditing activity.

It is mandatory for the managers of internal audit units and internal auditors to comply with these standards and codes. In cases which are not foreseen in the standards, the practice advisories of "International Standards for the Professional Practice of Internal Auditing" determined by the IIA shall be followed.

Standards are composed of attribute standards and performance standards. Attribute standards are related to the characteristics that the internal audit unit and internal auditors should possess while the performance standards are related to the stages of internal audit activity and their results.

ATTRIBUTE STANDARDS

1000- Purpose, Authority and Responsibilities

The purpose, authority, and responsibilities of the internal audit unit/activity should be defined in a charter to be issued upon the approval of the head of public administration for every public administration consistent with the definition of internal audit and these Standards.

In order to ensure that the purpose, authority and responsibilities defined in the charter reach the internal audit unit/activity objectives and that internal audit activities are carried out in accordance with these standards, the chief audit executive shall review the audit charter periodically, assess whether new arrangements are necessary, inform the head of public administration of results of the assessment and provide suggestions on the required changes.

1000.G1 - The nature of assurance services provided to the organization should be defined in the audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances should also be defined in the charter.

1000.D1 - The nature of consulting services should be defined in the audit charter.

1100 – Independence and Objectivity

The internal audit activity should be independent, and internal auditors should be objective in performing their work.

The internal audit unit/activity should be independent from the audited units/activities in a way to facilitate the internal auditors provide impartial and effective recommendations and professional judgement while performing their duties.

1110 – Organizational Independence

The internal audit unit shall be directly affiliated to the head of public administration.

1110.G1 - The internal audit activity should be free from any kind of interference in determining the scope and subject of internal auditing, performing work, and reporting results.

1120 – Individual Objectivity

Internal auditors should have an impartial, unbiased attitude and avoid conflicts of interest.

1130 - Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

In the event that internal auditors face with a situation that may impair their independence and objectivity during the performance of audit work, they shall notify the chief audit executive in writing.

Taking into consideration that long term audit on the same area or subject may impair objectivity in engagements, auditors and audit engagements should be subject to rotation from time to time.

1130.G1 - Internal auditors should refrain from assessing specific operations for which they were previously responsible or acted as the manager. Objectivity is presumed to be impaired if

an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.G2 - Assurance engagements for functions over which the chief audit executive has responsibility should be overseen by the head of public administration in cases where the chief audit executive carries out audit engagement.

1130.D1 - Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.D2 - If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements should be performed with proficiency and due professional care.

1210 – Proficiency

Proficiency expresses having knowledge and skills required for the engagement, ability to collect sound data and evidence about audit subjects and review, assess and report them.

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit unit should possess the necessary institutional competency.

1210.G1 – In order to ensure the achievement of engagement objectives, the chief audit executive should obtain competent advice and assistance from experts outside the organization if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.G2 - The internal auditor should have sufficient knowledge to identify the indicators of fraud but is not expected to have the expertise of persons such as the prosecutor or the police whose primary responsibility is detecting and investigating fraud.

1210.G3 - Internal auditors should have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.D1 - The chief audit executive should decline the consulting engagement or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 - Due Professional Care

Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor and should possess necessary knowledge and skills to ensure achievement of audit objectives. Due professional care does not imply infallibility.

1220.G1 – The internal auditor should exercise due professional care by considering the;

- Extent of work needed to achieve the engagement's objectives,

- Relative complexity, materiality, or significance of matters to which assurance procedures are applied,
- Adequacy and effectiveness of risk management, control, and governance processes,
- Probability of significant errors, irregularities, or noncompliance,
- Cost of assurance in relation to potential benefits.

1220.G2 - In exercising due professional care the internal auditor should use computer-assisted audit tools and other data analysis techniques as far as possible.

1220.G3 - The internal auditor should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.D1 - The internal auditor should exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and reporting of engagement results,
- Relative complexity and extent of work needed to achieve the engagement's objectives,
- Cost of the consulting engagement in relation to potential benefits.

1230 - Continuing Professional Development

Internal auditors should continuously enhance and strengthen their knowledge, skills, and other professional competencies.

Head of public administration and chief audit executive should take necessary measures for professional development of internal auditors, for them to follow innovations and to increase willingness to work.

Considering the limits of internal audit activity, sufficient number of internal auditors in terms of education level, qualification and experience should be employed in the internal audit unit. Internal auditors should be provided relevant training for the duty and should continue their professional competencies through continuous appropriate training programs.

1300 - Quality Assurance and Improvement Program

Quality assurance and improvement program is the program for the assessment done by the internal audit unit and the Board of the internal audit activity performed in the relevant public administration in terms of all its aspects and for monitoring and improving its compliance to standards and professional code of ethics.

The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, continuously monitors its effectiveness and that is in compliance with the regulations of the Board. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics.

1310 - Quality Program Assessments

The chief audit executive should develop a program to monitor and assess the overall effectiveness of the quality program. The program should include both internal and external assessments.

1311 - Internal Assessments

Internal assessments should include;

- Ongoing reviews of the performance of the internal audit activity; and,
- Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal auditing practices and the Standards.

Chief audit executive should establish principles on internal quality reviews on internal audit activity that will be performed periodically.

Internal reviews should assess the quality of internal audit activity, its conformity to standards and audit manual of the internal audit unit, management of added value to the administration and whether the performance indicators have been achieved.

Chief audit executive should provide the internal assessment results made within the framework of quality assurance and improvement program in the annual activity report and should present information to the senior management at least once annually.

1312 - External Assessments

External assessments should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization appointed by the Board.

Those performing external assessments should have no obligation against the organization under review or the personnel of the organization and should have no interest related to the organization. Mutual external assessments between two organizations should not be carried out.

Issues such as the field of work of internal audit, its independence and objectivity, its adequateness in terms of quantity and quality, efficiency and effectiveness of its approach to formulate strategy and programs, its conformity to Standards and regulations by IACB, other legislation and the unit's own audit manual, its added value to the organization, achievement of performance indicators and quality of supervision in internal auditing should form the scope of external assessment.

Following the assessment of results together with the chief audit executive, the head of public administration should prepare an action plan to eliminate weaknesses that are identified and agreed. Such developments in the action plan should be indicated in the annual activity plan.

1320 - Reporting on the Quality Program

The chief audit executive should send the external assessment results and action plan to the Board and if any, to the executive board.

1330 - Use of "Conducted in Accordance with the Standards"

Internal auditors should indicate that internal audit activities are "conducted in accordance with the Standards for the Professional Practice of Internal Auditing." However, internal auditors may

use the statement only if assessments of the quality improvement program are carried out and demonstrate that the internal audit unit/activity is in compliance with the Standards No 1312.

1340 - Disclosure of Noncompliance

By principles, internal audit activity should be performed in full compliance with standards and professional code of ethics for internal auditors. However, in instances where full compliance cannot be achieved, when noncompliance impacts the overall scope or operation of the internal audit activity, disclosure should be made to the Board, senior management and if any, the executive board.

PERFORMANCE STANDARDS

2000 - Managing the Internal Audit Activity

The chief audit executive should effectively manage the internal audit activity to ensure it adds value to the organization.

The chief audit executive is responsible for fulfilling the general goals and responsibilities defined in the internal audit charter, utilization of internal audit resources in an effective, efficient and productive way and for managing the internal audit unit to ensure that internal auditing activity is performed in conformity with the Standards.

2010 - Planning

The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

2010.G1 - The internal audit activity's plan and program should be based on a risk assessment, undertaken at least annually. The input of senior management and if any, the executive board should be included in this process and their opinion should be obtained.

2010.D1 - The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations as well as its effects on the implementation of annual audit plan. Those engagements that have been accepted should be included in the program.

2020 - Communication and Approval

The chief audit executive should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and if any, to the executive board for review and approval. The chief audit executive should also communicate the impact of resource limitations.

2030 - Resource Management

The chief audit executive should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved audit program.

2040 - Policies and Procedures

The chief audit executive should establish policies and procedures to guide the internal audit activity.

2050 - Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

2060 - Reporting to the Head of Public Administration and Management Board

The chief audit executive should report periodically to the senior management and if any, to the executive board on the internal audit activity's purpose, authorities, responsibility, and performance relative to its program. Reporting should also include significant risks, control and

governance issues, and other matters needed or requested by the senior management and if any, the executive board.

2100 - Nature of Work

The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.

2110 - Risk Management

The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

2110.G1 - The internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system.

2110.G2 - The internal audit activity should evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the;

- Reliability and integrity of financial and operational information,
- Effectiveness and efficiency of operations,
- Safeguarding of assets,
- Compliance with laws and other regulations.

2110.D1 - During consulting engagements, internal auditors should address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2110.D2 - Internal auditors should incorporate knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization.

2120 - Control

The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2120.G1 - Based on the results of the risk assessment, in order to eliminate the risks, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems and should recommend additional controls where necessary.

This evaluation should include;

- Reliability and integrity of financial and operational information,
- Effectiveness and efficiency of operations,
- Safeguarding of assets, and
- Compliance with laws and other regulations.

2120.G2 - Internal auditors should ascertain the extent to which internal audit plan and program goals and objectives have been established and conform to those of the organization.

2120.G3 - Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

2120.G4 – Appropriate and adequate criteria are needed to evaluate controls. Internal auditors should ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors may use such criteria in their evaluation. If inadequate, internal auditors should work with management to develop appropriate evaluation criteria.

2120.D1 - During consulting engagements, internal auditors should address controls consistent with the engagement’s objectives and be alert to the existence of any significant control weaknesses.

2120.D2 - Internal auditors should incorporate knowledge of controls gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization.

2130 - Governance

The internal audit activity should make appropriate recommendations for improving the governance processes in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization,
- Ensuring effective organizational performance management and accountability,
- Effectively communicating risk and control information to appropriate units of the organization,
- Effectively coordinating the activities of and communicating information among the external and internal auditors and senior management.

2130.G1 - The internal audit activity should evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs and activities.

2130.D1 - Consulting engagement objectives should be consistent with the overall values and goals of the organization.

2200 - Engagement Planning

Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations. Such planning work should include the following elements.

2201 - Planning Considerations

In preparing an audit plan for each audit engagement, internal auditors should consider;

- The objectives of the activity to be audited and the means or criteria used to evaluate the performance in reaching these objectives,
- The significant risks to the activity, its objectives, resources, and operations and the means and methods by which the potential impact of risk is kept to an acceptable level,
- The adequacy and effectiveness of the activity’s risk management and control systems compared to a relevant control framework or model,

- The opportunities for making significant improvements to the activity's risk management and control systems.

2201.G1 - When planning an engagement for parties outside the organization, internal auditors should establish a written understanding with them about objectives, scope, respective responsibilities and other expectations (including restrictions on distribution of the results of the engagement and access to engagement records).

2201.D1 - Internal auditors should establish an understanding with the manager to whom they will provide consultancy services about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding should be documented.

2210 - Engagement Objectives

Engagement objectives should be established for each engagement. Engagement objectives should cover risks, controls and governance processes related to the audited activity.

2210.G1 - Internal auditors should conduct a preliminary assessment of the risks relevant to the activity under audit. Engagement objectives should reflect the results of this risk assessment.

2210.G2 - The internal auditor should consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives.

2210.D1 - Consulting engagement objectives should address risks, controls, and governance processes to the extent agreed upon with the relevant manager.

2220 - Engagement Scope

The established scope of engagement should be sufficient to satisfy the objectives of the engagement.

2220.G1 - The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties (including those under the control of third parties).

2220.G2 - If significant consulting requests are brought during an assurance engagement, the objectives, scope, respective responsibilities and other expectations as regards the engagement should be communicated to the internal audit unit with a letter. If deemed appropriate, the consultancy engagement should be carried out and the results communicated in accordance with consulting principles.

2220.D1 - In performing consulting engagements, internal auditors should ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations should be discussed with the relevant manager to determine whether to continue with the engagement.

2230 - Engagement Resource Allocation

Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 - Engagement Work Program

To ensure achievement of engagement objectives, internal auditors should develop work programs that indicate objectives, allocated resources, possible timing and processes in the auditing work for each engagement. These work programs should be made in writing.

2240.G1 - Work programs should include and indicate the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The work program should be approved prior to its implementation, and approval of the chief audit executive should be obtained for any adjustments to the program.

2240.D1 - Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 - Performing the Engagement

Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.

In performing their duties, internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care is the application of skills, prudence and care expected of reasonably prudent and competent internal auditor in same or similar conditions and situations.

2310 - Identifying and Defining Information

Internal auditors should identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Information and documents should be collected in all issues related to the objective and scope of engagement and should be sufficient, reliable, relevant and necessary to provide a sound and reliable basis for findings and recommendations.

2320 - Analysis and Evaluation

Internal auditors should base conclusions of engagement on appropriate analyses and evaluations.

2330 - Recording Information

Internal auditors should record relevant information that for the basis for conclusions and engagement results.

2330.G1 - The chief audit executive should control access to engagement records. The chief audit executive should obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.G2 - The chief audit executive should develop retention principles for engagement records. These retention principles should be consistent with the organization's guidelines and any pertinent legislation.

2330.D1 - The chief audit executive should develop policies governing the custody and retention of engagement records, as well as their release to internal and external parties. These policies should be consistent with the organization's regulations and any pertinent legislation or other requirements.

2340 - Engagement Supervision and Control

Engagements should be properly supervised and controlled to ensure objectives are achieved, quality is assured, and staff is developed.

2400 – Communicating Results

Internal auditors should communicate the engagement results.

Reports should be kept confidential to prevent unauthorized access.

2410 –Criteria for Communicating

Communications should include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410.G1 - Final communication of engagement results should contain the internal auditor’s opinion and or conclusions.

2410.G2 - Internal auditors should be encouraged to acknowledge satisfactory performance in engagement communications.

2410.G3 - When releasing engagement results to parties outside the organization, the communication should include limitations on distribution and use of the results.

2410.D1 - Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the relevant manager.

2420 – Quality of Communications

Communications should be accurate, objective, clear, concise, constructive, complete, and timely.

2421 - Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive should communicate corrected information to all parties who received the original communication.

2430 - Engagement Disclosure of Noncompliance with the Standards

When noncompliance with the Standards impacts a specific engagement, communication of the results should disclose the:

- Standard(s) with which full compliance was not achieved
- Reason(s) for noncompliance, and
- Impact of noncompliance on the engagement

2440 – Disseminating Results

The chief audit executive should disseminate results of engagement to the appropriate parties.

2440.G1 - The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.G2 – Unless otherwise stipulated in legal arrangements, before releasing the engagement results to parties outside the organization, the chief audit executive should assess the possible risks that might arise in the organization, have discussions with the senior management and/or legal counsel and control dissemination by restricting the use of the results.

2440.D1 - The chief audit executive is responsible for communicating the final results of consulting engagements to relevant managers.

2440.D2 - During consulting engagements, risk management, control, and governance issues may be identified. Whenever these issues are significant to the organization, they should be communicated to the head of public administration and if any, to the executive board.

2500 - Monitoring Progress

The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.

Managers of the audited unit should take measures related to the recommendations included in the audit report. If no measure is taken, the chief audit executive should inform the head of public administration.

2500.G1 - The chief audit executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action and to monitor the developments.

2500.D1 - The internal audit activity should monitor the results of consulting engagements to the extent agreed upon with the relevant managers.

2600 - Management's Acceptance of Residual Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the head of public administration for resolution.