

Supreme Audit Matters

(Practice of the Turkish Court of Accounts)



Dr. Recai AKYEL

Ankara, Turkey
May 2016



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PREFACE

Today Supreme Audit Institutions (SAIs) contribute to the development of audit field by addressing the issues both on national and international levels with the purpose of keeping up with the ever changing and evolving world. SAIs make this contribution through knowledge and experience sharing in numerous fields. They find the opportunity of sharing knowledge and experience by means of the international organisations of which they are members, that is International Organization of Supreme Audit Institutions (INTOSAI) in general and Asian Organization of Supreme Audit Institutions (ASOSAI), European Organisation of Supreme Audit Institutions (EUROSAI) and other regional working groups in particular. Bilateral cooperation between the SAIs provide an opportunity for knowledge and experience sharing as well. In this way, the SAIs contribute to the development of audit by sharing their experiences, getting inspired from what has been done and cooperating with one another.

The Turkish Court of Accounts (TCA) strives to share its experiences in various platforms at various times by using a variety of methods with the aim of making the abovementioned contribution to the development of audit in the international arena. In this respect, the TCA takes advantage of being located in a rich geography where European and Asian continents meet. The TCA is a member of INTOSAI, its two regional working groups e.g. ASOSAI and EUROSAI and Economic Co-operation Organization Supreme Audit Institutions (ECOSAI). As a consequence of its membership to these organisations, the TCA gets the chance to closely cooperate with many SAIs. Not only is the cooperation formed with other SAIs gainful for our SAI but the TCA also shares its own experiences with the partner SAIs.

In this context, we compiled some of the studies that we regard as the contributions of the TCA to the audit community in this work. The topics included in this book are related to the activity areas of Supreme Audit Institutions and they were covered in professional journals or presented in professional meetings before.

My auditor colleagues made great contributions and efforts towards the preparation of professional speeches and presentations that I made at international meetings as the President of the TCA, the preparation of professional articles published in periodical journals, and the preparation of this book. I would like to thank those auditors whom I cannot name one by one for their contributions and works in this long process.

I hope that this book would be helpful for sharing experiences in the activity areas of Supreme Audit Institutions.

I extend my greetings and respects.

Assoc. Prof. Dr. Recai AKYEL
President of the TCA

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Contributions of the Turkish Court of Accounts to the Restructuring of Public Financial Management*

Introduction

As a result of globalization and technological advancements in communication, the world is changing with a speed that has never happened in any period of history. Important developments and novelties are witnessed in every field of social life. In parallel with those processes in economic, social and cultural areas, there is also a pressure for change in state government. This pressure stems from both the internal factors created by social expectations and the external factors created by global and regional developments. In this context, state governments are reshaped, and the successful practices of private sector, more effective organization models and strategic regimes are finding their way into the state governments.

The classical understanding of state is being replaced by a management mentality that is citizen-oriented and open to continuous innovation. Today, implementing the fundamental values of democratic government such as transparency, right to information, participation, and accountability is among the priority goals of every state.

Similarly, the OECD lists the components of public reform as follows:

- Devolution of authority and flexibility;
- Performance-based control and accountability;
- Market-based competition;
- Citizen-oriented public service;
- Improving human resources management;
- Optimal use of information technologies;
- Improving the quality of legal arrangements;
- Developing the strong monitoring from the center;
- Adopting the management mentality of the private sector.

Reform Process in Turkey

Depending upon the recent developments of global scale, the pursuit of restructuring in public administration has also gained speed in our country. Significant changes have been made in Turkish public administration particularly with the impact of EU membership process;

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Presented at the IV. EUROSAT/ARABOSAT Joint Conference in Baku, Azerbaijan on 16-18 April 2013.

and practices such as privatization, deregulation, localization, establishment of regulatory authorities, transparency, and participation, which are perceived as the fundamental elements of modern public administration, have come to the forefront.

An extensive reform has been undertaken in public financial management, which is considered to be one of the most important components of public administration; and the following developments were achieved with this reform:

a) Performance-based budgeting has been introduced. Public administrations are now setting strategic targets and they are planning the activities they need to carry out for accomplishing those targets. Those plans are taken into account while allocating budget resources; and every public administration has to explain to what extent it accomplished its targets and the reasons for failure, if any, at the end of year. Performance-based budgeting process starts with a 5-year strategic plan and ends with annual performance programs and activity reports that are prepared at the end of every year.

b) Internal control systems have been established in public agencies to provide support to senior management. The main purpose of internal control is stated as the effective, economic and efficient use of public sources and the provision of timely and reliable information to decision-making bodies. Internal audit units, which have been established within the agencies but which will be working independently, are also a part of internal control.

c) The concepts of transparency and accountability have been included in our legislation. In line with this, it has become mandatory to timely inform the public with the purpose of ensuring audit in the acquisition and utilization of all kinds of public sources. In addition, the public officers included in those processes are held responsible for the acquisition, utilization, accounting and reporting of sources in an effective, economic, efficient and legal manner as well as for taking necessary measures to prevent their misuse.

Accountability stands out as a reporting activity. The audits of the Turkish Court of Accounts (TCA) inquire into the accuracy and reliability of the reported information and provide assurance to the Parliament in that respect. From this aspect, TCA audits serve for the proper fulfillment of accountability (Kaya, 2000:19).

Changing Role of TCA

Since independent external audit is also a part of public financial management system, any change that occurs in the public financial management of a country has an inevitable impact on the structure and functioning of the Supreme Audit Institution in that country. Auditing the modern management practices with conventional methods would not only fail to yield the results expected from audit, it also poses the risk of slowing down the implementation of novelties. Therefore, the procedures and principles of audit should also be updated continuously by taking public expectations and changing conditions into consideration.

In Turkey, TCA is the only body that has the characteristics of a Supreme Audit Institution, and the broadness of its audit area is an important element with respect to reaping the benefits expected from external audit. TCA performs audits on behalf of the Parliament, and every area that is subject to TCA audit also means an area where the sovereignty of the Parliament is ensured.

As a result of the financial management reform in Turkey, the organizational law of TCA has also been changed, and its audit tasks and authorities have been synchronized with the new system. Those changes can be summarized as follows:

a) The concepts of transparency and accountability mean that the activities of those governing the state are open to public audit. In this context, TCA mediates for public audit by announcing to the public the impartial reports it prepares as a result of its audits. In addition, the audits focusing on compliance with laws result in the application of financial sanctions to those inflicting public loss.

b) TCA undertakes an important task in the performance-based budgeting system. It provides reliable information to the Parliament on the outcomes of the activities of public institutions with its performance audits; thus it has a key role in the monitoring of this system by the Parliament, which can be considered as the budget owner.

c) Internal control system is another matter taken into account in external audits. With this respect, initially the internal control system is examined in the risk assessment process undertaken while planning the audits, and the areas where this system operates effectively are assessed as low-risk areas. When necessary, the audit reports include the defects of the internal control system and the problems caused by this; and both the managers of the audited entity and the public are informed.

TCA has to perform two main tasks in order to be able to effectively fulfill the activities expected from it. The first one of those tasks is related to the internal functioning of TCA, and it can be summarized as increasing the audit capacity and quality and setting an example for other public entities in the field of good governance. The second task is related to public financial management in general. In this respect, TCA is responsible for auditing the financial management practices and submitting timely and reliable reports to the Parliament about the progress of the new arrangements that are sought to be implemented.

The summary information above will be followed by more detailed information below on how TCA performs those tasks in the aftermath of the new understanding in public financial management.

Audit Area and Audit Form of TCA

According to the TCA Law No. 6085, TCA shall audit the following institutions and agencies (6085/4):

a) Public administrations within the scope of the central government budget and social security institutions, local governments, joint stock companies established by special laws and with more than 50% of its capital directly or indirectly owned by the public sector and other public administrations (with the exception of professional organizations having a public status);

b) Provided that the public share is no less than 50 %, all types of administrations, organizations, institutions, associations, enterprises and companies affiliated to, or founded by the administrations listed in point (a), or those of which the above mentioned administrations are directly or indirectly partners;

c) All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds;

d) All public accounts, including private accounts, funds, resources and activities regardless of whether these are in the public administrations budget.

TCA shall also audit the accounts and transactions of international institutions and organizations within the framework of the principles set out in the relevant treaty or agreement.

TCA audit shall be carried out with the purposes of submitting reliable and sufficient information to the Turkish Grand National Assembly and the public concerning the activity results of public administrations, as required by the power of the purse; executing public financial management in line with laws, and safeguarding the public resources; evaluating the performance of public administrations; establishing and extending accountability and fiscal transparency (6085/34).

External audit, which is regulated by the Law No. 5018 on Public Financial Management and Control, shall be composed of performance audit and regularity audit, which includes financial audit and compliance audit in accordance with international audit standards.

Law No. 5018 defines financial audit, compliance audit and performance audit to be performed by TCA as follows:

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 (5018/68).

Audits are composed of audit planning, preparation and implementation of the audit program, reporting of results and recommendations, submission of reports to the Turkish Grand National Assembly and forwarding them to the relevant public administrations and following up of reports.

The matters related to the audit process shall be governed by by-laws, standards and guidelines that are prepared by considering laws and benefiting from generally accepted international auditing standards.

As a result of the compliance audit of TCA, a judicial report is prepared and final judgment is given on the accounts and transactions of those responsible. The outputs of financial audit and performance audit are the audit reports. Those reports are submitted to the Turkish Grand National Assembly after they are discussed in TCA's authorized boards.

Competencies of TCA

In performing its duties, TCA shall be competent to correspond directly with public administrations and officials; to see required documents, books and records through its assigned personnel; to have these brought over to any location it deems appropriate, with the exception of assets; to call on relevant officials of all grades and categories in order to receive oral information; and to request representatives from public administrations.

TCA may request all kinds of information and documents related to its audit works from public administrations and other real and legal persons including banks. It shall be competent to examine, on the spot and at any stage of operation and incidence, all related records, goods, properties, practices, transactions and services of those public administrations and institutions within its audit scope, by its assigned personnel or expert witnesses.

TCA may also audit the accounts, transactions, activities and assets of public administrations as of the pertaining year or years irrespective of their account or activity period; as well as based on sector, program, project and topic. If deemed necessary in the course of audits, experts from outside TCA may be appointed (6085/6).

Previously, many institutions and agencies were left out of TCA audit in accordance with the provisions in their own organizational laws. With the TCA Law No. 6085, those provisions of other laws that granted exception or exemption from TCA audit have been repealed. The audit activities have been reorganized, and it has become possible to move from an audit focused on generating judicial reports to an audit focused on reporting to inform the Turkish Grand National Assembly and the public.

Reports of TCA

The reports of TCA are prepared by taking as basis the audit reports that are prepared by the headships of audit groups or auditors as a result of audits and examinations. Those

reports are external audit general evaluation report, accountability general evaluation report, financial statistics evaluation report, statement of general conformity and the other reports apart from these.

External Audit General Evaluation Report

According to the law, audit reports prepared by the headships of audit groups as a result of regularity and performance audit of public administrations shall be consolidated in respect of administrations, and a copy shall be sent to the relevant public administration by the Presidency of TCA. Heads of public administrations shall respond to audit reports within thirty days as of the date of receiving the reports.

The external audit general evaluation report, which includes audit reports on which TCA chambers have stated their opinions and other financial matters that TCA has deemed appropriate to be addressed, shall be prepared; and the opinion of the Board of Report Evaluation shall be taken. The external audit general evaluation report and audit reports on which the Board has given opinion, along with the statement of general conformity, shall be submitted to the Turkish Grand National Assembly by the President of TCA.

Accountability General Evaluation Report

According to the law, accountability reports sent by public administrations, the local governments' general accountability reports prepared by the Ministry of Interior, and the general accountability reports prepared by the Ministry of Finance shall be evaluated by headships of audit groups via considering audit results.

The accountability general evaluation report prepared on the basis of relevant evaluation reports prepared by headships of audit groups, upon taking the opinion of the Board of Report Evaluation, shall be submitted to the Turkish Grand National Assembly by the President of TCA, together with general accountability report, local governments general accountability report and administration accountability reports except those of local governments; and one copy shall be sent to the Ministry of Finance. One copy of TCA evaluation on the local governments accountability report shall be forwarded to the Ministry of Internal Affairs and to the councils of relevant local administrations as well (6085/39).

Financial Statistics Evaluation Report

Annual financial statistics published by the Ministry of Finance shall be evaluated by headships of audit groups in terms of preparation, publication, accuracy, reliability and conformity to the predetermined standards in March of the following year.

The evaluation report prepared with this purpose, upon taking the opinion of the Board of Report Evaluation, shall be submitted to the Turkish Grand National Assembly and sent

to the Ministry of Finance by the President of TCA. The Minister of Finance shall take the necessary measures in accordance with the assessments stated in this report (6085/40).

Statement of General Conformity

The submission of the statement of general conformity is a task given to TCA by the Constitution. It is one of the most important tools of the audit mandate of the Parliament on budget.

TCA shall submit the statement of general conformity to be prepared for public administrations within the scope of central government to the Turkish Grand National Assembly within at latest seventy-five days as of the submission date of the draft final account law.

In addition, since 1996 TCA prepares, in the attachment of the statement of general conformity, a "budget implementation results report", which encompasses detailed data on incomes and expenditures after the budget implementation of that year and indicates the deviations between the estimates and realizations, and a "Treasury transactions report", which covers the significant financial audit findings. This practice, which started in 1997, is carried on, and "foreign debt monitoring report" is submitted to the Turkish Grand National Assembly (SPO, 2000:96).

Reports on the Audit of State Economic Enterprises

State economic enterprises, which were audited by the Prime Ministry Supreme Audit Board previously, have been included in the audit area of TCA with the TCA Law No. 6085.

According to the law, the annual audit reports prepared by the headships of audit groups at the end of the audit on state economic enterprises and the replies of organizations and ministries to those shall be submitted to the Turkish Grand National Assembly by the President of TCA until the end of the year following the end of relevant year.

In this context, the general report encompassing the results of the annual activities of audited organizations shall be announced every year to inform the public (6085/43).

Announcement of the Reports to the Public

The reports of Turkish Court of Accounts, except for the cases forbidden to be announced by laws, shall be announced to the public by the President of TCA or deputy president assigned by him within fifteen days as of the submission of reports to the Turkish Grand National Assembly and related public administrations.

Audit in Public Management*

Introduction

As the President of the Turkish Court of Accounts (TCA), my fundamental duty is to draw the attention of people and public to audit, to create awareness, and to work in matters of conducting the audit accurately and obtaining accurate results.

Overall Premises in Auditing

There are certain premises related to audit, which are universally accepted. First of all, audit is of vital importance, and it is a necessity. It needs to be performed accurately. Accurate audit is useful and inaccurate audit is harmful. Another aspect of the audit is that there should be consensus and agreement between auditors, auditees, stakeholders and public in matters of audit objective, scope and content. The public in general need to have an awareness of and interest in the audit.

Definition

It will be helpful to have a glance over some of the definitions of the concept of audit. In its technical meaning, audit is an examination process for identifying whether the operations and transactions of an entity are performed in accordance with the pre-determined objectives and rules. At the end of the audit process, findings are obtained and reports are written, which are used in many ways. Daily language has also similar concepts used interchangeably in relation to audit such as control, *inspection*, *examination*, *monitoring*, *supervision*, *investigation*, *review*, *inquiry*, etc.

Terms Related to Audit

By its nature, audit is closely related with certain concepts such as transparency, accountability, fighting fraud and corruption, compliance, efficiency, effectiveness, economy, quality control of production, ethics, etc.

Necessity and Benefits of Audit

Audit is necessary and at the same time, supportive as it helps identify whether the entity reaches its objectives and targets; the plans are implemented; the operations and transactions are performed in accordance with rules, and the managers and employees use their powers

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Presented at the ceremony of honorary PhD title at the Polytechnic University of Tirana on 04 June 2013.

and responsibilities properly. It reveals the ageing and failing parts in the functioning of the entity and the areas where innovations are needed. It helps identify the preventive and corrective actions to be taken and uncovers mistakes or setbacks, if any. It contributes in the implementation of the principles of transparency and accountability and fighting fraud and corruption; ensures the confidence of stakeholders and protects the entity and employees against pressure and diversions.

Accurate Audit

As is mentioned earlier, it is of crucial importance that the audit is performed in a sound and proper manner, since inaccurate audit is a risk. It creates risk as much as a lack of audit would create. An audit can be useful, only if it is performed accurately; otherwise, it can even be impairing. It should also be carried out within the framework of strategic management understanding.

Features of Accurate Audit

A proper audit needs to have certain features. First of all, audit objectives should be clear and the system governing the audit procedure should be reliable and valid. Audit should be timely, economic and based on the principle of providing guidance. It should be flexible, comprehensible and strategic, and have reasonable criteria. Exceptions should be identified and audit should set forth corrective actions.

Requirements to Perform Sound Audits

To ensure that the audit is conducted soundly and properly, certain requirements should be satisfied. One of them is the existence of an accurate audit system, which takes the necessary preventive, corrective and formative steps. There needs to be a well-defined and clear audit process as well as clear, comprehensible and adequate rules. With this system in place, audit should be conducted in accordance with strategic management understanding. The auditor should behave ethically and accurately. There needs to be a sound communication network between the auditor and the auditee and at the same time, the personnel of the audited entity should believe in the audit's usefulness. All these would ultimately increase the attention and interest to the audit findings and ensure that they are given value.

Inaccurate Audit and its Harms

Improper audit, on the other hand, lacks the required features of a sound audit practice. It does not have any benefits, and leads to inaccurate results and inaccurate guidance as well as a fear of audit and auditor. Thus, all the resources that are spent go to waste and nobody wants the audit.

Why the Audit Result is Incompliance

Audits are performed with the purposes of observing deviations in the entity's objectives as well as the uncertainties and insufficiencies in and deviations from the entity's rules and detecting whether the operations and transactions comply with rules and objectives. Nevertheless, some audit studies may not yield the expected benefit due to ineffectiveness of the audit (associated with the issues of validity and reliability), the causes deriving from the auditor and those deriving from the auditee.

Why Audit is Disliked

Since audit often reveals deficiencies and errors, it is not much liked and desired. This is the case when the implementation is based on practice while audit requires compliance with theoretical rules. Thus, there exists mostly an inconsistency and gap between theory and practice. There may be interpretation differences between the auditor and the implementer, or they may have different perspectives and justifications for action. The implementation deficiencies due to human weaknesses, the lack of accountability culture and the implementers' desire to act arbitrarily are the other reasons for why audit is disliked.

Audit Process

Audit is carried out at four phases, which are planning, implementing, reporting and follow-up.

Ethical Rules for Auditors

There are individual, professional, social and universal ethic rules. Likewise, there are ethical rules auditors must observe: *Reliability (accuracy), objectivity, professional competency (knowledge, experience and skills), confidentiality (keeping institutional information secret), professional care and institutional awareness and courtesy and respect.*

Qualifications of Audit Institutions

To perform audit properly, audit institutions must have certain features as well. In brief, It needs to be independent, reliable, transparent and accountable; have the necessary technical and professional capacity and the quality control system in place and comply with audit ethics.

Audit Capacity of Audit institutions

For an audit institution to perform audits in a sound manner, it needs to have a certain level of audit capacity. To have the necessary and sufficient audit capacity, it needs to have certain elements, which are the existence of pre-defined powers and responsibilities, required human resources, audit standards, manuals, methods, audit management and quality assurance system.

Public Audit

Audit in the public management is a must, since those acting on behalf of the public and the decision-makers should be audited. The public officials expending the public money, purchasing and selling on behalf of the public should be audited. In the public management, a huge number of public officials perform a wide range of works, which are most of the time complicated and composed of nested stages. The trust of the citizens to the public management should be ensured; the public management should be transparent and accountable; the public resources should be used effectively, economically, efficiently and in compliance with the laws. Audit has a significant role to play in the achievement of all these.

Conclusion

It is important that an institution achieves its objectives, becomes successful, competes and operates as a going concern. It needs to obtain, use and keep an account of its resources effectively, economically, efficiently and legally, and take the necessary measures to prevent the misuse of its resources. At this point, audit is crucial in achieving these. Having no audit at all is a risk. However, performing the audit improperly is equally risky, since it does not have any benefits, and even leads to damages. The correctness of a work in progress is understood only at the end of the audit.

“Without audit, it is not possible to understand whether an entity is successful.”

Achieving Success in Assimilation and Implementation of the ISSAIs*

Abstract

Supreme Audit Institutions (SAIs) play a significant role in the public financial management system in terms of their contribution to the good governance through effective and high quality audits. In enhancing the quality in audits and strengthening accountability and credibility of the SAIs, the principle of performing audit in line with internationally accepted standards is considered as a top priority. Development and improvement of “International Standards of Supreme Audit Institutions (ISSAIs)” in this respect is of vital importance for the world SAI community bringing along with various benefits as well as challenges. This article puts forth a general outlook on the emergence of the ISSAI framework and the perspective of the Turkish Court of Accounts along with other SAIs on the adoption and implementation of this framework. Since this is not a straightforward process due to differentiated dynamics such as individual SAI’s national legislation, audit mandate, institutional structure and all kinds of resources, it is emphasized in the article that decisive cooperative and supportive initiatives at both international and national level should be launched for promoting the proper understanding and implementation of the ISSAIs.

Key words: Supreme Audit Institutions (SAIs), International Standards of Supreme Audit Institutions (ISSAIs), Turkish Court of Accounts (TCA), INTOSAI Professional Standards Committee (PSC), auditing.

Introduction

Supreme Audit Institutions (SAIs), as independent oversighting mechanisms to enhance transparency and accountability of governmental policies and to foster the efficient and effective receipt and use of public resources, have to carry out this vital mission by ensuring the highest audit quality. And the path to achieving the highest quality in the auditing process is directly linked to the adoption and proper implementation of the generally accepted highest international standards, namely the “International Standards of Supreme Audit Institutions (ISSAIs)”.

The ISSAIs are today perceived as a “common language” among the SAIs which serves as a basis for enhancing the audit quality and increasing confidence and credibility in the SAIs’ work as well as facilitating the international cooperation. Especially after the launch of the first complete set of the ISSAIs at the XXth INCOSAI (International Congress of Supreme

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Audit Institutions) held in Johannesburg, South Africa in 2010, both international and national efforts have been accelerated in order to at first place raise awareness among the SAIs about the expected contributions of assimilating the ISSAIs and then to ensure the adoption and effective implementation of them in the regular audit work. In line with these efforts and the call made in the South Africa Declaration¹ to use the ISSAI framework as a common frame of reference for public sector auditing, International Organization of Supreme Audit Institutions (INTOSAI) along with its Regional Working Groups has focused on taking decisive steps for the implementation and dissemination of the ISSAIs through making this issue a priority.

The Turkish Court of Accounts (TCA), as an institution that attaches great importance to the latest developments in the global audit environment, has always assumed its role in line with international standards with regards to its mandate and supported the reform process in favor of the adoption and implementation of the ISSAIs. Because TCA is aware of the fact that in today's world, without gaining a clear understanding of the ISSAI framework and assimilating them to the extent that the national legislation and the mandate allow, it will be a great challenge to ensure the credibility and quality of the audit work and also to maintain a healthy communication and cooperation with the other SAIs on a common ground.

In this article, underlying reasons for the development and improvement of the ISSAI framework and the need arised for a global approach on auditing are discussed at first instance. Then the ISSAI framework is explained in detail and to provide a clear understanding of this framework, the steps taken within the scope of the awareness raising strategy are stated. Since TCA's perspective on the ISSAIs is of great importance for high quality public auditing, next section deals with the national efforts with respect to the adoption and assimilating the ISSAI framework into the national audit work. Finally perceived benefits as well as challenges of the assimilation and implementation of the ISSAIs are discussed and the article is concluded up with a brief conclusion section.

1. Arising Need For International Standards on Auditing

Auditing is a process that is aimed to put forth the results and assessments of the documents and the general functioning of the audited agencies in a reliable, creditable and objective way. And enhancing objectivity relies to a great extent on defining criteria in advance and working in line with these criteria which constitute the auditing standards (Köse, 2007a, p.50). Auditing standards in fact are binding principles and rules that provide guidance at minimum level for the auditors in auditing activities (Özeren, 2004, p.1). The objectivity of the auditing standards is also important in such a way that they must be either defined by law or specific professional organizations or be generally accepted in implementation.

¹ For further details, see

[http://www.issai.org/media\(1054,1033\)/South_Africa_Declaration.pdf](http://www.issai.org/media(1054,1033)/South_Africa_Declaration.pdf)

There may be many underlying reasons claimed to be playing an enforcing role for the development of audit standards. For instance, financial scandals such as Enron has raised questions about the reliability of the standards related to financial systems and this situation has paved the way for the development of public sector standards through benchmarking and receiving assistance especially from respected and creditable private sector standard setting organizations (Köse, 2007b, p.127). This kind of response to significant audit failures by means of revision or addition of standards has an important role in preventing the same failure from occurring again and improving the practice of auditing. Development of professional standards and guidelines for enhancing quality assurance systems is another point of view to be considered. Since it is a higher probability of an audit - the standards, principles and approaches of which are defined in advance - to achieve the expected result, efforts in favor of the development of standards, ethical rules and guidelines in supreme audit have been accelerated recently by the relevant INTOSAI committees along with close cooperation with competent international organizations (Köse, 2007b, p.127).

In this respect, ISSAIs have a great value for all the SAIs such that the world SAI community has followed the trend of putting the assimilation and implementation of the ISSAIs at the top of their agendas with the recognition of the need to develop a professional global approach for effective auditing. The emergence of the need for more detailed audit guidelines and comprehensive standards dates back to 1995, 8th INTOSAI Congress and other following Congresses. INTOSAI Auditing Standards Committee (now INTOSAI Professional Standards Committee-PSC) took on the task of preparing financial audit guidelines and meanwhile, the negotiations between the Committee and the International Federation of Accountants (IFAC) started which resulted in signing of an agreement in 2002. It is worth giving further details at this point about the roots of the interaction and cooperation between the private and public sector auditing in terms of its contribution to the development of the ISSAIs and audit guidelines. When INTOSAI decided to develop standards for public sector financial auditing, already existing and generally accepted standards in mostly the private sector were focused on as the first step leading to the cooperation with the IFAC and its auditing standard setting body, the International Auditing and Assurance Standards Board (IAASB) (INTOSAI, 2010a, p.1). International standards in the areas of accounting and auditing issued by the IFAC, which is a creditable organization in the private sector, are recognized worldwide as fundamental professional documents. Cooperation between INTOSAI and IFAC that have great experience and prestige in the area of setting standards has provided further opportunities for enhancing the profession of auditing through preparing a ground for harmonizing international auditing standards in both global and sectoral levels (Köse, 2008, p.111). Also, this cooperation has paved the way for improved supranational governance among diversified national and international organizations working on setting standards (Köse, 2008, p.111). With the increased functionality of the cooperation among SAIs at global level, benchmarking has gained importance bringing along with great contributions to the value added by the auditor to the auditee, to the improvement of public financial management and to the use of public funds in a most efficient manner (Köse, 2007b, p.124).

Getting back to the 2002 agreement, it is decided in 2004 INTOSAI Congress that all standards and guidelines be arranged in a hierarchical framework with a new codification and a new Committee, namely INTOSAI Professional Standards Committee, be established to organize the efforts in this area which facilitated the continuousness and systematicity of INTOSAI's mission of setting standards (Köse, 2008, p.111). In this framework, a great deal of standards and guidelines have been prepared by experts from both INTOSAI and IFAC until today as a result of this cooperative work. The IAASB develops the International Standards on Auditing (ISA) which are accepted at global level for financial statements auditing and the purpose of which is to establish standards and provide guidance on the objective and general principles governing an audit of financial statements. The ISAs tend to avoid detailed and prescriptive requirements such that they combine principles and rules in a structure that begins with the objective of an audit, the overall objective of the auditor, objectives of the auditor for each standard, requirements that support achievement of the objective and application guidance for the requirements (Burns and Fogarty, 2010, p.316). INTOSAI Financial Audit Subcommittee (FAS-Subcommittee of INTOSAI PSC) provides Practice Notes as complementary guidance to these ISAs in order to make them applicable for audits of financial statements in the public sector. And as the final product of each ISA and the corresponding Practice Note, ISSAIs are prepared to serve as supporting guidances with regards to the dynamics of each SAI's functioning. In this sense, it can be stated that PSC is striving for harmonizing public sector audit internationally, recognizing, utilizing and building on standards issued by other standard setting bodies and developing supplementary guidance in areas where SAIs have special needs as well as ensuring clear and user-friendly guidance on the special role of SAIs and public sector auditing².

2. Understanding the Framework of the ISSAIs

The first complete set of the ISSAIs was launched at the XXth INCOSAI held in Johannesburg, South Africa in 2010. Especially the messages revealed in the "South Africa Declaration on the International Standards of Supreme Audit Institutions" adopted at this INCOSAI have placed great importance on using the ISSAI framework as a common frame of reference for public sector auditing; measuring performance and auditing guidance against the ISSAIs and implementing the ISSAIs in accordance with the respective mandate and national legislation and regulations (INTOSAI, 2010b). It is also emphasized in the Declaration that raising the awareness of the ISSAIs at global, regional and national level as well as sharing experience, good practice and challenges in implementation with those responsible for developing and revising them are of vital importance (INTOSAI, 2010b). The framework of the ISSAIs consists of 4 hierarchical levels in which the individual documents are assigned 1-4 digit numbers. These levels can be listed as following³:

² Retrieved from

<http://www.ifac.org/sites/default/files/meetings/files/4800.pdf>

³ For further details, see <http://www.issai.org>

Level 1: Founding principles

- ISSAI 1 Lima Declaration

Level 2: Prerequisites for the Functioning of Supreme Audit Institutions

- ISSAI 10 MEXICO Declaration on SAI Independence
- ISSAI 11 INTOSAI Guidelines and Good Practices Related to SAI Independence
- ISSAI 20 Principles of Transparency and Accountability
- ISSAI 21 Principles of Transparency – Good practices
- ISSAI 30 Code of Ethics
- ISSAI 40 Quality Control for SAIs

Level 3: Fundamental Auditing Principles

- ISSAI 100 INTOSAI Auditing Standards - Basic Principles
- ISSAI 200 INTOSAI Auditing Standards - General Standards
- ISSAI 300 INTOSAI Auditing Standards - Field Standards
- ISSAI 400 INTOSAI Auditing Standards - Reporting Standards

Level 4: Auditing Guidelines

**General Auditing Guidelines*

- ISSAI 1000-2999 implementation guidelines on **financial audit**
- ISSAI 3000-3999 implementation guidelines on **performance audit**
- ISSAI 4000-4999 implementation guidelines on **compliance audit**

**Specific Auditing Guidelines (ISSAI 5000 – 8999)*

- ISSAI 5000-5099 Specific Guidelines on International Institutions
- ISSAI 5100-5199 Specific Guidelines on Environmental Audit
- ISSAI 5200-5299 Specific Guidelines on Privatisations
- ISSAI 5300-5399 Specific Guidelines on IT Audit
- ISSAI 5400-5499 Specific Guidelines on Audit of Public Debt
- ISSAI 5500-5599 Specific Guidelines on Audit of Disaster-Related Aid
- ISSAI 5600-5699 Specific Guidelines on Peer Reviews

Lima Declaration adopted in 1977 sets the founding principles of INTOSAI at level 1 while the documents at level 2 constitute the necessary preconditions of proper functioning and professional conduct of the SAIs. Fundamental auditing principles at level 3 adopted in 2001 reflect the general lines of the audit procedures and reporting in auditing of public entities with regards to the individual SAI's mandate. Furthermore, the auditing guidelines at level 4 categorized as general and specific, translate these fundamental principles into more specific, detailed and operational structure and they have been mostly approved between 2004 and 2010. It should be beared in mind that the ISSAIs are not legally binding⁴ and individual SAIs can decide the extent that they will comply with these standards (INTOSAI, 2010c, p.15) but it is a real fact that the ISSAIs provide significant contributions and guidances for the SAIs as a unique source of best practices.

The expected positive relationship between quality of the audit and rapid settlement of good governance provides the necessity to further development and improvement of the international auditing standards. However, this is not a straightforward process. Quite the contrary, it is a process that needs great care and expertised working for the revision and constant look at the adequacy of standards. Having a clear understanding of the current process and determining how the process can be improved and changed to meet new objectives necessitates having experts with direct knowledge of the related standards and experience in applying them (Burns and Fogarty, 2010, p.314). By getting use of competent human resource, standard setting and improving process becomes more efficient since addressing implementation and application issues as standards are developed is facilitated. In addition, standards written by experts is well understood by those who will be applying the standard since when experts are involved, it is more likely that practical application issues as well as usability and understandability of the standard will be enhanced (Burns and Fogarty, 2010, p.314).

3. Awareness Raising Strategy For the ISSAI Framework

Adoption of the ISSAI framework by a wide range of world SAIs and increased application of the ISSAIs depend to a large extent on the success of the awareness raising strategies. As stated in the Awareness Raising Strategy (2011-2013) of the PSC, *"The objective of raising awareness of the ISSAIs and INTOSAI GOVs through PSC activities is to promote the visibility of the ISSAI Framework and the application of the ISSAIs and INTOSAI GOVs in SAIs."* (INTOSAI, 2010d, p.1). And this is in line with the vision of the PSC stated in this Strategy as following: *"SAIs around the world should perceive the ISSAIs as their primary source of guidance to public sector auditing, and the audit community per se should have a clear perception of INTOSAI's approach to public sector auditing."* (INTOSAI, 2010d, p.1).

⁴ Retrieved from SAI India's Presentation made at the 12th ASOSAI Assembly and 5th Symposium held in Jaipur, India in 2012, accessible from

<http://www.12asosaiassembly.org/index.php/documentsnew/5th-symposium>

PSC defines its strategic goals and objectives in the Awareness Raising Strategy (2011-2013) which raise upon four fundamental pillars: Cooperation, Communication, Knowledge sharing and Coordination (INTOSAI, 2010d, p.2). First of these pillars emphasizes on “the cooperation with relevant partners to raise awareness of the ISSAIs and INTOSAI GOVs” since this is not an issue that can be achieved by the PSC on its own. Second of the pillars proposes the importance of the communication such that “ensuring a certain level of coordination and consistency of approach for communication of awareness-raising information about the ISSAIs/INTOSAI GOVs and the ISSAI Framework throughout the INTOSAI family” will surely increase the effectiveness of the awareness raising activities. Knowledge sharing goal puts great emphasis on “the promotion of the effective knowledge sharing among SAs in particular in regard to experience gained within implementation of the ISSAIs and INTOSAI GOVs”. And lastly PSC, as the coordinator of the awareness raising activities, proposes its guidance and assistance to the SAs in line with the coordination goal stated in the Strategy.

As a supporting tool for enhancing the implementation of the ISSAI framework, Professional Standards Committee (PSC) together with the Capacity Building Committee (CBC) and INTOSAI Development Initiative (IDI) present a model, called “ISSAI Roll-Out Model”, to the INTOSAI Governing Board for approval in October 2011 which is based on the tasks described under Goal 1 and Goal 2 of the INTOSAI Strategic Plan (2011-2016) (INTOSAI, 2011, p.1). In detail, it is stated in the Goal 1 titled “Accountability and Professional Standards” that through providing and maintaining ISSAIs and contributing to the development and adoption of appropriate and effective professional standards, strong, independent, and multidisciplinary SAs are promoted and good governance is encouraged (INTOSAI, 2010e, p.8). Furthermore, Goal 2 titled “Institutional Capacity Building” emphasizes on building the capabilities and professional capacities of the SAs through training, technical assistance, information sharing, and other capacity building activities (INTOSAI, 2010e, p.11).

In line with these strategic priorities for INTOSAI in the years 2011-2016, ISSAI Roll-Out Model is launched with a purpose to gain a common understanding and approach as to how the ISSAIs can be implemented in the SAs (INTOSAI, 2011, p.1). The model consists of three stages which are designed to be harmonized with the special characteristics of the SAs in different INTOSAI regions and can be stated as follows (INTOSAI, 2011 p.1):

Stage 1. ISSAI awareness raising

Stage 2. Facilitate decision-making on ISSAI implementation

Stage 3. Support ISSAI Implementation

In Stage 1 of this model, a strategy for awareness raising is developed along with an action plan. Preparation of various seminars, presentations and related documents can be considered among the diversified activities that are planned to be carried out.

In Stage 2, CBC subgroup is developing a guide on strategic considerations regarding adoption and future implementation of the ISSAIs. The guide primarily focuses on the various ways of introducing the ISSAIs, particularly on level 4, in an SAI. Strategic considerations related to the implementation of the ISSAIs that are elaborated in this guide can be summarized as any limitations to the implementation of the ISSAIs due to the SAI mandate and legislation, any national/historical factors and auditing methods that limit the extent to which the ISSAIs can be implemented, lack of maturity of the SAIs which prevents implementation of the ISSAIs, and financial accounts and financial information in place and auditable in order for the ISSAIs to be implemented (INTOSAI, 2011, p.2).

Within the scope of the 3rd Stage, it is planned to carry out certain activities through IDI with the purpose of providing sufficient support to the SAIs that decide to adopt and implement ISSAIs. Among these activities, it can be stated that existing IDI capacity building programmes are enriched with the integration of the ISSAIs and an ISSAI implementation project on financial audit and compliance audit ISSAIs with a trans-regional approach is facilitated (INTOSAI, 2011, p.3).

4. Turkish Court of Accounts' Perspective on the ISSAIs and Ongoing Assimilation Process

TCA, being aware of the importance of the ISSAI implementation, has perceived this issue among its main priorities and therefore has paid special attention to the assimilation of them and developing new methodologies and guidances based on these standards. Especially with the changes in the public financial system of Turkey following the adoption of the Public Financial Management and Control (PFMC) Law in 2003 and its putting into practice in 2006, the functioning of the TCA has also gone under through dramatic changes. In fact, the reform process initiated with the PFMC Law has implications such as extending the audit field of the TCA as the sole external audit body, transforming the audit process carried out only on accountancies into auditing on activities, transactions and resources of public administrations and adopting the principle of performing audit in line with international auditing standards⁵. As a result of these provisions made in the PFMC Law, the Law of the TCA dated 1967 has also been subject to efforts in favor of amending and harmonising it with the PFMC. And finally, new Law of the TCA was adopted and put into practice in December 2010 with a view to enhancing the scope and quality of the audits in line with EC requirements and internationally accepted standards⁶.

Before going into detail of the highlights made in the new TCA Law, it is worth giving a brief information about the Twinning Project titled "Strengthening the Audit Capacity of the TCA" signed between the TCA and the European Commission at 2004. The main purpose of the Project was to enable the TCA to fully assume its role as external auditor in line with

⁵ See Article 68 titled "External audit" of Public Financial Management and Control Law No. 5018

⁶ See Article 35 titled "General principles of auditing" of Turkish Court of Accounts Law No. 6085

international standards and leading European Union best practices (TCA, 2007). As a start point of the Project that was launched in 2005 and lasted for two years, a Situation Analysis was carried out for the assessment of the TCA's current audit processes, organizational structure and personnel system. Next, the results were evaluated within the framework of European Union practices and the international standards to ensure that the TCA fulfils its role in the field of external audit thoroughly and the actions to be taken have been identified. One of the most important outputs of the Twinning Project which was completed in 2007 has become the "Financial Audit Guideline" prepared in line with the international auditing standards, which are INTOSAI Auditing Standards, European Implementing Guidelines for the INTOSAI Auditing Standards and, IFAC International Standards on Auditing. Besides the Financial Audit Guideline, two additional guidelines namely "Performance Audit Guideline" and "IT Audit Guideline" were also prepared for facilitating the effective implementation of the international standards in the national audit work. In short, with this outstanding project that focuses on developing methodologies appropriate to TCA's audit system and facilitate the implementation of them through analyzing modern audit approaches and best practices worldwide, great effort has been spent for strengthening the audit capacity as well as organizational structure of the TCA (Köse, 2007b, p.142). In fact, intensive training activities carried out within the scope of the Project mostly on financial, performance and IT audits provide a strong basis for the capacity building efforts of the auditors.

Getting back to the highlights of the new TCA Law related to mostly the assimilation of the ISSAIs, it can be seen that under the heading of "General Principles of Auditing", in Article 35, it is stated that "The audit shall be carried out in accordance with the generally accepted international auditing standards." Moreover, in Article 37 which is about the audit process, it is emphasized that the issues pertaining to the audit process shall be governed by implementing regulations, standards and guides to be prepared by considering laws and benefiting from the generally accepted international auditing standards. Setting auditing standards complying with the international auditing standards is also one of the goals anticipated in the Strategic Plan of the Court of Accounts (2009-2013) (TCA, 2008).

There are also clear attributions to the principles of independency, transparency and accountability in the new Law. For instance, independency is dealt with in a specific article as an indicator of importance attached with due regard to Mexico Declaration (ISSAI 10) and thereby the Lima Declaration (ISSAI 1) which states that the SAIs can accomplish their tasks only if they are independent of the audited entity and are protected against outside influence (INTOSAI, 1977). In independency article⁷, it is stated that TCA shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws. Because it is fact that the lack of an independency level of audit institutions and audit staff in line with the international standards will be a great challenge for the audit effectiveness (Köse, 2007a, p.218). Furthermore,

⁷ See Article 3 titled "Independence" of Turkish Court of Accounts Law No. 6085

the principles of transparency and accountability which are the basic elements of good governance and democratic functioning are highlighted in the new Law of the TCA in order to meet the principles set forth in ISSAI 20 "Principles of Transparency and Accountability".

TCA has been also taking decisive steps for harmonising the auditing guidelines presented in the level 4 of the ISSAI framework into its own auditing methodology by developing audit guidelines and guidances for the practical use of these standards. Because it is known that audit guidelines are not necessary and helpful only for auditing the accuracy of the financial statements of the auditees and the legality of the underlying transactions but also for assessing the rationality of the mechanisms that produce those transactions and statements and for assessing whether they work effectively and efficiently. For this purpose, "Regularity Audit Guideline" prepared in accordance with the generally accepted international auditing standards was adopted in June 2011 by the TCA Presidency. It consists of summary, planning, implementation, reporting, follow-up and annexes and determines the main principles of auditing to be applied in all the institutions in the audit field. As the first step of a comprehensive reconstruction period anticipating new audit methodology based on international auditing standards, it is also a quick implementation of the Provisional Article 2 of the new Law which states that the implementing regulations, standards, guides and other arrangements envisaged by this Law shall be issued within at the latest one year.

One of the outstanding regulations published in line with the aforementioned Provisional Article 2 was on the code of ethics which is designed to guide the auditors throughout their audits. It is based to a large extent on the INTOSAI Code of Ethics (ISSAI 30) which is seen as a necessary complement for the INTOSAI Auditing Standards and considers the ethical requirements of government auditors including their professional obligations (INTOSAI, 1998). It is worth drawing attention at this point to a unique article included in this regulation with the heading "Kindness and Respect" since it is a kind of ethical rule which is very rarely included in national code of ethics. The Article 13 states that "Auditors shall not have insulting, pejorative and arbitrary behaviours, shall not act oppressively, offensively and minaciously and shall behave kindly and respectfully to the all related people working with them"⁸. This is perceived by the TCA as a significant step for promoting trust and confidence in the auditors and their work.

As the last point about the TCA's perspective on the ISSAIs and ongoing assimilation process, it should be noted that the TCA, being aware of the importance to have all the ISSAIs available in national language, has been continuing the translation process of them into Turkish to further promote the implementation of these standards.

⁸ See for further details

<http://mevzuat.basbakanlik.gov.tr/Metin.Aspx?MevzuatKod=7.5.15614&MevzuatIlski=0&sourceXmlSearch=sayıstay>

5. Overall Benefits and Challenges of the Assimilation and Implementation of the ISSAIs

The adoption and implementation of the international standards in public sector auditing involves both significant benefits and challenges for the SAIs. It is beneficial because it poses a great opportunity for the SAIs to maintain and sustain qualified and professional audit mechanisms in line with the international standards. On the other hand, it is a challenging process since there are differentiated dynamics in each SAI in terms of their national legislation, audit mandate, institutional structure and all kinds of resources (EUROSAI, 2010, p.127; INTOSAI, 2010b).

Going into detail of the overall benefits of using the ISSAI framework, it should be at first place emphasized that globally accepted standards serve as a common language among the SAIs and related organizational structures in terms of using similar audit approaches or structures. Since this is perceived as an important step for achieving professionalism in a field, it can be concluded that using the ISSAIs and performing audits in compliance with them will enhance the level of professionalism (EUROSAI, 2011, p.160). Auditing standards provide a general framework for the conduction of audits with a proper quality and form a common ground for the planning, execution, reporting and assessment phases of the audits (Özeren, 2004, p.3-4).

Effective standards that are followed by auditors in identifying issues and making sound judgments contribute also to the objective of performing quality audits. Using ISSAIs will significantly contribute to the credibility and quality of the audit work carried out by the SAIs (EUROSAI, 2011, p.160) since it will be easier with common standards at global level to attain a high level of transparency and therefore gain the stakeholders' confidence. Auditing standards enhance the understanding of the roles and responsibilities and the scope of auditors' work in the eye of the audited entities, public opinion and other audit organizations so that enhance the confidence in the audit outputs (Özeren, 2004, p. 3-4). As also revealed by the PSC Survey Report issued in 2007, two main reasons for using international standards proposed by the respondent SAIs are to enhance quality in audits and to strengthen accountability and credibility of the SAI (INTOSAI, 2007).

One of the most important prerequisites for reaching high quality in auditing is getting use of the best practices available at international level and the ISSAI framework serves as a unique resource for presenting these best practices and providing a ground for benchmarking both within the year to year audits of an individual SAI and also within the world SAI community. In this sense, especially through the benchmarking mechanism, communication among the SAIs will be facilitated and SAIs, with audit processes based on the same framework, will feel more confident in initiating parallel/joint audits thereby improving the international cooperation⁹. Auditing standards also integrate the generally accepted

⁹ Retrieved from SAI of Greek Cypriot Administration of Southern Cyprus' Presentation made at the 12th ASO-SAI Assembly and 5th Symposium held in Jaipur, India in 2012, accessible from

<http://www.12asosaiassembly.org/index.php/documentsnew/5th-symposium>

solutions in the audit methodology that are filtered from the audits so that they are of vital importance for improving the audit implementation (Özeren, 2004, p.3-4).

Besides these underlined benefits, implementation of the ISSAIs is not a straightforward process due to its complex but at the same time flexible structure (INTOSAI, 2010c, p.14) and therefore it poses many challenges. Constraints in the national legislation and the mandate with regards to the extent that the ISSAIs be complied, or limitations in the capacity, skills or resources can be put forth as the main challenges faced by the SAIs. It is known that international standards have a general guiding role rather than specific references to differentiated organizational structures and audit approaches. This less specific nature may represent a real challenge for the SAIs that are trying to decide the extent of the assimilation of the ISSAIs into their national auditing. Here it will be appropriate to put forward the results of a thesis that searched about how auditors in Sub-Saharan Africa relate to international audit standards¹⁰. In the thesis, the fact that “many researchers claim that the large differences in norms, rules and cultural contexts between Africa and the Western world make ideas and concepts that work well in the Western world inappropriate in African countries.” is drawn attention at first instance. And then through empirically investigating the thoughts of African public officials regarding how their organisations should be reformed, this generally accepted fact is tried to be searched out whether it is true or not. And the search results reveal that “Contrary to what is commonly thought, the auditors see themselves as belonging to a profession without geographical boundaries. And the auditors emphasised that if their profession has agreed on the ‘best way’ to perform audits, the auditors can and should comply with the given standards.” In fact, the author states that the auditors see regional and global standards as a good thing, since then they can support each other and learn from colleagues in other countries.

The notes made with this thesis draw attention to the importance of the professional standards established at the international level and harmonization of them with the national rules. Especially assimilating Auditing Guidelines at level 4 of the ISSAI framework into national audit manuals necessitates great efforts and resources since the issue is not only the preparation of them but also their effective implementation which is only possible through extensive training programs for the auditing staff¹¹ (INTOSAI, 2010c, p.14) By organizing relevant seminars or workshops, auditors may be provided with the opportunity to have a clear understanding of and analyze the ISSAIs on a brainstorming ground. This process will also be helpful for sharing the opinions and giving feedbacks to the current ISSAI framework for further updating initiatives.

Reports on the Observance of Standards and Codes (ROSC) give a general outlook on the most common categories of obstacles encountered during the implementatin phase.

¹⁰ The results of this thesis, the author of which is Maria Gustavson from the School of Public Administration, University of Gothenburg and successfully defended on Friday 17 February 2012, are retrieved from an article published at

http://www.innovations-report.com/html/reports/economy_finances/african_auditors_advocating_international_auditing_191569.html

As depicted in the Reports, misunderstanding as to the nature of international standards due to time or translation issues as well as non - observability of compliance by the third-party users to determine whether the report was issued in compliance with standards, sometimes due to the improper disclosure of the report, hinder the successful implementation of the standards. Furthermore, the lack of appropriate mechanisms for granting national authority to international standards and resulting inconsistencies between international standards and legal framework appear also as important obstacles to proper implementation of the standards. The fact that some of the auditing standards are still subject to change and revision may also be perceived as an obstacle for assimilating international standards to national implementations (Hegarty et al., 2004 cited in Pineno and Gelikanova, 2010, p.721).

Auditors' resistance to new developed methodologies and audit approaches may pose another kind of a challenge for many SAIs since the change of an organizational structure is not an easy process¹². But this resistance can still be got over by providing a clear understanding of the benefits of the ISSAI implementation. In this respect, ISSAI Roll Out Model 13 developed by INTOSAI is of vital importance for effective implementation of the ISSAIs as a common framework among SAIs by means of strong cooperative and supportive initiatives.

Conclusion

Public auditing is surely designed to ensure that funds are used correctly and efficiently and in accordance with Parliament's decision a process which contributes to democratic insight (Blegvad, 2007). And apparently the first step to achieve this goal is enhancing quality in audits and strengthening accountability and credibility of the SAIs through the development and improvement of appropriate, high quality standards. The ISSAI framework, set through achieving international consensus, in this sense is of vital importance for the world SAI community since it contributes significantly to the maintenance of consistency, comparability and uniformity among the works of the SAIs from different regions.

Understanding, analyzing and implementing ISSAIs as well as deciding the way to carry out these phases is a challenging and rather long-term issue since it is an ongoing process that SAIs should always be keeping track of. For devoting their resources such as experts, time, money or other technical means for a process which is in nature not compulsory, SAIs must be decisive about the expected benefits of the assimilation of the ISSAIs and be

¹¹ Retrieved from SAI Pakistan's Presentation made at the 12th ASOSAI Assembly and 5th Symposium held in Jaipur, India in 2012, accessible from

<http://www.12asosaiassembly.org/index.php/documentsnew/5th-symposium>

¹² Retrieved from SAI Greek Cypriot Administration of Southern Cyprus' Presentation made at the 12th ASOSAI Assembly and 5th Symposium held in Jaipur, India in 2012, accessible from

<http://www.12asosaiassembly.org/index.php/documentsnew/5th-symposium> 13 See for further details on Roll-Out Model, [http://www.psc-intosai.org/media\(1664,1033\)/ISSAI_Roll-Out_Model.pdf](http://www.psc-intosai.org/media(1664,1033)/ISSAI_Roll-Out_Model.pdf)

confident about getting over the challenges. Because it is not mandatory for member SAIs to apply the ISSAIs to practices of government auditing due to their different legal systems and different audit practices. In this sense, ISSAIs provide a sort of best practices on auditing among SAIs which are expected to be benefited to the extent that the mandate of SAIs allow.

The efforts of the SAIs in favor of the assimilation and implementation of the ISSAIs are to a large extent affected by the level of the support provided by the international development organizations in order to develop capacity and comply with these standards. This is also in line with the INTOSAI's motto of "mutual experience benefits all" that confirms the mutual efforts in multiple domains. As an institution open to integration with the global SAI community, the TCA and all other member SAIs should take promising steps for further adoption and implementation of the ISSAIs bearing in mind that this process will certainly maintain its importance in the coming period.

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ISSAI Implementation in SAIs: Turkish Court of Accounts Experience*

Abstract

In 2010, the South Africa Declaration on International Standards for Supreme Audit Institutions (ISSAIs), called upon the member Supreme Audit Institutions (SAIs) to use the ISSAI framework as a common frame of reference for public sector auditing, measure their own performance against the ISSAIs and implement the ISSAIs in accordance with their mandate and national legislations and regulations. For the implementation of these objectives, the INTOSAI Development Initiative developed the 3i Program, which aims at assessing the needs of SAIs and creating capacity for implementation of ISSAIs. As a participant of this program, the Turkish Court of Accounts (TCA) has assessed its performance against ISSAIs and is working on improving its level of compliance with them. This paper studies the experience of the TCA on working with ISSAIs. The highlights of the paper consist of; the activities conducted by the TCA until now, the challenges faced in the assessment and implementation of ISSAIs, and future expectations from the ISSAIs.

Keywords; SAI, ISSAI, ISA, Financial Audit, Compliance Audit, TCA, 3i Program

Introduction

In recent years, the role of SAIs as safeguards of transparency and accountability has gained more importance. As one of the main elements of the public financial management systems, SAIs are the leading actors for ensuring the effective functioning of the system. For SAIs to perform their functions successfully, they need to follow some principles and procedures. Within the International Organisation of SAIs, these principles and procedures are called ISSAIs.

ISSAI framework provides SAIs with a set of “best practices”, and with the help of this framework SAIs have the chance to align their own practices and methodologies with generally accepted standards that are developed for SAIs all over the world. These standards aim to help SAIs improve their methods and increase their capacity as to fulfil the objective of ensuring transparency and accountability in the public sector.

This paper aims to provide information about the experience of the TCA in implementing ISSAIs and assessing compliance with them. Within this context, first the background information on the international events and programmes on ISSAI implementation will be provided. Secondly, the TCA experience in implementation of ISSAIs both in international era and within the organisation will be mentioned. Within this part, information on the

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management and conduct of the ISSAI research project for assessing the level of compliance in the TCA will be provided.

Thirdly, the challenges met during this process, and how the TCA dealt with them will be described. Finally, the TCA's future expectations from ISSAIs and the way forward for the implementation process will be explained.

1. ISSAI Implementation and Relevant International Events

1.1 XX INCOSAI

In 2010, the 20th INCOSAI Congress convened in Johannesburg, South Africa with over 500 delegates representing 152 SAIs. The 20th INCOSAI approved the Strategic Plan of INTOSAI for 2011-2016 and identified some strategic priorities for the coming years¹. One of these priorities was to implement the ISSAIs. Thus, with the 20th INCOSAI, ISSAIs became one of the priorities of SAIs all over the world.

The South Africa Declaration on the International Standards for Supreme Audit Institutions, which was adopted by the 20th, INCOSAI, called upon INTOSAI members to;

- use the ISSAI framework as a common frame of reference;
- measure their own performance and auditing guidance against the ISSAIs;
- implement the ISSAIs in accordance with their mandate and national legislation and regulations;
- raise the awareness of the ISSAIs and INTOSAI GOVs globally, regionally and at the national level; and
- share experience, good practice and challenges in implementing the ISSAIs and INTOSAI GOVs with those responsible for developing and revising the ISSAIs and INTOSAI GOVs².

The adoption of a comprehensive set of standards gave member SAIs an updated framework of international standards, guidelines and best practices for public sector auditing³. From 2010 onwards, INTOSAI set a new target for itself: to create capacity for implementation of ISSAIs among member SAIs.

¹ International Journal of Government Auditing, XX INCOSAI at a Glance,
<http://www.intosaijournal.org/coverstory/coverstory01-2011.html>

² South Africa Declaration on the International Standards for Supreme Audit Institutions,
http://www.issai.org/media/13522/south_africa_declaration.pdf

³ INTOSAI, Capacity Building Committee, "Implementing the International Standards for Supreme Audit Institutions (ISSAIs): Strategic Considerations", 2012, p.4.

1.2 INTOSAI Development Initiative and the 3i Programme

INTOSAI Development Initiative (IDI) is a non-profit organisation that acts as the capacity-building secretariat of the INTOSAI, which comprises 189 SAIs⁴. The IDI works to enhance the institutional capacity of SAIs in developing countries through needs-based, collaborative and sustainable development programmes in INTOSAI regions and groups of SAIs.

As for achievement of INTOSAI's target of implementing ISSAIs, INTOSAI assigned IDI the task of supporting the ISSAI implementation. To accomplish this task, IDI launched the 'ISSAI Implementation Initiative', which is referred to as '3i programme'.

The 3i programme covers 120 SAIs and 2 sub national audit offices all over the world⁵. Within the 3i programme, IDI aims to assist SAIs in identifying implementation needs, to contribute to capacity development, to facilitate the start-up of SAI level implementation and to create an active knowledge community. All these objectives are planned to be achieved through cooperation with SAIs.

1.3 Second ASOSAI-EUROSAI Joint Conference

In September 2014, the 2nd ASOSAI-EUROSAI Joint Conference met in Moscow, Russian Federation to discuss the "Lessons learned from the past experiences of adopting the ISSAIs and their future implications". This conference worked as a platform to share the latest information and experiences amongst the top management of several SAIs. In the conclusion of the Joint Conference, "Moscow Statement"⁶ was adopted, which acknowledged that:

- International standards encourage professional growth of auditors from SAIs and enable them to apply global experience in cases when an appropriate national standard is absent;
- In accordance with the UN Resolution A/66/209 of 22 December 2011, it is essential to ensure a high quality of work by the SAIs;
- To raise awareness of all ASOSAI and EUROSAI members to support INTOSAI's aim to include the independence and capacity building of SAIs as well as the improvement of public accounting systems in the Post-2015 Development Agenda is essential;
- The application of the INTOSAI standards for the improvement of the methodological

⁴ Information is gathered from the IDI's web site,

<http://www.idi.no/artikkel.aspx?MId1=91&AId=547>

⁵ INTOSAI, IDI, 2nd ASOSAI-EUROSAI Joint Conference, "Supporting ISSAI Implementation in SAIs", Moscow, Russian Federation, 25-26 September 2014.

⁶ "Moscow Statement", 2nd ASOSAI-EUROSAI Joint Conference, Moscow, Russian Federation, 25-26 September 2014.

systems of SAIs is possible only when issues involving national legal frameworks are taken into account;

- Work on the INTOSAI standards must be continued;
- Cooperation between SAIs on issues of sharing experiences in the field of INTOSAI standards adaptation should receive additional impetus.

2. TCA Experience in Implementation of ISSAIs

The TCA, as one of the leading actors of public financial management system in Turkey, is strongly committed to continuous improvement and capacity building. After the 20th INCOSAI, the capacity building efforts in the TCA focused on implementation of ISSAIs as this became one of the priorities of INTOSAI and its members.

The TCA experience in the implementation of ISSAIs will be analysed in two parts. First, the TCA's participation in international efforts for successful implementation of ISSAIs will be mentioned. Secondly, the efforts within the TCA for implementation of ISSAIs will be dealt with.

2.1 TCA's Participation in International Efforts

Since 2010, the TCA has been actively involved in international programmes, projects, and conferences that are related with ISSAI implementation.

In March 2013, IDI organised a 3i Management Workshop for EUROSAI in Bosnia and Herzegovina. 21 top and senior management members from 9 SAIs attended the workshop. Along with 7 other SAIs, the TCA signed a 'Statement of Commitment' as an indicator of its willingness and determination for successful implementation of ISSAIs. With this commitment, the TCA agreed to "fulfil its commitments to the best of its ability to ensure that all programme activities are carried out successfully and the programme outputs and outcomes are achieved"⁷.

The TCA has been actively involved in the activities of the 3i programme. Actually, the TCA is one of the 9 European SAIs⁸ amongst the 50 members of EUROSAI that participated in the 3i management workshops. The TCA assigned 6 auditors to the ISSAI Certification Programme, who will all be certified as ISSAI Facilitators⁹ by the end of 2014. As a part of the programme, the TCA has also implemented ISSAI Compliance Assessment Tools (iCATs) to assess its level of compliance with ISSAIs. Considerable resources have been allocated for

⁷ INTOSAI, IDI, "ISSAI Implementation Initiative- 3i Programme, Statement of Commitments", p.4, <http://www.sayistay.gov.tr/haber-duyuru/upload/Taahh%C3%BCname-eng.pdf>

⁸ The SAIs within the EUROSAI that participated in 3i management workshops are; Albania, Armenia, Bosnia and Herzegovina, Macedonia, Georgia, Kazakhstan, Moldova, Montenegro and Turkey.

⁹ A pool of ISSAI facilitators will be trained through the ISSAI Certification Programmes, who will be trained in the use of the iCATs, audit processes and facilitation skills.

this objective, and the results will be reported by the end of 2014.

In addition, the TCA also actively participated in 2nd ASOSAI-EUROSAI Joint Conference by delivering a speech on the 'TCA's Experience in Applying International Audit Standards'¹⁰. With this speech, the TCA experience in the implementation of ISSAIs and the challenges met during this process were shared by colleagues.

2.2 The ISSAI Research Project

According to the Law on Turkish Court of Accounts, the TCA is obliged to adopt and implement the ISSAIs. The Law on Turkish Court of Accounts art. 35 describes the general principles of auditing and reads that; "Audit shall be carried out in accordance with the generally accepted international auditing standards"¹¹. Thus, in accordance with this mandate, the TCA endeavours for successful implementation of ISSAIs since the adoption of the Law in 2010. One of the most important products of these endeavours became the involvement in the 3i programme and the ISSAI Research Project.

After signing the Statement of Commitment, the TCA launched the 'ISSAI Research Project'. This is a comprehensive project, which aims at improving the TCA's capacity for the successful implementation of ISSAIs. The project, which was launched in 2013, is planned to last for 2 years. During this time, several objectives will be met. These are:

- To determine the level of compliance of the TCA with ISSAIs,
- To question the applicability of ISSAIs in the public sector,
- To determine the steps to be taken by the TCA to comply with ISSAIs,
- To develop suggestions for the improvement of ISSAIs.

At the first phase of the project, the project team worked on determining the level of compliance of the TCA with ISSAIs in financial and compliance audit. This was conducted by using the iCATs¹², which are the tools designed by ISSAI Mentors¹³ to determine to what extent a SAI complies with the requirements of Level 2 and Level 4 ISSAIs.

During the project, a detailed procedure was developed to implement the iCATs and to

¹⁰ Akyel, Recai (2014), 2nd ASOSAI-EUROSAI Joint Conference, "TCA's Experience in Applying International Audit Standards", Moscow, Russian Federation, 25-26 September 2014.

¹¹ Law No. 6085 on Turkish Court of Accounts, 2011, <http://www.sayistay.gov.tr/mevzuat/6085/6085English.pdf>

¹² ISSAI Compliance Assessment Tools (iCATs) are tools that are developed by ISSAI mentors, who are experts on ISSAIs and training, to help SAIs assess and map their compliance level. iCATs are used as a means of ISSAI Implementation Strategy. iCATs are prepared specifically for Level 2 requirements and Level 4 requirements comprising financial, compliance and performance auditing guidelines.

¹³ ISSAI Mentors are a core team of 8 experts from different INTOSAI regions, who have specialised knowledge in different audit areas. The ISSAI compliant global manuals, model audit files, and the iCAT tools have been developed by the ISSAI Mentors.

process the information obtained in the process. Three sample audit files were chosen, and audit teams and ISSAI Research Project teams worked together to answer the requirements of iCATs. After discussing each requirement and deciding whether it was met, partially met or not met; each team wrote a detailed report on that specific audit file. Then these reports were analysed together, and a comprehensive report was written, which examined the current situation of the TCA practice against the ISSAIs. Following this, a working group consisting of subject matter experts and ISSAI Facilitators was established to work on the findings of the study in detail. Experts in this working group discussed the findings, the current TCA practice and the relevance of ISSAIs.

At the second phase of the project, applicability of ISSAIs in the public sector was questioned. Each requirement has been studied in detail to determine their contribution to the audit and to make the best use of them during implementation. Out of these discussions, many findings were obtained which will be used as a road map for improving the TCA's audit methodologies.

The process of implementing the iCATs and questioning the applicability of ISSAIs in the public sector audit were the first two phases of the ISSAI Research Project. There are other objectives and activities of this project, which are yet to be completed. However, while completing the first phase, it has become clear that this is not an easy task and it requires a considerable amount of effort, human resources and financial resources. This project proved that, ISSAI implementation is not a sprint, but rather a marathon. Compliance with ISSAIs requires an effort which will span many years.

As the next phase of the project, the TCA is now working on determining the steps to be taken to comply with ISSAIs.

3. Possible Challenges of the Implementation Process

As noted by IDI, most SAIs are expected to face challenges in implementing the voluminous ISSAI framework¹⁴. IDI shows the percentage of SAIs facing obstacles in implementing ISSAIs in the coming years¹⁵. According to IDI, the most common obstacles are as follows: mandate of the SAI, capacity of the SAI, working processes and methods of the SAI, competencies of the auditors, relevance of the ISSAI and time and resources required. In this chapter, some of the challenges that the TCA has faced during implementation of ISSAIs, and its experience at overcoming them will be described.

While assessing the level of compliance with ISSAIs and questioning the applicability of ISSAIs in the public sector audit, the project team realized that there are some challenges, which arise either from the assessment process itself or from the content of the requirements. These

¹⁴ INTOSAI, IDI, "ISSAI Implementation Initiative- 3i Programme, Statement of Commitments", p. 2.

¹⁵ INTOSAI, IDI, 2nd ASOSAI-EUROSAI Joint Conference, "Supporting ISSAI Implementation in SAIs", Moscow, Russian Federation, 25-26 September 2014.

challenges can be categorized into two: challenges in assessment process and challenges in implementation process.

3.1. Challenges In Assessment Process

3.1.1. The resource-intensive nature of the assessment process

The TCA has implemented the iCATs for three audit files. The implementation of the iCATs and reporting of the findings took more than 3 months with almost 10 auditors working full time. In addition, audit teams allocated half of their time for almost 6 weeks. As clearly seen, this is a considerable amount of human resources even for large scale SAIs. Meeting the demands of the assessment process requires the commitment of the SAI Management, which will demonstrate itself in providing the necessary resources and time. This will also require an adjustment in the overall audit plan and audit programmes. To overcome the challenge of resource-intensive nature, SAIs need to prepare a detailed plan in accordance with their available resources.

3.1.2. Identifying representative audit files to be assessed

Another challenge for the TCA in implementing the iCATs was the issue of determining a sample of audits, which would be representative of the total. The TCA conducts more than 400 regularity audits (combined financial and compliance audits) per year. Taking into consideration the resources to be allocated for the project, the TCA management identified 3 audit files to be assessed. To ensure the findings would be representative of the overall audit field, three different auditees with different budget structures were chosen. Different level of skills and knowledge in an audit team regarding the audit methodology, which would likely lead to a better or poorer implementation, was another issue to consider. Finally, by considering the type of budget and the skills and knowledge of the audit teams, three audit files were selected.

The number of the audit files to be chosen for implementation of iCATs may differ according to the capacity of the SAIs and according to the judgment of the management. However, the crucial thing is to ensure the representativeness of the chosen audit files.

3.1.3. Limits of iCAT as an assessment tool

Another challenge in the assessment process was about the issues related to the iCAT itself. First of all, the persons who implement the iCATs need to have in-depth knowledge of the ISSAIs. The level of knowledge provided to the ISSAI Facilitators through e-learning was not sufficient for this. Solving this problem and re-training the ISSAI Facilitators on the standards took a considerable amount of time.

The most important difficulty arising from using the iCATs is the inappropriate scale used for measurement. In the iCAT, each requirement is measured as met, partially met, or not met.

Naturally, many cases were identified as partially met. But because of the ambiguous nature of this scale, it was very difficult to interpret the outputs of the mapping as a whole.

Another weakness of the iCAT is that it neglects the maturity level of a SAI. The tool demands that a SAI either fully complies with the standards, or not, which is not realistic.

To overcome these challenges which threaten the results of the assessment, iCATs need to be modified, and the team that will implement the iCATs and assess the results needs to be trained as to gain a thorough knowledge on ISSAIs.

3.2. Challenges in Implementation Process

3.2.1. Legal mandate

The Law on Turkish Court of Accounts gives the TCA a clear mandate by determining one of the principles of auditing as implementation of generally accepted international auditing standards. This description helped the TCA overcome a big challenge, which many SAIs do face: absence of legal mandate. With existence of a well-determined legal mandate on adoption of international auditing standards, the TCA had the chance to start working on ISSAIs right after the adoption of the Law.

To overcome the challenge of absence of legal mandate, the SAIs need to raise awareness on the need for such a mandate and on the importance of auditing standards. By this way, the parliament and public may have information and the parliament may have the opportunity to take the necessary actions.

3.2.2. Issues related to change management

The implementation of iCATs revealed many issues that relate to organisational culture of the TCA. Among these, the specific administrative culture which has evolved within the organisation and the working procedures implemented by management were the foremost issues.

As an institution of more than 150 years, change management has been a challenge for the TCA. Since its establishment in 1862, the TCA has conducted regularity audit. Performance audit was introduced in the 1990s, and since the beginning of 2000s, the TCA started its work on financial audit. Even before the adoption of ISSAIs by INTOSAI, the TCA had developed its own performance and financial audit manuals by taking ISAs and the local financial management framework into consideration. Therefore, the TCA was

already familiar with the main audit methodologies, which it aimed to assess its compliance with. However, this familiarity did not change the fact that there was a need to manage the change. The change brought by ISSAIs is not solely in the audit procedures; implementing these procedures requires a change in the organisational culture. Even when there are no major changes and the current audit methodology is in line with the ISSAIs to a large extent, managing change can still be an issue because of the resistance of staff.

The low degree of motivation on behalf of the auditors in adopting the new requirements and procedures was an important risk for the TCA for the success of the implementation of ISSAIs. The TCA management foresaw this problem before 2010, due to its previous experience in the financial audit methodology. The TCA management managed the risk of change brought by introducing ISSAIs, by taking several actions.

First of all, within the change process, many training programmes with short durations were held to ensure that all auditors became familiar with the new methodology before they started implementation. In addition, conferences and seminars were organized so that auditors could have the chance to discuss the new methods and learn more about the advantages of ISSAIs. All these programmes aimed at communicating the change and its benefits and convincing our colleagues.

Secondly, the top management got intensively involved in the audit process. This helped managing the process successfully because the auditors knew that the management was committed to the new methods and followed closely every procedure to ensure the quality.

The third factor that contributed to the success of the change process was the introduction of an audit management software developed within TCA. With the help of this programme, all audit teams were encouraged to document all audit procedures and to conduct their work systematically. Moreover, with this programme quality control was strengthened and standardised.

At the end, the TCA used several mechanisms to ensure an effective change management, which proved to be useful. However, change management is a continuous process and there are still things to be done by auditors to become ISSAI compliant. In the light of our experience, it is important to emphasize the importance of an effective change management for the successful implementation of ISSAIs. Starting with the commitment of the management, all auditors need to believe in the new methods and their benefits if a SAI aims to comply with the requirements. This is not an easy task to achieve, but perhaps the most important one.

3.2.3. Technical challenges in implementing ISSAIs

Another challenging issue that the project team faced during the implementation of iCATs was the technical issues about the audit procedures and requirements that are foreseen in the ISSAIs.

One of the objectives of the ISSAI Research Project was to discuss the applicability of

ISSAIs in the public sector audit in Turkey. The implementation of iCATs revealed that some requirements were not applicable in the Turkish public financial management context, and some requirements were not relevant for the public sector.

In some cases, the requirements of the current legislation were contradicting with the requirements of ISSAIs. In these cases, it was not easy to decide how to assess the level of compliance. The project team studied all the contradicting issues to identify whether implementing the requirements would add more value. Several issues, where a change in the secondary legislation would provide more benefits, have been communicated to the related authorities for further action.

The implementation of ISSAIs depends on the compatibility of the public financial management system with the requirements foreseen in the ISSAIs. Naturally, introducing a change in such a comprehensive system is not an easy task. It requires the effort of external parties like the Parliament, the Ministry of Finance and other related institutions. In the light of the TCA experience, for a SAI willing to adopt the ISSAIs, it is crucial to build stronger relations with the external partners and to get them involved in this process. Otherwise, the efforts of the SAI would be inadequate in itself.

3.2.4. The volume of ISSAIs and the issue of translation

Another challenge was the huge volume of ISSAIs and the need to translate them into Turkish. As already mentioned, before the adoption of the ISSAIs, the TCA had already started to work on ISAs and prepared its own regularity audit manual, comprising both financial and compliance audit methods. However, the adoption of ISSAIs brought a framework consisting of more than 3000 pages into the scene. The TCA's manual was prepared in accordance with the standards, yet the manual did not include all the detailed requirements. Therefore, there was a need to make the ISSAIs available to all auditors. To overcome this challenge, several activities have been planned;

- First of all, the translation of ISSAIs into Turkish started. Up to now, Level 1, Level 2 and Level 3 ISSAIs have been translated and communicated to the auditors. In addition, Level 4 Financial Auditing Guidelines' translation is completed and the Turkish versions are published on the intranet of TCA. The translation of the rest of the Level 4 standards are going on and is planned to be completed as soon as possible.

- Secondly, to overcome the challenge of digesting the ISSAIs, the ISSAI Research Project was initiated. A series of activities were conducted to raise awareness and deliver training within this project. A working group consisting of more than 20 auditors was established to run the project. This working group examined and discussed all the ISSAI requirements and the TCA's current implementation in detail. Amongst these 20 auditors, there are 6 ISSAI facilitators, either certified or to be certified before the end of 2014.

- The most important output of the ISSAI Research Project is the working group, which

possesses a strong knowledge on ISSAIs. The TCA plans to use this working group as the pioneer of awareness raising and training programmes. According to the TCA's training programme for the coming years, there will be an emphasis on training which focuses on ISSAIs.

The huge volume of ISSAIs can be a challenging issue at the beginning, but as the TCA experience shows, with good planning and sufficient human resources, an effective solution can be developed to overcome the challenge.

4. The Way Forward

The ISSAI Research Project was initiated in 2013 and it is still going on. The ultimate aim of the project is to improve the TCA's capacity for the successful implementation of ISSAIs. Until now, the TCA has completed several stages of the project, yet there are still many things to do.

The way forward for the TCA is to complete the project and make the best use of ISSAIs. This requires both financial and human resources. The TCA will continue to allocate the necessary resources for this objective.

The findings that are reported until now indicate that the TCA is on the right track, yet there is still need for improvement. First of all, the prerequisites for functioning of SAIs are met to a great extent. This is the indicator of the management's commitment for compliance with international standards. The audit procedures and audit processes are also in accordance with ISSAIs to a large extent.

As a SAI with judiciary functions, the TCA conducts regularity audit, which is mostly in line with the standards. In addition to the requirements of the standards, the TCA has additional responsibilities such as passing judgments and producing writs on issues related to the accounts of public accountants. These procedures are conducted in accordance with the national legislation, which also ensures the quality of the work. Therefore, the TCA is in a position to combine the requirements of the standards with the requirements of its own legislation and make the best use of it as a whole.

From this point, the TCA's commitment for effective use of ISSAIs will continue. The TCA will continue to work on ISSAIs, to adapt them into its own audit manuals and to communicate the standards to its entire staff. Each objective of the ISSAI Research Project will be completed, and the findings of the project will be used as a road map for the coming years. Adapting and implementing the ISSAIs, improving the capacity for more effective audits and ensuring the quality of the work will continue to be the strategic aims of the TCA in the near future.

Conclusion

The adoption of ISSAI framework as a common frame of reference for public sector

auditing is a cornerstone for public sector auditing. However, the successful implementation of ISSAIs requires taking the local context of the countries into consideration. Before implementing the requirements, SAIs need to analyse ISSAIs carefully and understand the differences with the national system. Succeeding in this task requires full insight into the public financial management system and the financial reporting framework of the country. SAIs need to consider the national authorities and the ISSAIs together and map the gaps between these two.

The result of the assessment of the ISSAIs and the public financial management system will guide the decision of whether to adopt the Level 3 or Level 4 standards. Standards give SAIs the opportunity to develop their own national standards if they decide to adopt Level 3 ISSAIs. The TCA experience shows that national auditing standards could contribute to the improvement of a SAI, since these would be used as tools, which ensure the quality and standardisation of audit procedures, which will be in line with the national public financial management system.

For the SAIs that decide to adopt the Level 3 or Level 4 standards, peer review may be a good solution to assess their level of success. IDI recently developed a new tool named SAI Performance Measurement Framework, which helps SAIs assess their performance against an agreed performance scale. With the help of this tool, SAIs may choose to conduct a peer review to get an objective and honest evaluation on their performance. This would contribute to SAIs improvement of administrative issues as well as audit techniques.

The TCA experience in the implementation process of ISSAIs shows that one of the most important factors for success is the tone at the top. The willingness and commitment of top management in this process is the most important prerequisite for success. All the challenges mentioned can be overcome through the will of the top management, that is to say 'the right tone at the top'. That is why it is crucial to get the top management involved within the process of implementation of ISSAIs.

ISSAI implementation is not an easy task. On the contrary, it is a long and exhaustive process. There are many challenges against successful implementation, and these may lead to failure. Therefore, it is important to build a community to share the experiences of different SAIs. Sharing experiences will not only highlight how a SAI can better adopt ISSAIs, but it will also point out where ISSAIs fall short of meeting the needs of SAIs, thus contributing to the development of the standards.

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Challenges for Ensuring Transparency and Accountability in Public Financial Management and the Role of SAIs*

Transparency and accountability are two fundamental components of modern government and the key institutions to ensure transparency and accountability particularly in public financial management are SAIs. In a rapidly changing world, SAIs have to be alert in redefining their roles and strategies to address issues arising in their environment related to enhancing democracy and good governance. To achieve this, they should always try to increase the effectiveness of their crucial roles by using new tools. Strengthening communication capacity is one of the most important tools in enhancing SAIs' effectiveness to respond to the challenges concerning transparency and accountability in public financial management.

To enhance transparency and accountability in public financial management, SAIs should also be aware of some risky areas and develop the necessary tools to deal with the challenges inherit in these areas. Public debts, aids and subsidies, public procurement and defense expenditures are some of these most important areas that are sensitive to the principles of accountability and transparency.

In this regard, accountability and transparency, as the main prior issues at global level, constitute the core of the Joint Conference held for the first time between EUROSAI and ASOSAI. In line with the main theme defined as "Challenges for Ensuring Transparency and Accountability in Public Financial Management", two sub-themes dealing with both theoretical and practical perspectives of these challenges were also proposed. First sub-theme is "Basic Approaches and Challenges for Ensuring Transparency and Accountability" while second one sets ground for discussions about "The Challenges for Ensuring Transparency and Accountability in Specific Areas of Public Financial Management".

Istanbul is a world city, which is a bridge between Asia and Europe and as the symbol of the dialogue and tolerance among Asian and European civilizations; Istanbul was considered the most appropriate venue for the very first Joint conference. Istanbul is deemed suitable for hosting the Joint Conference. In this sense, I hope that this unifier atmosphere of Istanbul underlying the geographical and historical connection between the two continents will also contribute significantly to establishing strong cooperation among our SAIs.

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The Effects of Enhancing Communication Capacities of SAIs on Good Governance

Transparency, accountability and good governance are the main requirements for achieving an ideal society. As recognized in all aspects of our lives, dramatic changes especially in the public financial management and raising awareness of the public necessitate more transparency and accountability in the public services. However, there are some political, social, economic and administrative challenges in ensuring this environment. Among these challenges, poor insights of the policy makers about the importance of enhancing transparency and accountability through informing the public properly, rise in the corruption incidents in the lack of transparency and accountability, the lack of allocation of public funds for proper policies receiving public support and following complex and unstable policies disregarding the public opinion on the administrative activities can be summarized as the most important ones to be dealt with.

In meeting the need of use of public funds in the most efficient manner and the interest on the transparency and accountability of the public services, audits of SAIs are of vital importance for maintaining peace and security, achieving social equity and prosperity and coping with global challenges such as eradicating corruption and dealing with environmental issues. SAIs, being responsible of accountability of all activities conducted by auditees as well as by themselves, are supposed to provide public with accurate and reliable information and therefore to pave the way for conscious decisions to be taken. At this point, it would be meaningful to refer to a message of Lima Declaration which is also highlighted in the country paper of ECA, saying that "audit is not an end in itself, but an indispensable part of a regulatory system." In fulfilment of their responsibilities, the role of SAIs has gone under changes as a result of the rapid developments in communication facilities; the rise in the speed of generation, processing and dissemination of information has certain implications for the public sector like all other sectors and inevitably for SAIs. As a result of the widespread use of internet and social media communication tools, general public has now more active roles in decision making process while, as highlighted in the country paper of Netherlands, they were confined with only television and newspapers before. Because, as especially mentioned in the presentations of both Poland and Netherlands, communication is not only an activity that is used by SAIs to inform the public but also a two-sided tool with which SAIs and general public can support each other through supplying all kinds of information, opinion and demands.

The competence to be the first source of information related to works of SAIs, presentation of up to date and reliable information in the fastest way, setting a good example for other institutions and needs for enhancing transparency are important stimulations for improving the communication capacities of SAIs. The significance of SAIs' learning communication art and specialization on this area which also constitutes the main theme of country papers of both India and Hungary SAIs, is emphasized as a prior issue for maintaining the credibility and public trust. In fact, in information sharing process, it is of vital importance not only to

preserve the quality of SAI reports but also to ensure the proper perception and presentation of these reports by the media. Instead of focusing on just one part of the public sector, now SAIs rather deal with the quality of the expenditures and public services and evaluation of the effectiveness of the public sector in general. However, making these evaluations in a clear and understandable manner and sharing them with all related stakeholders properly and timely are important processes that are especially highlighted in the presentations of India and Hungary SAIs to be carried out in line with rapidly changing roles.

It is a fact that SAI reports will have limited effects on public opinion and will not serve sufficiently in enhancing transparency and accountability as long as they do not conform with the international standards, are not submitted to the parliaments in a timely manner and not shared with the stakeholders effectively. As highlighted by Pakistan SAI in their country paper titled as "The Importance of Enhancing the Quality of SAI Reports, and Their Impact on Parliament with Reference to Ensuring Accountability and Transparency", establishment and extension of necessary mechanisms for the quality assurance of reports will both increase the trust of parliament and public on outputs of SAIs and contribute to the enhancement of SAIs' internal accountability. Furthermore, as can be understood from the presentation of Japan SAI's country paper, sharing of audit results with parliament, media and the public effectively will not only rise the interest on outputs of SAIs and expectations from SAIs, but also help them to focus rather on the issues that are of great interest to the public opinion. Therefore, this two-sided interaction will make great contributions to strengthening of transparency and accountability in the public financial management making the role of SAIs more prominent in this contribution. In this framework, if we look at the main points of the Saudi Arabia country paper, the most effective tools in enhancing transparency and accountability can be summarized as involvement of the civil society in decision-making processes using diversified communication tools, discussion of SAI reports in sessions open to public and organisation of annual seminars in order to improve the cooperation and exchange of ideas between SAIs and the auditees.

Foundation of units responsible for corporate communication, provision of necessary and sufficient information to the media before the publication of the reports and effective use of web sites are also of vital importance in enhancing the communication capacities of SAIs. By doing so with proper communication strategies, outputs of SAIs could attract the expected public interest; as an important highlight from the country paper of Hungary titled "Pioneering Solutions in Internal & External Communication: First Results of the SAO's News Portal", auditors' perception of the value of their works will increase and SAIs will enhance their relationships with internally and externally. Furthermore, more use of information technologies in auditing will lead to the enhanced transparency and accountability principles contributing to the fight against corruption and fraud cases. In fact, as emphasized in the country paper of Iraq SAI in which the challenges in ensuring transparency and accountability are dealt with comprehensively, in an environment where transparency and accountability are maintained, fighting against corruption and fraud and efforts for preserving the good governance will be

more successful and this success depends to a large extent on the technological revolution and the use of mass media. Getting also use of the outputs of information technologies such as e-audit or e-database, as recognized especially in the country paper of Indonesian SAI in which their experience about the impact of technology development on transparency and accountability is presented, will not only enhance transparency and accountability but also help SAIs, which are responsible of auditing the effective, efficient and economic use of public resources, pursue the same principles in their internal mechanisms.

The Challenges for Ensuring Transparency and Accountability in Specific Areas of Public financial Management and Changing Roles of SAIs

In some specific areas of public financial management such as public procurement, public aids and subsidies, public debt management, financial crisis and fighting against corruption, there is a rising need for enhanced transparency and accountability which in turn lead to rising roles of SAIs. For that reason, second sub-theme of the Joint Conference is defined as “The Challenges for Ensuring Transparency and Accountability in Specific Areas of Public Financial Management” and SAIs of Portugal, Bangladesh, Spain, Kuwait, Indonesia, Belgium, China, Hungary and Vietnam shared their knowledge and concrete experiences on these specific areas in the presentations of their country papers.

Continuous increase in the number of units and transactions to be audited necessitates in auditing the effective use of technological developments and human resources that are capable of adapting easily to these developments. In the country paper of Indonesian SAI, some striking challenges related to adaptation to the technological developments are brought forward for further discussion. In relation with these arisen issues, today’s main challenges in maximizing the benefits from the use of information technologies can be stated such as the lack of competent human resources, inadequacy of the technological infrastructure of the public institutions including SAIs, lack of efficient data quality assurance mechanisms and some sort of budget constraints.

Rise in irregularities at both national and international levels is increasingly perceived as the joint responsibility of all public institutions and SAIs in particular, necessitating common actions in fighting against corruption. Especially the fight against corruption in the use of public resources should be jointly followed by legislative, judicial and executive bodies with civil society organisations and all related stakeholders. Analysing the country paper presentation of Kuwait, it can be stated that as one of the most important parts of this responsibility chain, SAIs have vital roles in detecting the mistakes and gaps in the managerial systems which may lead to the incidents of corruption and fraud, in developing concrete and constructive suggestions to deal with those mistakes and gaps and in continuously inspecting the adequacy of all procedures either administrative or financial. Furthermore, SAI of Korea drew attention in their country paper to another part of the joint responsibility: internal audit units. Redefinition of the roles and responsibilities of the internal audit units and improving the

communication and cooperation between SAIs and internal auditors are important pillars for strengthening the public financial management; therefore adequate support should be given for launching reforms in internal audit mechanisms.

Transparency and accountability are two principles that not only contribute to the good governance but also ensure the existence of other important values and principles such as legality, equality, impartiality and pursuit of the public interest. Bearing in mind this fact which is also stressed in the country paper of Portuguese SAI, public procurement, as one of the most important components of the budget expenditures necessitating the preservation of these values and principles, is a very delicate area in which transparency and accountability principles must be definitely looked after in all phases. It is inevitable for the auditors to gain expertise in public procurement audits which are getting more complex with public institutions' extensive adoption of the new tools such as e-Government Procurement following the technological developments. Related to this issue, country paper of Bangladesh SAI presents the challenges and opportunities that Bangladesh faced with the development of e-Government Procurement. About enhancing transparency and accountability in public procurement, country paper of Belgium SAI further pointed out the necessity of strengthening the internal control systems especially on all procurement processes. As one of the main recommendations highlighted in the mentioned country paper, SAIs should develop new audit guidelines and increase the competency of auditors in this area as well as they should reveal the compliance level of procurement processes with the related legislation and look after the principle of effective, efficient and economic use of public resources.

Public aids and subsidies, which are perceived as important tools used for achieving targets such as redistribution of income or carrying out some fiscal and social policies, is another area where there is an increasing public interest for more transparency and accountability. As the country paper of Spain reveals, SAIs have vital roles in giving impetus to the preparation of proper legal frameworks, in guaranteeing the execution of government's aid and subsidy policies in a transparent manner and clear distribution of the responsibilities among related units. It is further stressed in the presentation of Spanish SAI that SAIs have the mission to provide the parliament and the public with the necessary information on which purposes public resources are allocated for certain aids and subsidies and on whether these resources are used efficiently for those purposes to get the expected benefits.

It is another fact that among the diversified underlying reasons of the financial crisis, which undermines the public trust on national and international institutions as well as government significantly, weaknesses in the maintenance of transparency and accountability in public financial management are of vital importance. Huge increases in public expenditures due to economic developments and rising demands for more diversified public services constitute a great challenge for public debt management making the economy more vulnerable to financial crisis. For that reason, the role of SAIs, that are responsible of statement of assurance on public accounts and providing recommendations for the related agencies, has been

steadily increasing in the struggle against the financial crisis. As noted in the country paper of ECA, SAI audits assist the parliaments about pursuit of public interest and questioning the accountability by providing independent information and assurance level related to the use of public resources; auditing has also a guiding role for decision makers in enhancement of transparency and accountability.

Auditing of public debt management is a vital tool for revealing the potential risks inherited in debt management, apparent problems and the underlying reasons of these problems and for dealing with all these risks and problems effectively by bringing forward necessary proposals. In the country paper of Chinese SAI, it is especially emphasized that such kind of audits that are carried out at local level not only facilitate the management of financial and administrative problems between central government and local agencies but also form the basis for decisions of central government made about the budget appropriations. Furthermore, as can be inferred from the experiences of Vietnam mentioned in their country paper, auditing on public expenditures help the decision makers see the big picture by supporting the management, preserving the balance between monetary and fiscal policies, limiting the adverse effects of expenditures on public debt and informing the parliament and the public properly and timely. In this framework, as a common message of the country papers of both Russia and Vietnam, SAIs should focus their attention rather on thematic performance audits, in other words on qualitative evaluations related to the results of the use of public resources. Besides, increasing professional and technical competence of the auditors, ensuring the quality assurance of audit processes and reports, having effective communication with all the stakeholders particularly with the parliaments and improving the international cooperation via joint audits, thereon facilitating the information and experience sharing are the other most important steps for enhancing the transparency and accountability in public financial management.

Concluding Remarks

Today, there is a rising demand for promoting democracy and good governance, which requires strengthening transparency and accountability, and it is well known that SAIs are the key institutions to response to such demands. In this regard, 1st ASOSAI-EUROSAI Joint Conference, which is regarded as one of the latest examples of the intention to improve the cooperation and enhance the sharing of knowledge and experience among Regional Working Groups of INTOSAI, sets an effective ground to discuss the new understanding of public financial management developing recently, challenges for ensuring transparency and accountability and the role of SAIs in dealing with these challenges. In the framework of the useful country papers presented in the Joint Conference around the main theme defined as “Challenges for Ensuring Transparency and Accountability in Public Financial Management”, SAIs from Europe and Asia with very different backgrounds had the opportunity to share their experiences and knowledge with each other.

“Istanbul Memorandum of Understanding Between EUROSAl and ASOSAl” adopted at the end of the Conference also indicates an important progress in terms of the framework it offers for launching, developing and promoting regular cooperation and communication among our SAls. In this sense, I hope that this strong connection established by the first Joint Conference between EUROSAl and ASOSAl as well as their member SAls lasts forever.

Auditing and Governance: Importance of Citizen Participation and the Role of Supreme Audit Institutions to Enhance Democratic Governance*

Abstract

As an idea and a political system, democracy depends on active participation of public and access to information on public policies and the result of their implementation is the main condition for an effective participation. With their important roles in the access to and dissemination of information on policies and performance of public organisations, supreme audit institutions (SAIs) empower the public to engage in governing processes and hold government accountable and responsive. Thus, they add value to the quality of governance by strengthening accountability, transparency and effectiveness of public management.

The study aims to evaluate the general frames of citizen participation, which is fundamental to strengthen democratic governance, and evolving role of SAIs to be a strong tool in transforming the government into a more transparent, accountable and effective structure by helping managers enhance participatory applications and empowering citizens to participate.

Keywords: Citizen participation, governance, social audit, civil society organisations (CSOs), supreme audit institutions (SAIs).

Introduction

As a result of global trend toward democratisation, the issue of citizen participation in governance has gained increasing significance. Participation is a key factor in enhancing public confidence in governing institutions, formulating policies based on people's needs, and receiving necessary feedback on people's reactions to the policies.

It is a fact that citizens worldwide have become actively and more directly involved in monitoring and overseeing the activities of public authorities, and have been demanding better policies and performance. Technological developments, social transformation, cultural and institutional evolution support active participation in governance, and growing sources of information empower citizens to engage in governing processes.

Information and knowledge are the main sources of power in today's knowledge-based society. As one of the key institutions engaged in the evaluation of public performance, Supreme Audit Institutions (SAIs) have crucial roles in providing relevant information to the citizens in order to empower them for an effective participation. SAIs primarily aim to ensure

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a sound financial structure, which is the most important basis for a strong public management and a sustainable democracy. Since public resources are increasingly under pressure and ineffective management of these limited resources is one of the most important reasons of destructive global financial and economic crisis, increasing focus is now being given to issues of quality of use of public resources and demands from SAIs are growing swiftly.

Serving as key foundations in meeting the demands for greater accountability, transparency, and better management of public resources; SAIs are expected to collaborate with citizens and their representative bodies effectively. Consequently, there is a strong need for and pressure on SAIs to promote reform processes by using the audit function as a tool to empower citizens to achieve better quality of governance.

The United Nations (UN) General Assembly noted with appreciation the work of the International Organization of Supreme Audit Institutions (INTOSAI) in promoting greater accountability, transparency, and efficient and effective receipt and use of public resources for the benefit of citizens (UN, 2011). The themes of the latest two Joint Symposia of UN and INTOSAI were on strengthening communications between SAIs and citizens, and risks and opportunities for engaging citizens. As emphasised in the Report on 21st Symposium (UN/INTOSAI, 2011: 13), there is a general agreement that cooperation between citizens and SAIs benefitted all, as citizens and SAIs share the same objectives of increasing the efficiency of government, securing public governance, enhancing transparency, safeguarding accountability of the public sector and, ultimately, fostering development for all.

Fundamentals of Democracy and Importance of Citizen Participation

Democracy can be described simply as a political system for choosing and replacing the government through free and fair elections. However, it is well-known that democracy could never be achieved solely through providing citizens with the right to vote and to choose their government. Democracy depends on active participation of the people, as citizens, in political and civic life.

An overarching principle of democratic governance is that governing institutions and governing personnel are required to exercise the authority entrusted to them exclusively for the benefit of the people. This principle requires subjugation of self-interest to the legitimate interests of the intended beneficiaries of the governing institutions (Berthin, 2011: 27). Government may seek to inform, consult and engage citizens in order to enhance the quality, credibility and legitimacy of their policy decisions (OECD, 2001).

Citizens elect their leaders, expecting them to represent their constituencies effectively and to introduce, implement and monitor public policies that will respond to collective needs. Similarly, constituencies expect democratically elected leaders and public officials to be responsible for their decisions and actions, and to be accountable to the citizens they serve.

Democratic governance encourages citizens to reward and/or punish public officials for their performance and hold them accountable (Berthin, 2011: 19).

Today, governments are facing a growing demand to be more accountable, transparent and effective. Citizens are becoming more assertive about their right to be informed and to influence governments' decision-making processes. Technological developments and tools for communication are increasing rapidly, and give a broad range of possibilities for citizen participation for a better management.

As traditional forms of representation are being re-examined, new more direct and deliberative democratic mechanisms are proposed to enable citizens to play a more active part in decisions that affect their lives (Gawenta, 2002: 1-2). First of all, the role that technology can play in addressing any perceived legitimacy deficit or lack of accountability continues to grow (Power, 2010: 45). Particularly the internet has made information more accessible to citizens; allowed greater monitoring of governmental organisations and provided the possibility of greater interaction. For instance, e-government practises have expanded and serve as an important tool for participation.

Social media applications are slowly diffusing across all levels of government (Mergel and Bretschneider, 2013: 1) and have the potential to bring about a greater engagement by the public in government (IBM, 2013). Social media is clearly playing an increasingly important role to channel citizen's initiatives to hold governments accountable. Additionally, many methods, each with strengths and weaknesses, have been used to elicit participation in the management process including public meetings, focus groups, simulations, committees, and surveys (Ebdon and Franklin, 2006: 440).

Strengthening relations with citizens and enhancing their participation through using a wide range of methods may ensure governments to;

- Improve the quality of policy by allowing governments to tap wider sources of information, perspectives, and potential solutions in order to meet the challenges of policy-making under conditions of increasing complexity, policy interdependence and time pressures.
- Meet the challenges of the emerging information society, to prepare for greater and faster interactions with citizens and ensure better knowledge management.
- Integrate public input into the policy-making process in order to respond to citizens' expectations that their voices be heard, and their views be considered in decision-making by government.
- Respond to calls for greater government transparency and accountability, as public and media scrutiny of government actions increases, standards in public life are codified and raised.
- Strengthen public trust in government and reverse the steady erosion of voter turnout in elections, failing membership in political parties and surveys showing declining confidence in key public institutions (OECD, 2001: 2).

Participation can also be very useful in educating the public about key trade-offs and gaining valuable input from citizens about their priorities and preferences (Ebdon and Franklin, 2006: 444).

In a globalizing and democratic world, participatory and transparent governance is vital to achieving economic growth, social justice and equity. As an important tool of checks and balances, audit remains an integral part of this emerging governance culture (DESA, 2005: 9). To create a new institutional culture in public sector, SAIs should give great focus on promoting governance and strengthening participatory mechanisms.

Role of Supreme Audit Institutions in Enhancing Democratic Governance

Good governance requires continuous oversight to ensure that policy is implemented as intended, strategic goals are met, and the overall performance of the government meets expectations and needs of the citizens. As the safeguard of transparency and accountability in the public sector, SAIs assist governments in exercising oversight by evaluating whether government entities are doing what they are supposed to do, spending funds for the intended purpose, and complying with laws and regulations.

It must be understood that even though the outcomes of the auditing process are, mainly, of a technical nature, they reflect the real capacity of a government to meet the citizens' needs, and therefore supply accurate and timely information to the users on how their money has been spent. By providing independent, non-partisan, fact-based reports written in a way that is accessible to the general public, SAIs help supply citizens with the information they can use to enhance their knowledge about government spending, and perform their supervisory role, enabling them to follow up on audit findings and enforce the implementation of the SAI's recommendations (UN/INTOSAI, 2011: 7).

SAIs are key institutions for ensuring *"transparency and accountability; fairness and equity; efficiency and effectiveness; respect for the rule of law; and high standards of ethical behaviour in public management – which are fundamentals of good governance and represent the basis upon which to build open government"* (OECD, 2005). The understanding of SAIs as guarantors of constitutional accountability is also reflected in the United Nations General Assembly Resolution A/RES/66/20916 on *"Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions"*, adopted in December 2011.

SAIs can make valuable contributions to public governance particularly in designing it more economically and efficiently. To improve citizen participation, SAIs should support effective design and operation of e-government forms to improve effectiveness and efficiency in public sector. They should give great focus on promoting e-governance and access to information at every level of government.

As stated in *“Conclusions and Recommendations” of 22nd UN/INTOSAI Symposium, “based on their audit work, SAIs are tasked with developing recommendations for more economic and efficient public governance, thus contributing to the process of government reform” and “SAIs can fully harness their potential to contribute to better public governance only if, based on their audit work, they also engage in advisory activities and offer specific recommendations to audited entities and political decision-makers for practical implementation” (UN/INTOSAI, 2013).*

One of the main roles of SAIs is giving assurance whether the information government delivered is complete, objective, reliable, relevant and understandable. Furthermore, SAIs can encourage public entities to publish high value and high impact data for the public, and to improve and assure data quality in terms of accuracy, consistency and timeliness.

SAIs can interact with citizens directly or through partners and channels such as parliaments, media and civil society organisations (CSOs), which share the objective of holding government to account on behalf of citizens (UN/INTOSAI, 2011: 11). The media, CSOs and citizens use audit reports as a source of factual unbiased information about government performance, which can be benefited to support the imperative for change and improvements in systems and procedures (INTOSAI CBC, 2010: 1).

To fulfil their roles effectively, SAIs need to put into practice the principle of good governance, in particular the principles of transparency and accountability. According to related international standard (ISSAI 20), the notion of transparency refers to the SAI’s timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. In addition, it includes the obligation of public reporting on audit findings and conclusions, and public access to information about the SAI. Being transparent and accountable will increase effectiveness and legitimacy of SAIs and consequently, they can lead by example for other public institutions.

Civil Society Organisations, Social Audit and Governance

It is a fact that governments are facing an ever-growing demand to be more accountable and socially responsible, and the community is becoming more assertive about its right to be informed and to influence governments’ decision-making processes (CGG, 2005: 9). One of the most effective tools to achieve such goals is social audits that CSOs undertake to monitor and verify the social performance claims of the institutions.

The increasing global trend toward democratization has opened up the political space for CSOs to play a more active policy-influencing role. According to the World Bank (2005), “CSOs have become significant players in global development finance, are increasingly influencing the shape of global and national public policy... The growing focus among policy makers and citizens on the need for good governance and greater transparency has also opened doors for CSOs. As the influence of CSOs continues to grow, they are also attracting greater public scrutiny, prompting calls for greater accountability.”

Social audit is a process by which an organisation accounts for its social performance to its stakeholders and seeks to improve its future social performance. Social audit involves social accountability, which is a process by which accountability is exacted from accountability holders through direct or indirect citizen action and engagement (Rastogi, 2011: 278). The central objective of a social audit is to monitor, track, analyze, and evaluate government performance, thus making public officials accountable for their actions and decisions (Berthin, 2011: 25). It aims to ensure that public officials act transparently, responsibly and effectively and help public entities to understand and improve their performance as perceived by the stakeholders.

As a social oversight mechanism, its purpose is not to frustrate government activities, create unnecessary obstacles, accuse or point fingers at government officials and/or become a threatening policing force. Rather, the main objective is to strengthen the government's public policy capacity and responsiveness by providing constructive feedback and information about performance and impact. To the extent that government officials collaborate and allow citizens to exert their social oversight function, social audits can greatly enhance the legitimacy and credibility of democratic institutions (Berthin, 2011: 32).

Social audit has the intrinsic value of strengthening democratic relationships of people, and it is also instrumental in developing effectiveness through better services delivery and better governance (Rastogi, 2011: 280). It affects positive organisational change and even reforms the management of resources and delivery of services. It paves the way to strengthen public trust and confidence in the democratic governance process and encourage managers to take constructive actions to improve their entities. It can also play a critical role as an anticorruption tool in preventing corrupt practices.

CSOs provide also training on public finances to citizen groups, the media, and legislatures, thereby strengthening the capacity of all of these groups to exercise oversight over budget process and demand accountability from government agencies (Ramkumar and Krafchik, 2005: 10).

Cooperation between Civil Society and Supreme Audit Institutions

Although the functions of SAIs and CSOs are different in nature, the oversight actions they perform make it possible to create spaces for cooperation. CSOs, especially in developing countries with fragile public institutions, are gradually acquiring an increasingly important role in the institutional strengthening of their respective countries. One of the roles that they have been playing on a more frequent basis is that of monitoring the state through the social auditing of government agencies. CSOs also have distinct characteristics that enable them to strengthen the execution of external oversight (Nino, 2010: 5). With different but complementary roles in terms of conducting an oversight of government, CSOs and SAIs need to interact and benefit from each other.

SAIs can benefit from cooperation with CSOs, since it might not only improve the impact of SAIs' work, but also the quality of institutional oversight. At times, audit reports do not have sufficient impact on the governmental agencies in which irregularities are detected. External oversight systems are complex: SAIs only represent one link in a more extensive chain, of which the legislative commissions, the National Legislature and various offices of the Executive are also part. Excessive bureaucracy and conflicting political interests usually conspire against the system working on its own. For that reason, there is a need for the participation of other stakeholders (judges, prosecutors, Ombudsmen, journalists and CSOs). Through interaction with CSOs, SAIs could prevent their efforts from being thwarted. The irregularities they highlight in their reports have higher chances of being remedied if there is pressure coming from stakeholders external to the public oversight system (Nino, 2010: 5).

In general terms, however, it may be stated that SAIs and CSOs do not interact with each other adequately. To date, there has been much less civil society engagement with the auditing process and the office of the SAI. On the one hand, CSOs fear that the relations they may establish with SAI officials might be misconstrued. On the other hand, SAIs fear that the neutrality and objectivity that is expected of their reports may be compromised if they maintain a collaborative relation with the CSOs. Consequently, they are not usually open to establishing links outside government. In this respect, the sensitivity of SAIs' control activities requires establishing measures to guarantee their objectivity and autonomy. For that reason, it is necessary to have clear rules that determine stages and procedures for the granting of access to, or dissemination of, information related to auditing activities, while at the same time protecting the integrity and objectivity of the oversight process (Ramkumar and Krafchik, 2005: 10).

Nevertheless, there are important opportunities for civil society engagement in the auditing stage of the budget process that can strengthen the oversight function of both CSOs and the SAI (Ramkumar and Krafchik, 2005: 10). Access to public information is fundamental in order to establish a framework in which greater participation exists. For access to and dissemination of information, it is essential to improve the relationship between SAIs and CSOs. Having an effective relationship may increase the efficiency of the external auditing system, and consequently contribute to effective accountability on the part of public administration and improved governance. It may promote the effectiveness of social audit practices as well.

CSOs can use the information gathered through audits in order to pressure governments to respond to audit recommendations and improve governance. In turn, CSOs, through social audits and other such processes can provide information to the SAI that can complement and augment the work of the SAI (Ramkumar and Krafchik, 2005: 20). The participation of civil societies in the auditing, whether in a formal or in an informal process, has the real potential to enhance accountability and align public services to citizens' needs (DESA, 2005: 10). Strategic partnerships between civil society groups and SAIs can assist both entities and as such, each institution can complement the other's work in promoting good governance.

Citizen Participation in the Activities of Supreme Audit Institutions

As a cornerstone of every democracy, SAIs played a fundamental role in upholding the principles of good governance, transparency and accountability. Their overall objective is to make difference in the lives of citizens through promoting efficiency and effectiveness in the utilization of public resources. That is why SAIs have progressively been entering the field of citizen participation and adjusting their institutional, legal and operational structures accordingly.

To achieve their goals, SAIs should be open to the participation of the public in its decision-making process, must heed citizens' concerns in their work, and communicate this accordingly. Open participation enhances their decisions and services by welcoming and utilizing the input of the public. Public engagement gives the power to SAI to be effective and constructive in ensuring the needs of the public. Therefore, audit reports and other outputs of SAIs need to be included in the public debate for further appealing the interest of the public (Akyel and Köse, 2011).

Moreover, audits and audit findings must be communicated to the public so that, ultimately, the citizens are empowered to demand the implementation of audit findings. To be able to do so, citizens must actively participate in the political debate and contribute to the implementation of audit findings. It is of critical importance to provide the citizens with an adequate platform for such commitment. When citizens understand that they are not powerless, and that they can play an active role and defend their interests, they will be willing to fully commit themselves (UN/INTOSAI, 2011: 3).

CSOs, (together with legislatures/parliaments) can monitor and build pressure on the executive to implement audit recommendations. While audit institutions are traditionally prevented from engaging in policy processes, CSOs can use their networks to add political weight to audit institution recommendations. Concerns that audit findings are not geared towards citizen participation can be mitigated if audit institutions develop accessible and understandable reports that are freely available and widely distributed to the public in a timely manner and if legislators hold public hearings on audit reports and publish minutes of meetings in which audit reports are discussed (Ramkumar, 2007: 3, 9).

The 1977 Lima Declaration (Section 16) stipulates the principle of independent reporting on the outcome of the work of SAIs to parliament and the public at large and asks that SAIs be empowered by the national Constitution to report their findings publicly as "this will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the Supreme Audit Institution." 30 years later, the XIX INCOSAI adopted the Mexico Declaration, which spelled out the right and obligation of SAIs to issue reports and freely decide on the content and timing of publishing and disseminating audit reports. These principles underline the responsible role of public sector auditors in strengthening public trust through their audit activities and reporting and in ensuring the efficient and effective collection and use of public resources for the benefit of society at large (Moser, 2011).

The spectrum for collaboration between auditors and civil society is very large, and collaboration could take any of a variety of forms depending on the comfort levels of each institution and/or the relevant country context. For example, civil society groups could directly participate in audits (as in the Philippines experience), or they could focus on demanding follow-up actions to audit findings and put pressure on the government to require the implementation of audit recommendations (as is done in Argentina), or they could identify entities that should be the subject of audits (as is done in South Korea) (Ramkumar, 2007: 9).

Role of Supreme Audit Institutions in Enhancing Citizen Participation

Today, as emphasised before, there is a stronger demand for promoting democracy and good governance, which requires strengthening transparency and accountability. As a key institution to respond to that demand, SAIs are gaining great importance (Akyel and Köse, 2011), and their role and responsibilities are increasing constantly. As set out in the Lima Declaration (INTOSAI, 1977) an important part of the accountability cycle is an independent and credible SAI to scrutinise the stewardship and use of public resources.

SAIs have crucial importance and are strong tools for citizen participation in achieving better quality of governance. The primary vehicle for participation is sharing information on goals, policies, perspectives as well as evaluations on achievements. SAIs can enhance the public's understanding of what an entity is seeking to achieve, to what extent it could achieve this, what the reasons for low performance are, and how it can be improved.

External auditing is not an end in itself; it is ideally a component of a regulatory system of public finance and administration oversight that includes internal auditing, parliamentary reviews, public debate facilitated by the media, judicial prosecution, and other mechanisms (Noussi, 2012: 2). Audit reports and other outputs of SAIs are the most relevant and reliable sources of information for stakeholders and are tools for both the dissemination of and access to public information.

Because of their control function, SAIs also act as partners and agents of the citizens, ensuring that money entrusted to those in government is being spent in keeping with the requirements of economy, efficiency and effectiveness, regularity and compliance, in the interest and for the benefit of the citizens at large (Moser, 2011). SAIs have important roles in giving assurance whether the information delivered by government is complete, objective, reliable, relevant and understandable. This is important to strengthen the relationship between government and citizens and improve the participation and trust of citizens.

Citizen engagement is also important for SAIs to perform their duties more effectively and serve public more efficiently. According to ISSAI 20, SAIs are accountable to various parties, including legislative bodies and the public and they are also responsible for planning and conducting the scope of their work and using proper methodologies and standards to ensure that they promote accountability and transparency over public activities, meet their legal mandate and fulfil their responsibilities in a complete and objective manner.

ISSAI 21 stipulates that the SAIs make publicly available their mandate, their missions, organisation, strategy and relationships with various stakeholders, including legislative bodies and executive authorities. The standard also sets the below principles, which are related directly to enhancing the two-way participation for SAIs:

- SAIs communicate timely and widely on their activities and audit results through the media, websites and by other means.
- SAIs communicate openly with the media or other interested parties on their operations and audit results and are visible in the public arena.
- SAIs encourage public and academic interest in their most important conclusions.
- SAIs make use of external and independent advice to enhance the quality and credibility of their work.

As highlighted in the international standards, SAIs must clearly communicate to the citizens what they do and what added value they generate for their states and societies in order to increase public knowledge about the role played by SAIs in terms of accountability. They should facilitate citizens' access to the information generated by the SAIs that needs to be relevant, trustworthy and in a comprehensive format easily accessible by the public (UN/INTOSAI, 2011: 14).

Importance of Effective Communication for Supreme Audit Institutions

Since communication is one of the most essential tools for the success of any organisation in our globalised and competitive world, SAIs, as supervisory bodies of their countries, need to improve their communication capacities to achieve their objectives effectively and enhance their legitimacy. Communication capacity is one of the fundamental requirements for SAIs to build good relationships with their stakeholders and strengthen the bonds with citizens and their representative organisations.

Communication is a two-way process, and the success of it depends on its mutuality. On one hand, communication and collaboration with others creates a wide range of opportunities for SAIs to transform the way of their work and for innovation. In particular, the role that civil society can play in following up on the implementation of the recommendations is fundamental. On the other hand, by their reports, SAIs can empower the Parliament, media, civil society and individual citizens in setting a more democratic and effective management that is capable of meeting the demands and expectations of the public. A strong link between SAI and the others is essential for the effectiveness of both sides (Nino, 2010: 16).

Auditing is a public service, and SAIs undoubtedly need to communicate effectively with citizens to enhance public accountability. After all, being the ultimate beneficiaries of a better use of public funds, citizens are the most important stakeholders of SAIs. Nevertheless, they are in many cases the ones who are least aware of the benefits of government auditing and accountability. Surveys have shown that a considerable part of

population understands little of the work of SAIs. It is therefore necessary that SAIs design the appropriate means to raise awareness of the importance of government auditing among the general public (UN/INTOSAI, 2011: 7).

Since communication with the media is one of the most challenging tasks for SAIs, they should adopt a multidisciplinary approach to attain a coherent and diversified communication policy. They should also promote pro-active politics of communication to increase public knowledge about the accountability role played by SAIs and to facilitate citizens' access to the information generated by the SAIs (Peruzzotti, 2011). Despite some certain risks and threats, media is the most important tool to communicate with citizens. Developing and implementing communication strategies for active communication with the media will help SAIs to inform the public about government performance, which in turn will raise public awareness. This communication will also provide a rich source of information to SAIs about governmental activities.

An effective media policy is also paramount in communicating the SAI's messages to the public. Impact on the media, and thereby on the public debate, is considered key for many SAIs since it legitimizes their existence, especially when a response to the SAI's recommendations is not compulsory (Bringselius, 2010). Media is an information channel, and a means of bringing pressure to bear among audit objects and members of Parliament as well. Media is a key channel to keep citizens informed of the SAI's role in and contribution to strengthening the country's well-being. A properly informed audience will create public pressure on elected representatives, which in turn will lead to greater executive accountability and, ultimately, to greater transparency and better management of public funds (Dye, 2009: 8).

SAIs can strengthen the impact of audit reports by building ongoing relationships with auditees and other key stakeholders, who can support the SAI's work by doing the following:

- pressing for beneficial change (the media and CSOs);
- introducing new laws and calling government to account (the legislature);
- implementing change (auditees); and
- monitoring the effectiveness of implementation (citizens and their representatives) (INTOSAI CBC, 2010: 6).

Good links to the media and public can also help provide intelligence on areas of risk and lead to useful audits (INTOSAI CBC, 2007: 57).

Despite its importance, SAIs do not usually have strong links to society. Among the 94 countries assessed in the Open Budget Survey 2010 (IBP, 2010: 6), in 34 countries, the public is not informed about the annual accounts of its government as the final audited accounts are not completed within 24 months after the end of the fiscal year or they are not released to the public. Furthermore, in 45 countries, the public cannot give input to the SAI's work as the SAI does not maintain formal mechanisms to interact with the public.

Nevertheless, in recent years, there have been increasing demands for these agencies with the purpose of ensuring transparency, access to information, and citizen participation mechanisms in their work. This is intended to strengthen their control functions, increase the demand for accountability from public administration, and thus enhance the credibility of governmental policies and programs (Nino: 2010: 1).

As one of the most important global initiative aims to improve the external oversight of public for better democratic governance, the last two joint symposiums of UN and INTOSAI focused on citizen participation with different aspects. The theme of the 21st UN/INTOSAI Symposium was "Effective practices of cooperation between SAIs and citizens to enhance public accountability", and it has reflected a growing recognition of the need to deepen the participatory processes in public administration matters and provided an opportunity to assess both how SAIs engage citizens in their own work, as well as how SAIs communicate their work to citizens. The latest (22nd) Symposium was on "Audit and Advisory by SAIs: Risks and Opportunities, as well as Possibilities for Engaging Citizens"

Benefits of Participation for Supreme Audit Institutions

By making their audit findings available to the public, SAIs provide a critical window on transparency in public finance management (Krafchik, 2005: 25). The communications of SAIs have crucial roles in responding to the challenges for ensuring transparency and accountability of the public financial management and provide quite a few benefits such as (IFAC, 2003: 4);

- Increasing public awareness and knowledge of government policy, processes and performance;
- Creating and sustaining public interest and participation;
- Increasing government accountability;
- Improving data quality (accuracy, consistency and timeliness);
- Shifting to open management;
- Real time, instant, diverse feedback from the public;
- Open collaboration with the public to solve complex issues;
- Collaboration for decision-making;
- Ensuring integrated governance structures and processes for public engagement;
- Expanding the scope and depth of transparency, participation and collaboration capabilities; and
- A strong partnership in dealing with corruption, mismanagement and inefficiencies in public management.

The existence of formal information channels between SAIs and the media, CSOs, government branches, the parliament and other actors as major audiences for the information SAIs produce will empower both sides to act more effectively. An effective communication gives opportunity to determine, follow and improve “worldwide best practices” (IFAC, 2003: 4) in auditing and related areas as well.

There are two ways of increasing the ability of audits to provide information on government performance that is directly relevant to citizens. First, the scope of audit mandates can be increased, and audit methodologies can be developed to enable auditors to offer some comments on the government policies that underpin agency performance.

A second way to improve the ability of audits to provide information directly relevant to citizens is by allowing citizens to participate in the conduct of audits. As citizens will look for specific measures of performance, they will use their access to (and participation in) audit institutions to obtain information on those measures that they are interested in reviewing. Allowing citizen participation in audits will require that audit institutions create spaces in which citizens can meaningfully participate in audit programs and thereby obtain specific measures of government performance (Ramkumar and Krafchik, 2005: 23).

The feedback received by SAIs from the public on their audit findings is in fact both a gift and a challenge because it inspires SAIs to focus their future audits on areas of great concern for citizens. Reacting to citizens’ complaints in the course of the respective audit process may give the SAI an indication of suspected fraud and high-risk areas, and can make the audits of SAIs more responsive. Accordingly, SAIs also need to create effective channels for communication with citizens with the purpose of enabling them to receive complaints so as to select agencies or programmes to be audited and to open up the audits to suggestions, proposals and comments. Special measures that can be taken by the SAI in this respect include citizen interviews as well as the instalment of mailboxes or telephone hotlines for receiving complaints (UN/INTOSAI, 2011: 8).

Conclusions

As a system of government in which power is vested in the people who rule directly or indirectly, democracy can be truly put into practice through active participation of citizens. Since there is an increasing global trend toward democratization, governments are facing a growing pressure to involve and engage citizens in political and managerial processes to be more accountable, transparent and effective.

In order to enhance the quality, credibility and legitimacy of public policies and their results, government needs to inform, consult and engage citizens. Access to information, consultation and active participation in policy-making contributes to good governance by fostering greater transparency and accountability through direct public scrutiny and oversight (OECD, 2001: 6).

As independent and professional oversight bodies, SAIs have crucial roles for a well-functioning democracy and a sound public management system. Their roles are increasing in parallel with a growing demand for governments to be more accountable, transparent and effective. The extent to which SAIs are able to make a difference to the lives of citizens depends on their effectiveness in strengthening the accountability, integrity and transparency of public entities.

By their reports, SAIs can empower the Parliament, media, civil society and individual citizens in setting a more democratic and effective management that is capable of meeting the demands and expectations of the public. They provide a critical window on transparency in public finance management by making their audit findings available to the public.

SAIs can support citizen participation to the management in different ways, such as;

- encouraging managers to enhance public participation in the policy processes and their implementation;
- ensuring guidance for identifying low-cost and effective ways to increase participation;
- setting an example as a public entity to others;
- disseminating the most reliable information to citizens for their sound evaluation and effective participation; and
- giving assurance whether the information delivered by government is complete, objective, reliable, relevant and understandable.

Citizen participation in both management and auditing processes can become a strategic means to ensure the effective utilization of public resources, prevent the waste of public resources and corrupt practices, and meet public demands and expectations. Citizen participation can also become a means of generating new information to redesign public management and improve public services, and can contribute to clarifying complex issues and problematic areas. Communication and collaboration with others give valuable opportunities to SAIs for innovation and to transform themselves in line with contemporary developments.

To fulfil their roles successfully and add more value to the quality of democratic governance, SAIs need to improve their communication capacity first and foremost. An effective communication is fundamental for SAIs to achieve their objectives and enhance their legitimacy. Formal information channels between SAIs and the media, CSOs and other actors (beyond public authorities) as major audiences for the information SAIs produce will empower both sides to act more effectively. Therefore, they should adopt a multidisciplinary approach to attain a coherent and diversified communication policy to build good relationships with their stakeholders.

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The Role of Proactive and Strategic Corporate Communication to Improve the Effectiveness of SAIs*

Today, Supreme Audit Institutions (SAIs) are changing their traditional image in light of the broader transformations in public management and social life.

Growing interest in the changing organisation and functions of public management, in parallel with the growing demand from citizens for a more effective and democratic government, introduces great opportunities for SAIs to enhance their effectiveness and publicity.

SAIs can add much value to the lives of citizens, the quality of public management and the functioning of democratic rules and institutions via proactive communication with the citizens, parliament, civil society, public institutions and other stakeholders.

Despite its vital importance for promoting the effectiveness of SAIs, there are insignificant developments in practise in terms of proactive communication because of cultural and technical barriers. In this paper, the importance of proactive and strategic corporate communication for SAIs is being highlighted from a theoretical perspective.

The Increasing Importance of Communication for Organisations in Globalisation Era

The process of globalization urges organizations and institutions towards a vision that relies on competition and a new management culture that can form a strong brand and corporate image to ensure their effectiveness, sustainability and legitimacy. Since communication is vital for the success in any organisation, today active and efficient communication is a strategic goal for all kinds of organisations.

Improving stakeholder engagement increases the effectiveness of any organisation. In a more complex and demanding environment, as any other organisation, SAIs need to build positive and supportive partnerships with an increasing number of stakeholders.

Today, mass communication, which becomes more important with the technological development, has a significant function in democratic systems. Traditional forms of representation are clearly being re-examined, and more direct and deliberative democratic mechanisms and methods are being introduced in order to enable citizens play a more active part in decisions that affect their lives (see Gawenta 2002, 1-2; Ebdon and Franklin 2006, 440).

How can SAIs Improve Their Communication Facilities?

There are some key factors to achieve success in communication. First of all, the

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communication should be planned and managed thoroughly, and the plan should provide a framework for activities and measures to determine the success of results in real life.

First and foremost, effective communication means that the information is provided in the right format, at the right time, and with the right impact. For an effective communication, creating clear and consistent messages, providing products tailored to users' needs, simplifying core messages, and presenting complex technical information simply and consistently have key importance.

To ensure effectiveness, target audiences have to be taken into consideration, and all activities should be planned in advance. Stakeholders for SAIs are the parliament, auditees, experts, and citizens in general.

However, for each audit project, there must be some special parties to communicate with. They should be included in the communication plan for the project.

Proactivity can be ensured by flexible and adjustable plans. Each project requires communication to be planned in advance, taking into account the particular needs of the people involved and the people, groups or institutions that are interested in. The plan should allow you to think through how to communicate most efficiently and effectively with the various constituents.

There is a wide range of tools to use for communication such as popular magazine articles, press releases, handbooks, monographs, briefings, interviews, peer-reviewed technical papers, instructional products, etc. Choosing the best tools and techniques and using them professionally is another key factor for success.

The communication plan should also enable SAI make the best use of communication resources, which may include new information and communication technologies.

Main Outcomes of Proactive Communications for SAIs

SAIs are uniquely positioned to serve the public by promoting effective public governance, increasing the efficiency of public administration, and promoting trust in government. By making their reports public, they make government actions transparent for the citizens; and, by being responsive to the legitimate concerns of citizens, civil society and the private sector, they help to build public confidence (UN DESA, 2011: 5).

The communication and cooperation between SAIs and Parliaments, which supplement each other, are fundamental to increase the effectiveness and good governance in public management. Effective cooperation between SAIs and citizens, "as the ultimate beneficiaries of a better use of public funds" (UN DESA 2013, 3), is also vital to safeguard and enhance transparency, accountability and good governance. The systematic exchange of information and active engagement can greatly enhance not only the economy, efficiency and effectiveness, but also the equity, legality and ethics of government operations (UN DESA, 2011: 5).

Media is the most important tool to share and disseminate information and to mould public opinion; it helps SAIs to inform the public about government performance and also provides a rich source of information to SAIs about the public view of public services.

Effective communications with the parliament, audited entities, media, civil society organizations and the public at large will enhance SAI's effectiveness in many ways.

It is also a strong tool to enhance accountability and transparency of SAIs.

SAIs are significant tools to foster and strengthen accountability in public management. It is clear that "transparency and accountability can be reinforced if SAIs develop communication strategies which provide users with an overall vision of their work, which propagandate the outcome of their activity and which allow the impact their performance to be measured" (Gonzales-Diaz et al., 2008).

The use of proactive approaches for communication may also add much more value to SAIs' work and change the culture and environment in which they manage their activities. To maximise the impact of audit work, effective communication can play indispensable roles.

Communication gives credibility to SAIs and, only if they are credible, relevant and indispensable to their various users will they be capable of successfully facing the future (Barett, 2000: 2-3).

Communication is always two ways, and SAIs' efforts will encourage different actors and people to share information with SAIs and make SAIs more capable to access information.

It may help SAIs to develop citizen participation to SAI activities. Promoting collaboration with citizens, civil society, media and other actors will help SAIs to add more value the quality of governance.

Lastly, proactive communication will help to promote a greater understanding of SAIs' role among general public. This will affect people's expectation from and support to SAIs' activities and improve SAIs' overall reputation. With their important roles in the access to and dissemination of information on policies and performance of public organisations, SAIs empower the public to engage in governing processes and hold government accountable and responsive (Akyel and Köse, 2013: 5496). The contributions of SAIs to their societies are maximized when they are able to communicate the value of their role in government and the results of their work to citizens and other stakeholders. For such reasons, SAIs need to promote a better understanding of their different roles and tasks in society.

Conclusion

As a conclusion, the importance and benefits of a strong and proactive communication in enhancing the effectiveness of SAIs and their role to strengthen public management and support democratic governance is getting much clear day by day. An effective and proactive communication will support the process towards the evolving role of SAIs to become a strong

tool in transforming the government into a more transparent, accountable and effective structure by helping managers enhance participatory applications and empowering citizens to participate.

Today, improving the capacity for communication is one of the most important priorities for any SAI.

In response to new challenges, changes and expectations within the public sector in general, SAIs have to provide greater value as a key component of public governance and communicate their values via sound and straight strategies.

Lastly, there is also a strong need for Innovation in terms of strategic corporate communication for SAIs, and more innovative approaches with dedicated efforts can make SAIs leader institutions in public. It is time to set a more comprehensive framework for communication and use it more effectively.

Structure and Functions of the Turkish Court of Accounts (TCA) and Its Relations with the Supreme Audit Institutions (SAIs) of the European Union*

Sir, as President of the Turkish Court of Accounts you are the Chairman of a Troika which includes the President of our Court of Auditors and the General Auditor of Macedonia. What is the aim of this Troika?

First of all, I would like to thank you for giving this opportunity for sharing with you the information regarding the structure and the audit function of the Turkish Court of Accounts (TCA) as well as our efforts of cooperation with other SAIs.

As you may know the next Presidents' Meeting of the Network of the Supreme Audit Institutions of the Candidate and Potential Candidate Countries of the European Union and the European Court of Auditors, in short the Presidents' Network, is planned to be held in March 2011 in Istanbul. The last meeting hosted by the state audit office of Macedonia¹ was held in June 2007 in Skopje which was also the first meeting after the latest enlargement rounds in 2004 and 2007. The activities of the Network are also supported by OECD/SIGMA and the co-chairs of the Joint Working Group on Audit Activities which was established in 2002 under a different name with the aim of promoting and facilitating small-scale, practical, hands-on co-operation between Candidate Country and EU Member State SAIs.

After previous network activities such as conducting a Parallel audit on EU funded projects which resulted in a consolidated report and a document entitled "Making SAI Twinning Successful: a Good Practice Guide", since 2007, two successful workshops in the Public Internal financial control area have been held in July 2008 in Ankara and in February 2010 in Sarajevo.

OECD/SIGMA hosted a brainstorming meeting on 15 January 2010 in Paris in order to identify common needs and interests to serve as a basis for future Network activities which can potentially be supported by SIGMA. One of the major conclusions of the meeting was that organising a new meeting of the Presidents of the SAIs of the Network in 2010 would be very beneficial for giving direction and impetus to the Network, as well as providing the Presidents of the SAIs with potential follow-up activities such as mandating specific working groups under the Network and opportunities for supporting other identified topics and events such as workshops and seminars.

In the meeting of the Liaison Officers of the Network held on 26th April 2010 in Prague, the Turkish Court of Accounts volunteered to host the next Presidents' Meeting in Spring

* Interview made by Ms. Rosmarie Carotti with the President of the TCA, Assoc. Prof. Dr. Recai Akyel, and published in European Court of Auditors Journal, December No 11, 2010.

¹ Note by the editor [of the European Court of Auditors Journal]: In official EU documents Macedonia is referred to as "Former Yugoslav Republic of Macedonia"

2011, instead of 2010 and a working group consisting of the Liaison Officers from the SAIs of Macedonia as the former host of the meeting of the Presidents of SAIs, Turkey and ECA (the Troika) with the support of SIGMA and the Co-Chairs of the JWGAA was established in order to draft the preliminary agenda. It's concluded that the Presidents' meeting will take place in Istanbul.

The TCA distributed the first draft agenda of the Presidents' Meeting on 3 September 2010 and it was discussed at a preparatory meeting with participation of the LOs of the Troika member SAIs as well as the representatives from SIGMA and the SAI of the Czech Republic representing the Co-Chairs of JWGAA on 5 October 2010 in Paris which was hosted by SIGMA. As the Heads of the Troika member organizations, we had planned to gather just after the 2010 Contact Committee Meeting on 18-19 October 2010 in Luxembourg with an aim to review and contribute to the preparation of the Istanbul Meeting next year. Because of the deliberations on the draft new TCA Law in our Parliament, unfortunately I was not able to attend either the 2010 CC meeting or the Troika meeting. However, I am pleased to learn that the delegation of the Troika members with the participation of Mr. Vitor Caldeira, President of the European Court of Auditors and Mrs. Tanja Tanevska, General State Auditor of Macedonia as well as Mr. Milan Martin Cvikl, the Member of Chamber IV of the ECA conducted a very fruitful meeting and made significant progress in terms of giving direction to the preparations of the Presidents' meeting.

Has the Turkish Court of Accounts experienced important changes after the foundation of the Turkish Republic in 1923 or in more recent times?

The Turkish Court of Accounts was established in 1862, and it became a constitutional institution when the first Ottoman Constitution was enacted. After foundation of the Turkish Republic in 1923 it was re-established and maintained its status as a constitutional institution in all three republican Constitutions. During the republican era, our efforts on the modernisation of every segment of society were further accelerated with the beginning of cooperation between Turkey and the European Economic Community (ECC) in 1959. As Supreme Audit Institutions are one of the main actors in supporting the improvement of accountability, transparency and financial management system, the Turkish Court of Accounts tried to make every effort to fulfil this role.

Especially, after the announcement of Turkey's EU candidacy in 1999, these efforts have gained further momentum. In parallel to this development, with a view to aligning its audit methods and institutional principles and practices with internationally accepted standards and European practices, a Twinning Project was implemented in cooperation with the UK National Audit Office. The project was fully financed by European Union, except for preparatory works and our own contributions throughout the project.

Within the scope of the project, draft Financial Audit and Performance Audit Manuals as well as IT and HR Strategy Documents and the Risk Assessment and Management Framework Document were developed.

The most significant impact of EU harmonization efforts in the field of public financial control in Turkey is the abrogation of the most fundamental and comprehensive law regulating this area and the enactment of a new law prepared in compliance with internationally accepted practices in 2006. In line with this significant change, a draft TCA Law was submitted to our Parliament and deliberations regarding the Law in the Parliament are still in progress.

What does “accountability” mean for the Turkish Court of Accounts?

As a requirement of the accountability principle regarding the acquisition and utilization of public resources of all kinds, as defined under the Constitution and the Law on the Turkish Court of Accounts, the TCA is responsible for auditing on behalf of the Turkish Grand National Assembly the revenues, expenditures and property of public administrations.

In the main Law regulating the public financial management and control in Turkey which was implemented in 2006, accountability is described for those who are assigned duties and vested with authority for the acquisition and utilization of public resources of all kinds as being 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.

Another reflection of EU harmonization process to our institution in recent years is the extension of our audit scope. As we all know, one of the most vital features of Supreme Audit Institutions is the authority to audit all entities using public resources without any limitations.

In parallel to this, with the amendments made to our Constitution and to relevant laws, TCA’s audit mandate was expanded to include social security institutions and certain special budget institutions, which had not been subject to the TCA’s audit before. Moreover, the mandate to conduct external audit of local administrations’ budgets, was given Constitutional guarantee, instead of the provisional articles it rested upon until that time. Public sector and municipal companies that are outside the scope of the TCA audit shall be subject to our audit when our draft Law is enacted.

Regarding our reports submitted to the Parliament, under the Constitution we prepare the statement of general conformity and submit it to Parliament. With this Statement we assure Parliament that the figures and disclosures shown in the draft final accounts law for previous year fairly present the actual results of budgetary implementation.

We also perform performance audits and accordingly, we examine whether the public entities within our audit mandate are using their resources effectively, efficiently and economically and submit the results of our examinations as evaluation reports to the Parliament.

According to Public Financial Management and Control Law we have the responsibility to submit Administration Accountability Reports, General Accountability Report on Local Administrations, General Accountability Report, Financial Statistics Evaluation Report and External Audit General Evaluation Report to the Parliament.

According to the TCA Law we are also entitled to prepare reports and submit them to the Parliament in subjects such as, legal and regulatory provisions which jeopardize the interests of the Treasury, significant instances of failure to comply with legislation and financial issues including accounting methods, practices and systems.

Our performance audit reports receive wide media coverage and have an impact on public opinion. Nevertheless, there are no guidelines for the procedure of the debate of our reports submitted to the Parliament and thus we encounter some problems and difficulties in following up.

Are EU funds treated the same way as national funds? What systems are in place to make sure that EU pre-accession funds are well spent and what improvements can be considered?

As known, the audit of the funds provided to Turkey by the EU has been carried out by the Turkish Court of Accounts in accordance with the Memorandum of Understanding (MOU) on the Establishment of the National Fund since 2003. In these audits EU funds are dealt with some different procedures compared to the national funds. The audit findings of EU funds are submitted to EU Commission by the President without being subject to the internal process of national funds audit reports, such as judicial review of TCA.

In its audits, TCA uses a mixed system containing financial, compliance and system based audits to ensure that Eu funds are used efficiently and effectively.

Under the Decentralised Implementation System, TCA functions as an external audit body for EU funds management. To fulfil our audit function well, we have set up a dedicated and qualified audit team responsible for the audit of EU funds. Each year an audit plan and summary of the audit findings report are prepared by this team and these reports are sent to the EU Commission directly by the Presidency of TCA in compliance with the MOU.

ECA has recently created Chambers, you work with Chambers. What precisely are their function and powers?

Chambers are at the heart of the TCA's judicial system. Each chamber consists of a chairman and six members, and operates as a court. However, the chambers gather with the presence of the chairman and four members and decide by simple majority. The principal work of a chamber is to try the acts and accounts of responsible officials. Trial is based on auditor reports. Thus the chamber decides whether these officials are to be acquitted or held liable. In addition to this, according to the TCA Law, in case the President deems necessary, chambers express their opinions on the statement of general conformity and other reports to be submitted to the Turkish Grand National Assembly, and decide on matters the deliberations of which were requested by the President.

Contrary to the ECA, the Turkish Court of Accounts has judicial powers and can pass judgement. What is the role of the Prosecutor of the Turkish Court of Accounts?

The authority and responsibilities of the Prosecutor and the Deputy Prosecutors of the Turkish Court of Accounts are prescribed in the related articles of the TCA Law. To mention a few, he expresses his claims and opinion during the stages of examination and trial of the accounts; presents and expresses his opinion in the General Assembly meetings at which the deliberations on the statement of general conformity and the reports to be submitted to the Parliament take place; monitors the execution of rulings entailing disciplinary or punitive actions regarding the responsible officials; informs the Ministry of Finance and other authorities concerned, if during the trial of accounts or under other circumstances he becomes aware of the acts of responsible officials which require disciplinary or punitive actions, expresses his opinion about the actions to be taken against those accountants who have not submitted their accounts within the time limits prescribed by the Law.

The prosecutor may join the Board of Chambers, which formulates the opinion of the TCA on the financial regulations issued by the ministries and other administrations and institutions that fall under the Court of Accounts' jurisdiction, upon his own initiative or upon invitation of the Chairman of the Board, but he has no vote. In addition to that he defends his case before the Board of Appeals at trial sessions. In short, he acts as the representative of the Treasury.

Structure, Functions and Practices of the Turkish Court of Accounts (TCA)*

Would you give us a brief about your SAI and its role to control the public funds?

The Turkish Court of Accounts (TCA) was created by an imperial edict of His Majesty Sultan Aziz I on 29 May 1862. By 1876 it became a constitutional institution when the first Ottoman Constitution was enacted. After the foundation of the Turkish Republic in 1923 it was re-established and maintained its status in the Republican Constitution.

Under the Constitution and the Law on the Turkish Court of Accounts, TCA is a collegiate Supreme Audit Institution equipped with judicial power and is responsible for auditing on behalf of the Turkish Grand National Assembly (Parliament) the revenues, expenditures and property of public administrations.

What types of audits that are practiced by your SAIs?

As external auditors of central and local governments as well as social security institutions, we audit some 7000 public sector accounts. Our statutory mandate is 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.

This audit is discharged in a two-phase process: The first phase is the audit of accounts while the second is the trial of these audited accounts. The end product of the latter is a legal document called writ with which the responsible officials are either acquitted or held responsible for their transactions.

Additionally, with the 1996 amendment to our Law, we are given the task of examining the extent to which the government offices under our jurisdiction use their resources with due regard to economy, efficiency, and effectiveness, that is to say task of carrying out performance audit.

What level of independency and support your SAI and staff have?

We can specify the independency and support that the TCA and its staff have under the following titles:

Budgeting: TCA is a sui generis institution which is fully independent of the legislature and the executive. We enjoy financial independence by preparing our own budget, which we

* Interview with the President of the TCA, Assoc. Prof. Dr. Recai Akyel, published in ALRAQABA Magazine, Sixth Annual Issue Dec. 31st, 2010.

submit to Parliament without intervention of the executive. The President is the sole authority to authorise expenditures from TCA's budget which leaves no room for Parliament to interfere with our budgetary spending.

Preparation of Audit Programmes: We are not subject to administrative or political supervision. Since we are independent of the legislature and the executive, we have complete discretion in deciding what accounts and subjects to look at and how and when to examine them; also in deciding whether reporting the matter in question to Parliament is necessary. In this connection, we programme our work through the Audit Planning and Reporting Group which prepares an annual audit plan based on the proposals of the auditors.

Content and Timing of Reports to Parliament: Reporting to Parliament on the issues indicated by the Law of TCA, which regulates our functions, powers and operations, is a statutory mandate placed on the Court. Except for the "statement of general conformity", which is to be submitted to Parliament within seventy-five days after the submission of the draft final accounts law to Parliament, the TCA Law leaves it to TCA to determine the content and timing of the reports.

Access to the Necessary Information and Documents: In carrying out our duties, we are entitled to have access to and examine ledgers, records and supporting documents either by dispatching our auditors or having them delivered to the location which we deem suitable.

Tenurial Safeguards: As being the personnel of the TCA, we enjoy some tenurial safeguards. The President can not be dismissed from office before his seven-year term of office has been completed or the age of sixty-five. Similarly, Members cannot be discharged from office or compelled to retire before the age of 65. As for the auditors, except for the cases specifically prescribed by law, they can not be deprived of their remuneration and other rights or employed in any office other than those designated for them. Their age of retirement is the same as Members'.

What kind of reports your SAI submits and to whom?

Our reports may be classified as follows:

The Statement of General Conformity: Under the Constitution we prepare the statement of general conformity and submit it to Parliament. With this statement we assure Parliament that the figures and disclosures shown in the draft final accounts law fairly present the actual results of budgetary implementation.

Performance Audit Reports: We are entitled with the authority to carry out performance audit. Accordingly, we examine whether the public institution and organizations within our audit mandate are using their resources effectively, efficiently and economically and submit the results of our examinations in an evaluation report to the Parliament.

Reports Provided for in the Public Financial Management and Control Law: According

to Public Financial Management and Control Law No: 5018 we have the responsibility to submit Administration Accountability Reports, General Accountability Report on Local Administrations, General Accountability Report, Financial Statistics Evaluation Report and External Audit General Evaluation Report to the Parliament.

Other Reports: Provided for in the Law governing TCA are as follows:

- a) Legal and regulatory provisions which jeopardize the interests of the Treasury.
- b) Financial questions including accounting methods, practices and systems; and procedures that concern revenue accrual.
- c) Matters of concern.
- d) Audit findings concerning the property accounts.
- e) Whether government bodies outside central government budget have operated within the "purpose of their foundation".
- f) Significant instances of failure to comply with legislation.

Reporting under points a), b), c) and f) above is at the discretion of us, whereas reporting under points d) and e) is required by the law.

What is the mechanism applied by your SAI to follow up its comments and recommendations? What is the followed action when a financial breach is occurred?

In our financial audits, we submit our audit findings and recommendations to the management of the audited entities before the preparation of our Financial Audit Reports and in our subsequent audits we evaluate whether our recommendations are properly followed in due time or not.

Financial breaches and public losses determined upon our audits are finalized by means of our judiciary function. After the trial of the accounts and transactions by our Chambers, we issue writs and submit them to the responsible officials. Execution of the matters finalized and issued in the writs are followed in our subsequent audits by means of controlling the "List of Execution of the Writs", which is one of the Lists that should be submitted to us annually by the auditees as a component of the accounts.

In the event of encountering an act involving fraud in the course of our audits, our auditors immediately collect the evidence. The related documents or the part of the account is handed over to the office to which the responsible official is attached or the Office of Public Prosecutor for the necessary action to be taken. Decisions given by the general courts are without prejudice to our audits and trial of accounts and transactions.

As mentioned above, with the 1996 amendment to our Law, we are given the task of

carrying out performance audits as well. We submit our performance audit reports to the Parliament to be debated at a plenary session and also publish them on our web site.

Our reports receive wide media coverage and have an impact on public opinion. Nevertheless, the procedure of the debate of our reports at the Parliament has not been completely specified yet and thus we encounter some problems and difficulties in following up.

What are the followed procedures and methods to develop your SAI performance and audit methodology?

We have attached great importance to this subject and made continuous efforts. Our studies have accelerated with the "Twinning Project on Strengthening the Audit Capacity of TCA", which was carried out in 2005- 2007 in cooperation with the National Audit Office of United Kingdom in the framework of the accession process of Turkey to the European Union. In this process, we established a separate department for conducting our activities in this regard namely, Research, Training and Methodology Development Group (RTMDG).

In addition to training and research activities, there are three teams acting under RTMDG: Financial Audit Team, IT Audit Team and CAATTs Team. Financial Audit Team is currently carrying out pilot audits in order to test the adequacy of the Draft Guide on Financial Audit which was one of the outputs of the aforesaid Project. The remaining two teams are carrying out projects in cooperation with the The Scientific and Technological Research Council of Turkey (TUBITAK) on "IT Audit Training, Manual Development and Software Design Project for TCA" and "Computer-Aided Audit System and Software Design Project for TCA", respectively.

Please explain the cooperation between your SAI and the State other authorities?

In conducting our audits, we are empowered to communicate directly with the ministries, boards, governmental departments, accountants and other responsible officials and entitled to invite officials of all categories and degrees in order to receive oral information; and to call in representatives from state bodies.

Furthermore, we carry out joint training programs and projects with other state authorities such as TUBITAK and Turkish International Cooperation Administration (TIKA).

How your staff is recruited? Do you have special cadre to attract those who are competent and experienced?

We have two types of staff:

- a) Professional staff, which include the President, Members and Auditors.

The President is elected by the Parliament with a secret ballot from among the applicants who are eligible under the relevant provisions stated in our Law.

b) Support staff, which are the personnel other than professional staff.

Support staff are appointed by the President;

i. from among the ones who are eligible under the relevant provisions stated in our regulations and passed the common examination for employment in public organizations, namely The Selection Examination for Professional Posts in Public Organizations, which is carried out by OSYM and,

ii. by means of tranference from among the ones who has been working at other state bodies and who are eligible under the relevant provisions stated in our regulations.

Moreover, TCA includes the Prosecutor as the representative of the Treasury. The Prosecutor and his Assistants, having received the opinion of the President of the TCA and upon the proposal of the Minister of Finance, are appointed by a joint government decree from among the ones who have successfully worked for a period of at least ten years in the fields of finance and economics following graduation from the educational institutions stated in our Law.

On the other hand, if we deem necessary while conducting our audits, we may recruit “experts” outside our Institution as covenanted employees.

What are your SAI plans to develop its staff?

To strengthen our audit capacity and to improve our equipments, we primarily handle the management of our human resources in a strategical approach. In order to improve the knowledge, skills and productivity of our staff and thus to enrich our job, we implement the “Strategy of TCA for Human Resources Management and Personnel Development” which is prepared under the aforesaid Twinning Project and is also stated in our Institutional Strategic Plan. To fulfill our tasks effectively and to train our auditors on contemporary audit approaches, we aim to scale up our training activities through the General Training Plan which is put into action within this framework and the Annual In-Service Training Programs.

Our plans and efforts on this regard may be listed as follows:

- a) Activities for effective sharing of knowledge and experiences,
- b) Theoretical and practical trainings for assistant auditors,
- c) Professional development trainings for auditors,
- d) Encouragement of attendance to domestic and international postgraduate programs and training activities (meetings, congresses, courses, seminars, etc.),
- e) Continuous trainings for support staff.

How does your SAI improve and maintain a good relation with entities subject to its control?

As an independent external audit institution, we adopt an audit approach which primarily aims to contribute to the strengthening and well functioning of the public financial system rather than determining financial breaches and incorrect implementations at the auditees.

In this context, we focus on the solutions of the problems faced by the auditees in their financial transactions and activities, and make continuous efforts to ensure the auditees recognize that the audit we carry out is essential and of great use for the auditees themselves and consequently the public financial system, as well.

How do you evaluate to ASOSAI activities? What are your future anticipations to develop and activate such activities? What is your comment on these meetings?

We attach special importance to ASOSAI. ASOSAI is a large organisation with forty-five members and this constitutes a large pool of expertise. We intend to contribute, as well as to draw on this expertise.

In this regard, we will make significant contributions to ASOSAI activities in the close future. We have planned to host the Environmental Audit Workshop, which will take place in 2010. After this event, we will host the 2011 Governing Board Meeting of ASOSAI.

What are the cooperation aspects with the State Audit Bureau?

As fellow ASOSAI Governing Board Members since the X. ASOSAI Assembly held in Shanghai, China; we maintain a close professional contact with State Audit Bureau of Kuwait (SAB) and participate in or contribute to ASOSAI activities designed to facilitate and create new mediums for experience and knowledge sharing together with SAB. Moreover, we have close ties of brotherhood with the Kuwait people. On this occasion, we are confident that the passage of time will only strengthen our close professional ties and the future has many new yet unexplored forms of cooperation in store for our Institutions. In this framework, we are determined to continuously improve existing ties and to identify new areas of cooperation.

Taking this opportunity, we would like to convey our warm regards and respects to all the colleagues at the SAB and the Kuwait people as well.

Reform Process at Turkish Court of Accounts*

General Overview

Turkish Court of Accounts (TCA) was established in Ottoman period in 1862 under the name of “High Court of Accounts” as an audit and judicial authority independent of both the Parliament, the Monarch and the Government in order to audit and try the accounts of those possessing the State’s money and properties.

The status of the TCA as an independent supreme audit institution and judicial organ was embodied in the first Constitution of 1876 and reconfirmed in the subsequent Constitutions. Our status as an independent organ has been robustly laid down in all its establishment laws applicable up until today.

Immediately after its inception, with the Regulation dated 1863, it was stipulated by law that the President, members and auditors of the TCA would be appointed on the consent of the Monarch; however, they would not be dismissed from the office, unless they resigned or their dismissal from the office was not required by law. Thus, the TCA was granted an independent status at the very beginning of its establishment, which many SAIs do not enjoy even today.

Public Financial Management Reform and Its Reflections on the TCA

In the international arena such factors as developments in the approaches to public management, transformation in the budget and financial structures, extended democratic and transparent management approach, etc., have brought about radical changes in the field of supreme audit. In this context, it has become inevitable to ignore the need for developing modern approaches and new methodologies. SAIs has become one of the closest assistants of Parliaments in the establishment of popular sovereignty by starting to question whether public resources are used efficiently, effectively, economically and as intended as well as in line with the common benefit and expectation of the public at large.

Recently in Turkey, fundamental legal arrangements have been made in various areas with the effect of developments in the world, harmonization process to European Union and society’s demand for change. With the Law on Public Financial Management and Control entered into force in 2005, public financial management system in Turkey was restructured. With this Law, such mechanisms as financial transparency and accountability, strategic planning, multi-year budgeting, performance management and performance audit, internal audit, etc., were introduced, and all structures and processes were reorganized in harmony with generally accepted international standards. Reporting liabilities of audited entities were broadened and their accountabilities were reinforced.

* Dr. Recai Akyel, President of Turkish Court of Accounts

Published in ECOSAI Circular 2011.

Accordingly, such developments necessitated fundamental changes in our Audit Law. Major amendments that broaden the competences and field of work of the TCA were made in the Constitution. New TCA Law No. 6085, which was drafted by considering current conditions, international standards and mentioned contemporary changes in the fields of management and audit, was put into force on 19 December 2010.

Our roles and responsibilities have considerably increased and our audit scope has substantially broadened with these arrangements, which have also influenced the structure, functions and operation of the TCA from various aspects. To begin with, we need to maintain our structure dynamic so as to audit the structures that has changed in nature and to develop appropriate mechanisms for newly established institutions/organisations, services or operations. Besides, at a time when there are efforts to render new approaches and understandings prevailing like more focus on performance audits within the new public management, increased importance of accountability, participation and responsiveness to the needs and demands of the public; it has become a necessity for us to develop constantly our audit approaches in line with contemporary needs.

In parallel to all these developments, efforts towards improving audit function and strengthening audit capacity of our Institution have gained impetus. In this respect, the required infrastructure has been established by means of training, methodology development and implementation practices and of such documents as audit guidelines, institutional development strategies at various fields, etc.

Enhanced Functions of the TCA

Our two major functions prescribed by the Constitution and laws are audit and trial. While we are charged with auditing on behalf of the Parliament and submitting information and report to the Parliament, we are also responsible for taking final decision on the accounts and transactions of public entities found incompliant at the end of audits. New legal arrangements address and reinforce particularly our audit and reporting functions.

Audit Function

The TCA, which audits financial activities, decisions and operations of public entities, is now giving more focus to contemporary audit techniques within the framework of guidelines based on generally accepted international auditing standards. In this context, in order to increase the effectiveness of audits:

- Audit procedures and evidence gathering techniques have been revised and improved;
- In audit strategies, system-based and risk oriented audit approaches are given more emphasis;

- Effective and widespread use of computer assisted audit techniques in audits is promoted;
- Contributing to strengthening of accountability and transparency has been adopted as the main goal;
- Necessary mechanisms have been established to enable auditors to benefit from external experts at a maximum level.

Regularity audit, which encompasses financial audit and compliance audit, is conducted by the TCA through:

- Determining whether revenues, expenditures and assets of public administrations, as well as accounts and transactions pertaining to those are in compliance with laws and other legal arrangements,
- Giving opinion on the reliability and accuracy of financial reports and statements of public administrations, by evaluating all kinds of supporting and necessary documents,
- Assessing financial management and internal control systems.

The TCA, at the same time, carries out performance audit by evaluating whether public resources are used effectively, efficiently and economically and measuring activity results of public entities in terms of their performance.

Performance audit is an independent examination of effectiveness and efficiency of activities, programs or projects conducted by public entities, which aims at leading to economy and improvement. The main purpose of this type of audit is to provide impartial information to the Parliament, the public and public entities with respect to whether economy and efficiency is achieved in the acquisition and utilization of public resources as well as to contribute to the development of public entities within the scope of good governance principles and practices. Besides, it also aims at evaluating the activity results related to the objectives and indicators determined by public entities within the framework of accountability.

Reporting Function

The number of reports that we are now required to produce and submit to the information of the Parliament and the public has considerably increased with the new legal arrangements. Therefore, we have assumed a more active role in strengthening public accountability and transparency by sharing information concerning the results of our audit activities with citizens, as actual owners of public money.

The reports we will submit to the Parliament and share with the public are as follows:

Statement of general conformity is a statement of assurance of the accuracy and reliability of budget implementation results as displayed in the draft final accounts law, which is established by comparison with the results derived from the accounts of public administrations.

External Audit General Evaluation Report: Audit reports prepared by headships of audit groups at the end of regularity and performance audit of public entities are consolidated in respect of administrations, and a copy is sent to the relevant public administration in order to obtain their opinion with regard to these reports. The External Audit General Evaluation Report, which covers also the financial matters that the TCA deems appropriate, is prepared by considering these opinions.

Accountability General Evaluation Report: Accountability reports for the entire year, which are prepared by public entities, are evaluated by the TCA in consideration with the audit results. An Accountability General Evaluation Report is prepared on the basis of evaluation reports produced in this regard.

Financial Statistics Evaluation Report: Annual financial statistics published by the Ministry of Finance are evaluated by the TCA in terms of its preparation, publication, accuracy, reliability and conformity to the predetermined standards.

Report on State Economic Enterprises: These are the reports that encompass the audit reports prepared following the audits of state economic enterprises and annual activity results of these in respect of sectors.

Other reports: These are the reports prepared as result of audits and examinations on other matters that are of significance for the Parliament.

Judicial Function

We audit whether or not the accounts and transactions of public administrations within the scope of the general government related to their revenues, expenditures and assets comply with laws and other legal arrangements. Matters specified in the judicial reports prepared at the end of these audits by auditors are discussed and decided on by the relevant chamber of the TCA.

Independence of the TCA

We have functional and institutional independence in carrying out our duties of examination, audit and taking final decision. Although we carry out audit on behalf of the Parliament, we do not have an organic bond with it. As we are entrusted with a special status with our judicial powers and non-affiliation to any other higher-level organ within the organic structure of the State, the TCA is an organ that enjoys the highest-level of independence. The institutional and financial independence of the TCA as well as the security of tenure of its personnel has been reinforced with several legal arrangements. We act fully independent in planning, conducting and concluding our audit activities, and in no case, are under external influence. The necessary competences and safeguards are entrusted to the TCA, which enable it to fulfil mentioned duties impartially and independently. We are competent to demand all

kinds of documents and information from public entities as well as real and legal persons. We are also authorised to examine, on the spot and at any stage of operation and incidence, all related records, goods, properties, practices, transactions and services of those public institutions and organizations within the audit scope, by assigned personnel of our Institution, or expert witnesses.

Audit Area

The new TCA Law was drafted by taking account of INTOSAI. The new Law incorporates all public resources and activities in the audit scope of the TCA, regardless of whether or not these are in the national budget and who collects and manages these. All public entities within the scope of the central government, social security institutions, local administrations, state economic enterprises and the utilization of all domestic and foreign resources and funds are within our audit mandate. In addition to these:

- Public enterprises and partnerships;
- Public administrations established with special laws;
- All types of administrations, organizations, institutions, associations, enterprises and companies affiliated to, or founded by the public entities;
- All transfers of resources and their utilization by public entities;
- The utilization of domestic and foreign resources and funds obtained by public institutions and organizations;
- Public accounts, funds, resources and activities;
- Accounts and transactions of international institutions and organizations within the framework of the principles set out in the relevant treaty or agreement are all covered in our audit scope.

Enhanced Professional Competency and Personal Development

To fulfil our increased duties and responsibilities as appropriate during the change process, we are now attaching great importance both to strengthening our audit capacity, developing and extending contemporary audit techniques and to the modernization of our organizational structure. In parallel to this, moving from the idea that the human is the main element of change, we are now trying to build up a more modern and functional management approach oriented towards reinforcing the personnel's organisational consciousness and the desire to reach common goals.

Within this framework, due consideration is given to personal development and training of professional personnel, who take active role in audit activities, as well as of

supporting staff. With in-house training courses, auditors are supported in adapting to new audit methodologies and approaches. The personnel has become more equipped and willing to keep abreast of and put into implementation the contemporary developments by actively participating in the seminars, conferences, panels, etc., abroad, or at home.

With the significant duties we assume on behalf of the Parliament, our judicial function, broad competences and level of independence; the TCA constitutes one of the key and the most prestigious organ within the Constitutional System of Turkey. As a strong audit and judicial authority, independent status, competent personnel and broad powers entrusted by the Constitution and laws, the TCA strives to keep abreast of developments in the world and to manage the change in the most effective manner. It also endeavours, for the overall benefit of the citizens, to ensure that the public management of Turkey has a more sound and reliable structure in consideration of the contemporary developments in the world.

Building on its knowledge coming from a 149-year old history, the TCA, in the light of the developments in the contemporary world and in line with current conditions, will continue to put emphasis on new strategies in the continuous development of audit methodologies, effective use of information technologies, development of human resources and rendering the institutional functioning more effective.

An Example of Supreme Audit Institution (SAI)-University Partnership: Master of Auditing Program*

Introduction

Auditors play significant roles of examination, analysis, benchmarking and detection of errors; however, there are other roles they are expected to play such as counselling and guidance. Auditors are now expected to employ an audit approach that serves to the good functioning of public entities, extends good practices and eradicates the possibilities of error. To achieve this, the professional technical knowledge of the audit personnel needs to be enhanced both theoretically and practically. In this context, the Turkish Court of Accounts (TCA) corresponded with the public and private universities in Turkey and called them to include a separate audit course in their curriculums, which covers the audit theory, audit types and strategy, including the humanitarian aspects of the audit such as communication, psychology, etc.

Public Financial Management Reform

The public management in Turkey has been passing through a restructuring and reformation process for the last decade. During this change process, the TCA has been the guardian of the public management system and the public officials on one hand, and on the other hand, it has adopted the contemporary governance understanding and pursued a strategy of compliance with international auditing standards and of leveraging the knowledge and experience of its staff.

In line with the spirit of the new TCA law, the TCA and all its stakeholders, including the public entities, need to have a closer relationship and cooperation. The TCA has been endeavouring to share its audit knowledge and experience as well as the outputs of its international cooperation initiatives with the public, to provide guidance to the entities and to extend the best practices. In line with this, the TCA has started to help both the public entities and officials develop themselves and adapt to changes in a more swift and proper manner. With the protocol signed between the TCA and the Gazi University, a master program under the title "Auditing in Public Management" has been launched within the Public Administration Department of the Social Sciences Institute.

* Assoc. Prof. Dr. Recai Akyel, President of the Turkish Court Accounts

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Strengthening Institutional Capacity and Increasing Professional Competencies

The TCA is performing its audit and reporting functions in line with the generally accepted international auditing standards. The TCA has now a wider audit scope and more responsibilities in terms of audit types and objectives. Therefore, it desires to enhance its institutional capacity and the professional competencies of its staff in order to conduct audits in a fair, reliable, unbiased and objective manner. To that end, the TCA aims at training personnel, who have adopted the audit culture and aspire to improve constantly their knowledge and skills such as analytical and innovative thinking, teamwork and collaboration.

Moreover, to promote the professional development of the staff, the Audit Development and Training Centre of the TCA has been established. The functions of the Centre are as follows:

- To deliver training to the personnel;
- To carry out educational activities as well as to organize courses, seminars, conferences and training programs on matters within the purview of the TCA;
- To support the development and implementation of training activities organized by public administrations;
- To perform research, analysis, development and training activities concerning audit methods and tools in order to ensure implementation of national and international auditing standards in public administrations;
- To carry out educational activities, to organize seminars and conferences, to undertake capacity building and technical assistance programs, projects and similar events with SAIs of other countries and international organizations;
- To cooperate with universities on its field of operation and to support postgraduate studies and researches on matters related to audit;

To perform all kinds of theoretical and practical studies or to participate in the ongoing studies of such kind in order to improve the effectiveness of audit as well as to develop the audit and administrative processes.

Change in the Organizational Culture

The traditional public sector culture, which has been adopted by both the professional personnel of the TCA and the personnel of other public entities, is no longer pursued. Still, public entities and the TCA, which are used to the old customs and practices, have faltered in adapting to the new principles and been frequently encountering difficulties in the implementation. To minimize such problems during this transition process, the professional personnel need to adapt to the new concepts, systems and business processes in a shorter period. In this regard, a training program in the field of audit is considered beneficial, which

covers such issues as the auditor-auditee relationship, audit psychology, audit effectiveness, bad practices and impacts of poor communication during the audit, resistance against audit, etc.

In order to discharge the duties entrusted to it in the most effective manner, the TCA should pay effort to provide training and guidance to the practitioners, to establish and develop the national audit culture by bringing together the audit professionals in the public and private sector and to set the national auditing standards. To do this, the TCA needs to equip its personnel with the necessary qualifications and competencies in the first place. With this in mind, the TCA top management has been encouraging the professional personnel to avail themselves of every training opportunities and particularly, to attend to master's programs. With the support of the management, 15% of the professional personnel is now attending in master's and doctoral programs. Completing such programs adds additional contribution to their professional career and promotion.

TCA-University Cooperation

Partnership with the universities is considered as one of the means of fulfilling the duties and responsibilities of the TCA in a sound and effective manner.

After the enactment of the new TCA Law in line with the principal law governing the Turkish financial management system, the TCA will lead the public entities, provide recommendations for good governance and work in cooperation with the entities, in parallel to the new management understanding.

A formal letter of the TCA President was circulated to all the public and private universities, through which the necessity and vitality of inclusion of an "audit course" in the graduate, post-graduate and doctoral programs was stressed. Besides, the commitment to provide all kinds of support to the programs related to audit was also expressed in this letter.

The interest of universities was higher than expected. In reply to the letter, the universities informed as to their current practices. The TCA also received from Gazi University a proposal to establish a partnership in launching a new master's program under the title "Auditing in Public Management" within the Public Administration Department of the Social Sciences Institute. To open a post-graduate program related to public audit, a protocol was signed between the TCA and Gazi University following the discussions with the Deanship of the Faculty of Economics and Administrative Sciences and the Department of the Social Sciences.

Master's Program on Auditing in Public Management

The content of the course was prepared in a manner to train audit professionals and managers in the audit sector, who have effective communication and personal skills and aims at continuous personal development with the sense of social responsibility. In developing the courses and their contents, the opinions and recommendations of the TCA auditors were also

received and communicated to the Institute. The Institute finalized the program design and with the approval of the TCA, launched the program in February of the 2013-2014 term with the participation of 15 personnel from the TCA and the audit professionals from other public entities.

To achieve the audit objectives and render the audit effective, an auditor should understand the attitudes and behaviours of the personnel at auditees, besides having necessary knowledge and skills on accounting, reporting, financial management, audit theory, etc. Having such an understanding helps auditor communicate with them in a better and effective way. This requires an auditor to have knowledge and skills in effective communication, emotional intelligence, stress and anger management, decision-making, problem solving, persuasive skill, teamwork, personality types, adult learning and characteristics, etc.

The program is designed to include the following courses: Audit Theory and Types, Strategic Management and Audit, Accounting and Auditing Standards and Implementation, Audit Psychology, Communication Methods and Skills in Auditing, Auditing and Ethics, Accountability in Public Management and Public Loss, Principles of Administrative Correspondence and Reporting Techniques, Administrative Jurisdiction and Case Studies, Turkish Public Personnel System, Public Financial Management and Expenditure Analysis , Internal Control and Internal Audit Practices in the Public Sector, Crimes Committed to Gain Financial Benefits.

The program is ongoing and the participants are encouraged to pursue doctoral studies in the same area.

Aims of the Master's Program on Auditing in Public Management

A well-functioning and accountable public management can only be achieved with the help of the audit units, which are attuned to changing technology and equipped with competent and qualified human resources. Training helps public entities and officials develop themselves and adapt quickly to the changes. This program aims at training audit managers, who have the trait of analytical thinking, adapt themselves to changing conditions and are in pursuit of continuous learning.

The overall aims of the program are as follows:

1. To attract the attention of the academicians and universities to the field of auditing and encourage them to study in this field, to contribute in the development of audit theory;
2. To help audit professionals communicate effectively, develop their professional competencies and understand the sociological and psychological conditions of the auditees and their personnel, respectively;
3. To provide scientific contribution to the professional capacity-building of audit entities;
4. To inform the auditees about the audit.

This program has created the opportunity of training auditors, who will contribute to the academic works, train specialized audit workforce, contribute to the development of national auditing standards, meet the training needs of the audited entities and are good communicators.

Conclusion

Forging partnership with the universities adds value to the SAs in their endeavours of achieving further improvement. It is particularly meaningful in the cases of institutional capacity building and the efforts for enhancing the professional competencies of auditors.

Supreme Audit Institutions as a Safeguard for Fiscal Sustainability*

Introduction

The basis of the economics theory is within the question of "how do we satisfy unlimited wants with limited resources?" This question is also valid for public sector and governments. Public sector is confronted with the challenge of meeting the increasing demands with restricted resources. This restriction renders effective use of public resources crucial, since public services have to be sustainable. At this point, Supreme Audit Institutions (SAIs) have a vital role as institutions working for assuring economic, effective and efficient use of public resources. Citizens expect to get the assurance of SAIs for effective functioning of public institutions and thus, the government.

All of these concerns reveal the need for strengthening SAIs so that they can function effectively and appropriately. In recent years, with all the economic problems governments are facing, SAIs' role in sustaining good governance has become more of an issue. Good governance encompasses several elements such as giving assurance regarding the effective use of public resources, informing public as to the results and outcomes of government objectives and ensuring that public institutions operate in accordance with accountability and transparency principles. In addition to these, fiscal sustainability is also an element of good governance and needs to be considered within the financial management and control system.

Changing role of SAIs in public sector

When it comes to SAIs' role in public sector, two inseparable concepts come into mind: accountability and transparency. International Standards for Supreme Audit Institutions (ISSAIs) also state that these two concepts are essential elements of good governance. Transparency means providing sufficient information on public activities to enable public scrutiny. Accountability, on the other hand, is about ensuring that the public institutions and their performance are subject to monitoring. ISSAIs define promoting accountability and transparency over public activities as one of the responsibilities of SAIs.

In a globalized world and economy, modern states face the issue of fiscal sustainability besides the requirements of accountability and transparency. In addition to the above-mentioned constraints like restricted resources and increasing demands, there is the constraint for sustaining public services of the same quality. Financial crises that affect the governments make it even more challenging to achieve the objective of maintaining the same level of public service at the same level of quality within reasonable debt limits. Governments deal with the

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problem of increasing costs of public services and in some cases, cannot achieve objectives within budgetary limits. This problem brings forward the issue of fiscal sustainability.

In the most general terms, fiscal sustainability means providing the necessary resources for a specific program, sector or economy in a definite timeframe. It is the ability of a government to sustain its current spending in the long run without defaulting its liabilities or promised expenditures. As it is seen clearly from these definitions, fiscal sustainability is an issue for all modern states, but the critical question is how fiscal sustainability is relevant for SAIs?

The relevance of fiscal sustainability for SAIs is a popular and debated topic especially amongst audit community due to its importance. This topic has been handled in several conferences until now. "Fiscal Sustainability, Presentation of Accounts and Accountability" was chosen as the main theme for EUROSAI-OLACEFS Conference in 2007. In addition, several declarations on this specific subject have been submitted in the International Symposium held as part of celebration of 150th Anniversary of the TCA in Ankara- 2012. As stated in the EUROSAI- OLACEFS Conference in 2007, the increasing importance and technical capacity inherent to the fiscal sustainability practices advise the reinforcement of the SAIs role in different states. As a conclusion of this conference, the participants agreed that SAIs should take a role in ensuring fiscal sustainability, since it is an issue of great importance and needs to be dealt with by an independent and well-respected institution.

SAIs as a safeguard for fiscal sustainability

Acknowledging the importance of the role of SAIs as a safeguard for fiscal sustainability, the question of how to perform this role comes along. This is an issue, which has been discussed for several years, especially after the crises that affected the European countries in 2007. Nowadays, European countries are dealing with a sovereign debt crisis, which made financial sustainability issue even more important.

Since the role of SAIs in ensuring fiscal sustainability is a newly emerging topic, there is not much clarity on the methods SAIs need to apply. It is possible to say that SAIs can function as a safeguard for fiscal sustainability in three co-related ways. First of all, SAIs can monitor the application of budgetary provisions with a results or outcome based approach. To understand this role of SAIs, it would be beneficial to mention about one of the most important reform movements carried out to ensure fiscal sustainability: the transition from cash based accounting system to accrual based accounting in public sector. This change allowed governments to ensure fiscal discipline, accountability and transparency in use of public resources. The reform in accounting system brought along the transition in budgetary systems, which led to adoption of performance-based budgeting based upon determination of aims and objectives and use of public resources in line with these. These reforms in public financial management system basically aimed at effective use of public resources and brought

along additional responsibilities for SAIs in terms of ensuring good governance in public financial management. In accordance with these reforms, SAIs are expected to comment on the implementation of public programs and the results and outcomes of these programs for ensuring accountability and transparency, and indirectly act as a safeguard for fiscal sustainability. Such kind of an audit aims at promoting successful implementation of public policies and adding value. In addition, according to their respective mandate, SAIs may warn about the deviations from established objectives and develop suggestions for corrective actions. This would also help governments see the deficiencies and correct them on a timely manner, which in turn, would contribute to ensuring budgetary stability.

Secondly, SAIs can serve as a safeguard for fiscal sustainability through auditing public debt. There is a direct link between fiscal sustainability and public debt. The definition of fiscal sustainability explicitly states that sustainability for governments means providing the same level of services in the long run with protecting its solvency level. Therefore, as the external public audit bodies SAIs may comment on the volume of public debt and its sustainability according to their mandate. This kind of a work would be of great significance due to the independent and reliable reputation of SAIs. As stated in the International Symposium in Ankara, May 2012, the independent position of SAIs and their connection with the parliament gives SAIs an appropriate status for dealing with public debt. ISSAI 5430 states: "SAIs may wish, within the limits of their powers and responsibilities, to encourage their governments to adopt sound practices for the assessment, financial reporting, budgeting, and oversight of a country's fiscal exposures. SAIs also may wish to be aware of and support the adoption of 'best practices' for dealing with risk". It is also mentioned in the same standard that "given the complex technical and conceptual issues associated with fiscal exposures, SAIs may need to develop necessary skills both internally and across their governments". Oversight of loans, guarantees and insurance, and review of the long term budgetary implications can be given as examples to the oversight of fiscal exposures. The method each SAI implements vary according to their mandate and relevant conditions. However, what is important and common is auditing public debt and developing suggestions for governments on this issue so that fiscal sustainability can be maintained.

The third way SAIs may contribute to fiscal sustainability would be their work for maintaining good governance. SAIs are the key institutions for ensuring good governance through their audit findings and recommendations. Good governance requires monitoring and audit in order to ensure implementation of established policies in a relevant way and realization of strategic aims. A tool for contributing to good governance may be commenting on internal controls. Some SAIs have the authority to comment on effective functioning of internal control systems of public institutions. This function would help public institutions and public sector become aware of the deficiencies in internal controls and make improvements accordingly. In this way, it would be possible to achieve good governance in public sector through the contributions of SAIs with their findings and recommendations. This contribution of course would indirectly serve as a tool for maintaining fiscal sustainability.

Conclusion

As noted previously, fiscal sustainability is today a common international challenge. To overcome this challenge, governments have adopted reforms in public sector, which are still continuing. In line with these, SAIs should also keep abreast of these reforms and adjust their methodologies accordingly.

SAIs are responsible for auditing effective, economic and efficient use of public resources and this function is an indirect safeguard for ensuring fiscal sustainability. Each SAI should define its role in promoting fiscal sustainability in their countries. There is no definite method for performing this role but according to current implementations, it is possible to say that it may be performed through three different ways: auditing and commenting on results and outcomes of budgetary policy objectives, auditing public debt and developing recommendations, and auditing and commenting on the effectiveness of internal control systems. These are the methods SAIs may choose to use according to their respective mandate, but, of course, these are neither precise nor complete. Since this is a newly emerging issue for SAIs, it is for sure that SAIs will develop their own methods to handle fiscal sustainability in due course.

In conclusion, SAIs' role in maintaining fiscal sustainability is crucial for governments. However, the extent and method for performing this role is not definite yet. That's why it is quite important to share experiences among SAIs to find a common and applicable method to deal with this issue. SAIs should exchange information with their counterparts and continue to share experiences, methodologies and results so that they can serve effectively as a safeguard for fiscal sustainability.

The Significance of Enhancing Financial Stability to Hedge against Risk of Financial Crisis, and the Role of SAIs*

Introduction

Beyond any doubt, the impacts of financial and economic crisis are affecting the welfare of each and every country in the world. The recent financial crisis was triggered by mortgage meltdown in the United States in 2007 and spread all over the world in 2008 as a global economic crisis. Substantial number of people was affected by the huge cost of the damage arising from crisis. Unemployment increased and living standards of many people deteriorated. Governments also faced squeezing credit conditions, increasing borrowing requirements, unstable market conditions and eventually decreasing public trust and confidence. Under such circumstances, it is understandable, why Supreme Audit Institutions (SAIs) are expected to play a more active role in ensuring financial stability and warning against the potential risk of financial crisis through findings and recommendations. In this context, below mentioned auditing functions and features are regarded as important for the expected role of an individual SAI in increasing accountability, transparency and also warning against the risk of crises.

Auditing Public Debt Management and Evaluation of Performance with Debt Indicators

The lessons learned from the financial crisis have underlined the importance of financial stability to preserve sound public finance. In this context, the level, trend, composition and structure of public debt turned into a prior issue due to their direct relation with fiscal vulnerability. As a result, many countries have paid special attention to the assessment of public debt through indicators of indebtedness and fiscal performance. Eventually, the analyses of sustainability, flexibility and vulnerability came to the agenda as the essential components of public debt management.

The Analyses of Sustainability, Flexibility, Vulnerability

Sustainability briefly can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy. The measurement of sustainability has the purpose of answering whether the government may keep the same path of expenditures and revenues or it will have to conduct

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an adjustment to keep the debt constant as a proportion of GDP (INTOSAI, 2007). The main indicators using debt/GDP ratio are namely; fiscal consistency indicator, Buiter's indicator, short term primary gap indicator, macro-adjusted primary deficit, sustainable fiscal position indicator and currency availability indicators. (INTOSAI, 2010)

Flexibility can be defined as the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden. Government interest payments/ revenues and Total Public debt/ revenue are regarded as the most common indicators for flexibility analysis.

Vulnerability can be briefly defined as the degree to which a government becomes dependent on and therefore vulnerable to, the sources of funding outside its control or influence, both domestic and international. As a consequence of financial crisis affecting global economy in the area of both in public and private sector, the vulnerability phenomenon in relation with indebtedness became a very crucial issue to be discussed. The international institutions, academic sector and debt management authorities have studies on measurement and evaluation of vulnerability issue, among their studies the most common and acknowledged indicators can be listed as;

Foreign Held Government Debt/ Net Government Debt, Foreign Currency Debt/ Net Government Debt, Current Account Balance/GDP, Total External Debt/ GDP, Foreign Currency Debt/ Current Account Receipts, net international reserves/ foreign debt.

As far as practice in Turkey is concerned, a clear audit mandate is defined through the Law on the Turkish Court of Accounts (TCA) for the audit of public debt management and debt-related operations. All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds are in the audit area of the TCA. In this context, the TCA conducts regularity and performance audit on public debt. Financial audit as a part regularity audit is also conducted on financial statements pertaining to Undersecretariat of Treasury including domestic and external borrowing, Treasury receivables and guarantees as a financial risk.

As an audit practice in Turkey, it is also worth mentioning about Treasury Transaction report prepared by the TCA. A special part of this report was devoted to public debt and debt analysis. In this part, public debt structure and composition was analyzed on the basis of selected public debt indicators. Sustainability, flexibility and vulnerability of public debt were assessed on the basis of different public debt definitions and debt indicators. Besides these indicators used to analyze flexibility, sustainability, and vulnerability of public debt, the vulnerability hazard arising from the maturity structure, composition and real interest of the domestic debt stock was exclusively analyzed.

SAIs can play an active role in encouraging the implementation of the best debt

management practices with an indicator based risk management framework. A SAI can ask the governments for the construction of a thoroughly complete indicator system to watch over the vulnerability of its debt and give priority to the risk administration (INTOSAI, 2007). This approach of SAI will also promote governments to focus more on financial vulnerability related monitoring and establishment of a risk management structure that is designed to serve as an early warning mechanism.

Audit of Contingent Liability Management in the Framework of Risk Assessment

Undoubtedly, one of the crucial lessons learned from the financial crisis is the significance of a sound contingent liability management. Contingent liabilities are defined as obligations that do not arise unless a particular, discrete event occurs in the future and can be analyzed in two categories; explicit and implicit.

Explicit and Implicit Contingent Liabilities as Sources of Potential Fiscal Risks

Explicit contingent liabilities are specific obligations, created by law or contract through deliberate public policy or from unforeseen events. Depending on financial and administrative structure and requisites of the country, contingent liabilities can have different forms and types. The most common explicit contingent liabilities can be listed as publicly guaranteed debt, state guarantees on private investment, state insurance schemes (deposit insurance, individual pension plan, crop insurance, flood insurance or war-risk insurance), potential legal claims, indemnities, uncalled share capital.

Implicit contingent liabilities can be defined as a moral and ethical obligation of government felt compelled to assume as a result of pressures coming from public and interest-groups. The defaults of local governments or public or private entities on nonguaranteed debt and other obligations, liabilities of entities being privatized, support for banking failure beyond state insurance, failure of a nonguaranteed pension fund, employment fund, or social security fund (protection of small investors), default of central bank on its obligations (foreign exchange contracts, currency defense, balance of payments stability) can be regarded as the examples of implicit contingent liabilities.

The sum of explicit and implicit liabilities is crucial in the sense that they pose hidden fiscal risks, which can jeopardize fiscal sustainability. In order to reduce the expected fiscal damage, governments may allocate reserve funds and provisions before contingent liabilities fall due and assumed. Therefore, the design and structure of public financial system should take into account the total impact of contingent liabilities on the government's overall risk exposure.

As far as sustaining fiscal stability and ensuring preparedness of public financial system in case of turmoil is concerned, identification, classification and reporting for contingent

liabilities have great importance. The problem about contingent liabilities arises from their typical uncertainty over whether a payment will be done or not and potential amount. While SAs do not play a role in setting policies for the mitigation management or disclosure of contingent liabilities, they have an important role to play in their improvement by focusing policy makers' attention on weaknesses and vulnerabilities in the existing practices. (Cebotari Aliano, 2008). Therefore, it will be a value adding role for SAs to prepare reports about the size and characteristics of contingencies, fiscal risks and their potential impact on budget balance. SAs also can give recommendations on the existence, operation and the adequacy of the control and risk management systems for contingent liability management.

On the other hand, SAs, through financial audit mandate, can encourage public institutions to disclose contingent liabilities in their own financial statements in the form of memorandum item and foot note explanation. By this way, full disclosure of reliable and accurate financial information in terms of contingent liabilities will also enable governments to measure the fiscal risks and take necessary precautions in its risk management.

For the materially significant contingencies and commitments that governments confront, SAs can, within the limits of their legal mandates, examine the financial information reported to policymakers and the public and give assurance to the related parties.

As far as practice in Turkey is concerned, within the framework of Turkish Treasury risk management, a ceiling has been introduced in the central government budget law in order to limit the debt assumption commitments for each fiscal year. In addition to this limit-based implementation, the possible impacts of the contingent liabilities arising from debt assumption commitments given by the Treasury are measured and monitored under different scenario analysis. The potential impact on fiscal discipline and outstanding public debt stock is also taken into consideration for the validity of aforementioned analyses.

The TCA assesses the compliance of actual value of debt assumption commitments with that of predetermined limits set in the budget law and gives assurance to the Parliament on conformity. In addition to this compliance check, in 2014 Financial statistics evaluation report, TCA emphasized the importance of disclosure of contingent liabilities in the financial statement footnotes. To make it clear, TCA pointed out the disclosure of off-balance sheet liabilities in the form of potential obligations arising from public-private partnerships(PPP). More particularly, it is reported that the estimated cost of potential claims pertaining to PPP should be disclosed in the footnote of general government consolidated balance sheet.

Assessment of Compliance with Fiscal Rules and Limit-based Public Debt Operations

Undoubtedly, the restructuring of public financial system on the principle of fiscal sustainability became a priority for every country to prevent economic crisis. It is clearly understood that an effective fiscal discipline practice aiming to decrease budget deficits and

further indebtedness are the key concepts for a sound economy. In this context, fiscal rules and numerical targets are used to support fiscal credibility and discipline. SAIs can give assurance to the Parliament and public on the compliance and adherence to fiscal rules and predetermined limits. In this way, SAIs can add value to the fiscal rules credibility and contribute in well-functioning of a rule based fiscal policy.

As far as practice in Turkey is concerned; the Law on Regulation on Public Finance and Debt Management defines Turkish Treasury as the sole borrowing entity and specifies the limits for new borrowing, loan and Treasury guarantees to assure transparency, accountability and sustainability in debt management.

According to aforesaid Law, within the fiscal year, taking into consideration the principle of fiscal sustainability and development targets of the country, net debt utilization can be made up to the difference between the allocations mentioned in the budget law and estimated revenues. The borrowing limit may not be changed. However, this limit can only be increased by up to 5% within the year by taking into account the development and requirements of debt management and an additional 5% increase only through the decision of Council of Ministers upon the opinion of the Undersecretariat of Treasury and the proposal of the Minister. In case of a balanced budget, borrowing may also be increased by up to a maximum of 5% of the principal repayment.

The limit on the special category State domestic borrowing notes that will be onlend within the fiscal year is determined by the budget law every year. Similarly, the limit of guaranteed Facility and onlending of foreign facility to be provided within the fiscal year shall be determined by budget laws every year.

The TCA submits the statement of general conformity to the Parliament before budget process with a conformity evaluation. The implementation results of the central government budget law are compared with results established on the basis of public administration accounts. Together with the conformity level of these, the limit implementation results of Treasury are evaluated in terms of reliability and accuracy. The TCA Treasury Audit Group recalculates the annual net domestic and external borrowings, the total borrowings, and total guaranteed facility and onlend borrowing notes, then assesses the compliance of these amounts with that of predetermined limits set in the budget law. By this way, the TCA gives assurance to Parliament that total borrowing, guarantee and onlend limits determined by the budget law and debt management law are not exceeded.

Evaluation of General Government Financial Statistics In Terms Of Reliability and Accuracy

Especially, in the post financial crisis period, a growing recognition and consensus has been ingenerated on the merits of the accuracy and reliability of government financial statements. Therefore, the significance of establishment of a sound structure for transparent

financial reporting has been appreciated as well. Together with accountability and transparency concerns, it is realized that the quality and reliability of financial data is crucial for valid and timely fiscal analysis and risk management. In this respect, SAIs can do more through their financial audit to contribute to the disclosure of more reliable, accurate and robust financial information in entity-based financial statements. Undoubtedly, this will open the way for more credible and accurate financial statements for sub-sectors and consolidated general government.

As far as practice in Turkey is concerned, the Ministry of Finance is responsible for the compilation of the financial statistics relating to public administrations within the scope of general government. The principles of integrity, reliability, usefulness, methodological validity, accessibility and consistency with the international standards are taken into consideration in the compilation process.

The financial statistics of the public administrations within the scope of general government are prepared by compiling the financial statistics of the social security institutions, local administrations and the public administrations within the scope of central government published quarterly.

The conceptual and analytical framework of Government Finance Statistics (GFS) is adopted for financial statistics disclosure which provides a reporting base suitable for analyzing and evaluating fiscal policy, predominantly the performance of the general government sector. The core of the analytic framework is a set of four financial statements; the statement of operations, statement of other economic flows, balance sheet, the statement of sources and uses of cash. GFS framework also includes supplementary statements of the Summary Statement of Explicit Contingent Liabilities and Net Obligations for Future Social Security Benefits, which summarizes the explicit and some implicit contingent liabilities. The stock positions of explicit and some implicit contingent liabilities are recorded as memorandum items to the GFS balance sheet.

Annual financial statistics published by the Ministry of Finance are evaluated by the TCA in terms of its preparation, publication, accuracy, reliability and conformity to the predetermined standards. Following that, the evaluation report prepared with this purpose submitted to the Parliament and sent to the Ministry of Finance. The Minister of Finance shall take the necessary measures in accordance with the assessments stated in this report.

TCA has prepared 3 financial statistics evaluation reports up to this time for mainly the assessment of reliability and accuracy of general government consolidated financial statements. For the sake of clarity, it is worth mentioning about the main issues and findings discussed in the report.

2014 Financial Statistics Evaluation Report

The evaluation in terms of preparation, accuracy and reliability of financial statistics includes compilation and consolidation stages and also the audit opinions given to entity based

financial statements audited by the TCA. Undoubtedly, the audit opinions given to individual financial statements are crucial, as far as the accuracy and reliability of a consolidated financial statement is concerned. Therefore, material misstatements and omissions affecting the reliability and accuracy of financial statistics detected through financial audits of public institutions are reflected to Financial Statistics Evaluation report.

The second part of the report is devoted to findings about consolidation errors that resulted in double counting of reciprocal stock positions and flows in accounts. Consolidation process involves eliminating all transactions and reciprocal stock positions among the general government sector entities being combined. In other words, consolidation eliminates the double-counting and presents financial statements for the combined set of government units as if they constituted a single unit. In this respect, compatible and identical classification and recording with the same value is the most important principle accounting rule underlying the consolidated financial statements. Therefore, differences in time of recording of financial transaction, accounting discrepancies, differences in valuation and other asymmetric recording can cause material consolidation problems. Accordingly, in its report, TCA pointed out the structural problems and system deficiencies pertaining to public financial management which resulted in improper consolidation and affected the reliability of consolidated financial statements. In addition to these matters to emphasize, TCA also gives recommendations for the well functioning of the accounting and internal control systems which will give way to the excellence in reliable public financial reporting in return. Undoubtedly, as the ultimate aim, appropriately and completely consolidated financial data will create a sound base for fiscal analysis and strategic decision making.

The financial statistics evaluation report is important in the sense that, it helps in better and more reliable reporting of general government sector assets and liabilities, operating balance and budget realizations. Therefore the TCA encourages both the presentation of robust financial information through financial audit and on the other side the accuracy of full picture by evaluation of general government financial statistics. It also helps transparency and provides comprehensive accounting information to underpin and support financial and economic decision making.

Transparency and the reliability of general government sector financial statistics should be improved in order to serve as a credible and robust base that decision makers rely on. On the other hand, it is also vital for governments to trust the soundness of fiscal analysis and long term strategies on which they built their public financial management policy. In this respect, SAs can safeguard the validity and reliability of the financial information on crucial areas like government assets, liabilities, contingencies and total public debt.

Conclusion

The devastating impacts of recent financial crisis raised many questions about the future role of SAs in the public finance area? What kind of a role should they play to ensure fiscal

sustainability? How can they contribute to the well-functioning of early warning mechanism of financial crises? Which audit functions and areas should be targeted to add value? In the light of these questions, some potential areas of auditing deserve critical and diligent consideration due to their direct linkage with fiscal risks and instability. SAIs should conduct the audit of public debt management and give recommendations to ensure robust and sound public debt practices are in place. Contingent liabilities, as the sources of financial risks, should be monitored in terms of their potential impact on fiscal vulnerability. SAIs should promote governments to focus more on the establishment of a risk management system designed to serve as an early warning mechanism. On the other hand, SAIs should assess the compliance of fiscal rule and limit implementation and give assurance on conformity. In this way, SAIs can add value to the fiscal rules credibility and fiscal sustainability. Last but not least, the foundation of a transparent, reliable and accurate financial reporting using internationally accepted accounting standards should be encouraged.

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XXI. INCOSAI Theme 2 *The Role of Supreme Audit Institutions on Safeguarding Long-Term Sustainability of Financial Policies*, Discussion Paper.

Today's Understanding of Internal Control and Its Reflection on Turkey*

Abstract

Internal control, as a dynamic and complementary process that constantly adjusts itself to changes, plays a significant role in achieving organizational mission. Therefore, internal control should be properly defined and effectively implemented. Nowadays, internal control understanding is generally accepted at global level. Standards related to internal control and its application are formulated globally. Within the framework of public management reform in Turkey, albeit delayed, the system of internal control is incorporated in public financial management legislation. There are problems in the application of the system of internal control in Turkey. Efforts should be made in order to ensure that the internal control system, which will significantly contribute to the achievement of the objectives of Turkish public management, operates ethically, smoothly and in an efficient, effective and economic manner. The system of internal control should be regulated for activities other than financial management as well. In practice, it should be ensured that the internal audit and supreme audit evaluate internal control activities.

Key Words: Management, public management, control, internal control, internal control system.

INTRODUCTION

Internal control, also called "management control", is an important field of study in respect of management and organization. Internal control, which is designed to address risks and provide reasonable assurance that enables the institution to achieve its mission, provides assurance outside the institution as well. Defining and perceiving the concept of internal control in a correct manner assume importance. Besides, the relationship and relevance of internal control with the management, other personnel, the internal audit and supreme audit must be determined with a systematic approach. It should be known that the issues related to internal control are valid both for private sector and public sector management. Therefore, it is important to know the global understanding of internal control.

Within the scope of this article, today's globally accepted understanding of internal control and its reflection on Turkey are discussed; the practice of internal control is evaluated and some suggestions are made in this respect. This article was first written in 2010 and it has been revised and re-written in 2016.

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Today, internationally accepted standards are analysed while explaining the global understanding of internal control. The reason is that the most concrete expression of global common understanding of internal control and common acceptance are common standards established within a global context. As a matter of fact, the International Organization of Supreme Audit Institutions (INTOSAI) published Internal Control Standards for the Public Sector in 1992 with the aim of establishing a common understanding of internal control among countries. It would be helpful to inform the general public in Turkey of the Internal Control Standards for the Public Sector.

The scope of this article is limited to internal control understanding in the public sector; thus, it does not include the private sector's understanding of internal control.

Public Financial Management and Control Law No. 5018 and other relevant legislation are referred to in discussing the structuring and implementation of the internal control system in Turkish public administration. The reason is that as stipulated by the Constitution, the structuring of public administration is determined by laws in the Republic of Turkey. Therefore, it appears to be essential to discuss the Turkish public administration in the context of the analysis of the related laws.

The article attempts to depict to what extent globally accepted understanding of internal control reflects on Turkish public administration and to investigate the current status of the functioning of internal control in Turkish public administration. Also, some suggestions are presented on the functioning of a sound internal control system in Turkish public administration.

TODAY'S UNDERSTANDING OF INTERNAL CONTROL ON A GLOBAL SCALE

The internal auditing institutions of independent countries engage in cooperation at international level leading to a mutual sharing of knowledge and experience. The efforts of INTOSAI and International Federation of Accountants (IFAC) on this matter and works on establishing standards gain acceptance on a global scale. INTOSAI, within the framework of these general works, issued Guidelines for Internal Control Standards in 1992. Then, it published the revised version of the guidelines in 2004 (www.issai.org, 2010). The publication of the Guidelines for Internal Control Standards aims at the development and adoption of a common understanding of internal control among Supreme Audit Institutions (SAIs).

This section discusses internal control and the internal control process within the context of globally accepted fundamental texts, such as Guidelines for Internal Control Standards issued by INTOSAI and the European Union Internal Control Standards (<http://INTOSAI.org>, 2010). The reason is that the said standards are the most concrete and indisputable evidence for the acceptance of internal control understanding on a global scale. These standards are the international texts, which all countries undertake to comply with.

Definition of Internal Control

It is possible to define internal control from different perspectives with different emphasis. Internal control is a management tool that provides adequate and reasonable assurance for the efficient, effective and economic utilization of institutional resources in compliance with the objectives of the institution; regulatory compliance of actions and transactions; regular, timely and reliable generation of information on activities, protection of institutional assets, prevention of corruption and irregularity (Tümer, 2010: 11). Internal control is also called “management control” (Demir, 2010: 23). Internal control is a management control compiled as part of infrastructure in order to help managers operate the institution and achieve their objectives on a continuous basis (Korkmaz, 2007: 8).

According to its globally accepted definition, internal control is an integral process that is affected by an organization’s management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity’s mission, the general objectives set out are being achieved (INTOSAI GOV 9100, 2004: 6). In this article, the globally accepted definition of internal control that features in international standards is taken as the basis. Explaining certain terms and expressions used in this definition will be consistent with the purpose of the article.

Objectives of Internal Control

The objectives of internal control can be listed as follows (Arcagök - Erüz, 2006: 152):

- executing orderly, ethical, economic, efficient and effective operations;
- fulfilling accountability obligations;
- complying with applicable laws and regulations; and
- safeguarding resources against loss, misuse and damage.

Characteristics of Internal Control

Internal control system should incorporate certain characteristics in order to achieve its objectives. These characteristics are given below:

Internal Control is a Complementary Process

Internal control is not one event or circumstance, but a series of actions that permeate an entity’s activities. These actions occur throughout an entity’s operations on an on-going basis. They are pervasive and inherent in the way management runs the organization. The internal control system is intertwined with an entity’s activities and is most effective when it is built into the entity’s infrastructure and is an integral part of the essence of the organization.

Internal control should be built in rather than built on. By building in internal control, it becomes part of and integrated with the basic management processes of planning, executing

and monitoring (INTOSAI GOV 9100, 2004: 7). Internal control should be organized as a complementary process so that it can play an effective role in the achievement of the organizational mission.

Internal Control System is affected by Management and Other Personnel

The management and other personnel should be involved in internal control, which is defined as a process established by the management to provide reasonable assurance that organizational objectives will be achieved (Hepworth, 2003: 3). The management should be willing to regulate the internal control system in order to achieve its objectives and implementation. Management must employ persons skilled in assessing internal control (Kinney, 2000: 261).

Management and personnel at every level should be involved in the internal control process that addresses risks and provides assurance regarding the achievement of the organization's mission and the general objectives. The management and personnel must be involved in internal control, which is known as rules and regulations on the conduct of activities managers are responsible for, and the actual practice of these rules and regulations (Hepworth, 2002: 1). The reason is that the internal control system is an inseparable part of management and organization.

Internal Control System Requires the Pursuit of the Organization's Mission

Every organization has a specific mission and every organization is primarily concerned with the achievement of its mission. Internal control plays a key role in achieving this mission (Tümer, 2010: 24). Internal control arrangements that are not related to or that do not match with the organization's mission should not be adopted.

Internal Control System Provides Reasonable Assurance to Address Risks

Whatever the mission may be, its achievement will face all kinds of risks. The task of management is to identify and respond to these risks in order to maximize the likelihood of achieving the entity's mission. Internal control can help to address these risks; however it can only provide reasonable assurance about the achievement of the mission and general objectives.

No matter how well designed and operated, internal control cannot provide management absolute assurance regarding the achievement of the general objectives. Instead, it acknowledges that only a "reasonable" level of assurance is attainable. It should be kept in mind that internal control system is operated by individuals. The performance of individuals affects the performance of internal control. Weaknesses of individuals reflect on internal control (INTOSAI GOV 9100, 2004: 8).

Internal Control System Facilitates the Achievement of Objectives

Internal control is geared to the achievement of a separate but interrelated series of general objectives. These general objectives are implemented through numerous specific sub-objectives, functions, processes, and activities. The general objectives are given below (INTOSAI GOV 9100, 2004: 9):

- executing orderly, ethical, economical, efficient and effective operations;
- fulfilling accountability obligations;
- complying with laws and regulations; and
- safeguarding resources against loss, misuse and damage due to waste, abuse, mismanagement, errors, fraud and irregularities.

In order to achieve these general objectives, organizations must establish a sound internal control system covering sub-activities, which is consistent with their internal structure.

Components of Internal Control

Internal control, which is designed to provide reasonable assurance that the organization's general objectives are being achieved, consists of five interrelated components (INTOSAI GOV 9100, 2004: 13). Therefore, clear objectives are a prerequisite for an effective internal control process. A sound relationship should be established between the objectives of the organization and the components of internal control. Components of internal control are as follows:

Control Environment

A complete internal control system is grounded on the control environment. It provides the discipline and structure as well as the climate, which influences the overall quality of internal control. It has overall influences on how strategy and objectives are established, and control activities are structured.

The control environment sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure. The personal and professional integrity and ethical values of management and staff; commitment to competence; management's approach towards internal control; organizational structure and human resource policies are the elements of the control environment (INTOSAI GOV 9100, 2004: 15).

Risk Assessment

Assessing the risks faced in the process of attempting to achieve the organization's

mission and objectives by identifying clear objectives and establishing an efficient control environment is the foundation for the development of the appropriate response to these risks.

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity's objectives and determining the appropriate response. The risk assessment is a process comprised of the following stages: risk identification, risk assessment, assessment of the risk appetite of an organization and development of responses to likely risks.

Risk assessment should be a repetitive process due to the continuously changing circumstances. Risk assessment is the act of modifying internal control to identify and analyse altered conditions, opportunities and risks and to address changing risks (INTOSAI GOV 9100, 2004: 19).

Internal control can provide only reasonable assurance that the objectives of the organization are being achieved. Risk assessment, as a component of internal control, plays a key role in the selection of the appropriate control activities to undertake. It is the process of identifying and analysing relevant risks to the achievement of the entity's objectives and determining the appropriate response. Public institutions have to manage the risks that are likely to have an impact on service delivery and the achievement of desired outcomes (INTOSAI GOV 9100, 2004: 20).

Control Activities

The major strategy for mitigating risk is through internal control activities. Control activities can be preventive and/or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the objectives. The costs of control activities and corrective actions should be proportional to the benefit resulting from them (INTOSAI GOV 9100, 2004: 28).

Control activities are the policies and procedures employed to address risks and to achieve the organizational objectives. Control activities must be appropriate, function consistently according to plan throughout the period, and be cost effective, comprehensive, and reasonable and directly relate to the control objectives.

Control activities occur throughout the organization, at all levels and in all functions. They include a range of detective and preventive control activities. As control activities can vary, it can also cover a set of policies and procedures. (INTOSAI GOV 9100, 2004: 29). Among the examples of control activities are:

- authorization and approval procedures;
- segregation of duties (authorizing, processing, recording, reviewing);
- control over access to resources and records;

- verification;
- reconciliation;
- review of operating performance;
- review of operations, processes and activities; and
- supervision (assigning, reviewing and approving, guidance and training)

Organizations should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities in order to achieve the objectives. Organizations should reach an adequate balance between detective and preventive control activities, whereby often a mix of controls is used to compensate for the particular disadvantages of individual controls.

Once a control activity is implemented, it is essential that assurance about its effectiveness is obtained. Consequently corrective actions are a necessary complement to control activities. Moreover, it must be clear that control activities form only a component of internal control. They should be integrated with the other four components of internal control (INTOSAI GOV 9100, 2004: 30).

Within the framework of control activities, information technology controls are also important. As information technology has advanced, organizations have become increasingly dependent on computerized information systems to carry out their operations and to process, maintain, and report essential information. As a result, the reliability and security of computerized data and of the systems that process, maintain, and report these data are a major concern to both the management and auditors of organizations. Although information systems imply specific types of control activities, information technology is not a standalone control issue. It is an integral part of most control activities (INTOSAI GOV 9100, 2004: 31).

The use of automated systems to process information introduces several risks that need to be considered by the organization. Information systems necessitate specific types of control activities. Information technology controls consist of two broad groupings, general controls and application controls. General and application controls over computer systems are interrelated. While rapid changes in information technology do not change the basic objectives of control, they require that controls be perfected to remain effective (INTOSAI GOV 9100, 2004: 32).

Information and Communication

Effective information and communication is vital for an entity to run and control its operations. Organization management needs access to relevant, complete, reliable, correct and timely communication related to internal as well as external events. Information is needed throughout the entity for it to achieve its objectives.

Information and communication are vital for achieving the general objectives of internal control. Information is needed at all levels of an organization in order to have effective internal control and achieve the organization's objectives. The management's ability to make appropriate decisions is affected by the quality of information, which implies that the information should be appropriate, timely, current, accurate and accessible.

Information is a basis for communication, which must meet the expectations of groups and individuals, enabling them to carry out their responsibilities effectively. One of the most critical communications channels is that between the management and its staff. All personnel should receive clear messages from the executive management that control responsibilities should be taken seriously.

Internal communication should raise awareness about the importance and relevance of effective internal control, communicate the organization's risk appetite and risk tolerances, and make personnel aware of their roles and responsibilities in effecting and supporting the components of internal control. Based on the input from internal and external communications, the management has to take necessary action and perform timely follow up actions. Information and communication are essential to achieve all internal control objectives (INTOSAI GOV 9100, 2004: 36 - 39).

Monitoring

Since internal control is a dynamic process that has to be adapted continuously to the risks and changes an organization faces, monitoring of the internal control system is necessary to help ensure that internal control remains tuned to the changed objectives, environment, resources and risks (INTOSAI GOV 9100, 2004: 40).

Internal control systems should be monitored to assess the quality of the system's performance over time. Monitoring is accomplished through routine activities, separate evaluations or a combination of both.

Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems.

The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of on-going monitoring procedures. Specific separate evaluations cover the evaluation of the effectiveness of the internal control system and ensure that internal control achieves the desired results based on predefined methods and procedures.

Monitoring should ensure that audit findings and recommendations are adequately and promptly resolved. Internal control deficiencies should be reported to the appropriate levels of management.

Monitoring internal control should include policies and procedures aimed at ensuring the findings of audits and other reviews are adequately and promptly resolved. The resolution process begins when the audit or other review results are reported to the management, and is completed after necessary measures are taken (INTOSAI GOV 9100, 2004: 42).

The components of internal control define a recommended approach for internal control in the government and provide a basis against which internal control can be evaluated. These components apply to all aspects of an organization's operation. When implementing the components of internal control, the management is responsible for developing the detailed policies, procedures and practices to fit their organization's operations and to ensure that they are built into and are an integral part of those operations (INTOSAI GOV 9100, 2004: 12-13).

Roles and Responsibilities in the Internal Control Process

Everyone in an organization has certain responsibility for internal control. All members of an organization are involved in internal control with their own specific responsibilities. All personnel in the organization play an important role in making internal control work. All managers and employees involved in an activity of the organization have a common role and responsibility (Aksoy, 2008: 9). Managers and employees, who have a good understanding of internal control and are willing to take responsibility, are vital to effective internal control. The parties that have a role in the internal control process are as follows:

Managers

Managers are directly responsible for all activities of an organization, including designing, implementing, supervising proper functioning of, maintaining and documenting the internal control system. Their responsibilities vary depending on their function in the organisation and the organisation's characteristics. (INTOSAI GOV 9100, 2004: 43). High internal control awareness of top executives with primary responsibility for all activities of an organization will ensure sound functioning of internal control system. Executive managers' guidance, coordination and supervision will also assure the appropriate functioning of the internal control system. The top manager's approach and attitude towards internal control system is of vital importance.

Internal Auditors

Internal auditors examine and contribute to the continuing effectiveness of the internal control system through their evaluations and recommendations and therefore play a significant role in effective internal control. However, they do not have the management's primary responsibility for designing, implementing, maintaining and documenting internal control.

The management often establishes an internal audit unit as part of the internal control system and uses it to help monitor the effectiveness of internal control. Internal auditors regularly provide information about the functioning of internal control in evaluating the design and operation of internal control. They provide information on the strengths and weaknesses of internal control and make recommendations for its development. Although internal auditors can be a valuable educational and advisory resource on internal control, internal auditor should not be a substitute for a strong internal control system. Monitoring should ensure that internal audit findings and recommendations are adequately and promptly resolved (INTOSAI GOV 9100, 2004: 44).

Other Personnel

Internal control is an explicit or implicit part of everyone's duties. All staff members play a role in effecting control and are responsible for reporting problems of operations, non-compliance with the code of conduct, or violations of policy (INTOSAI GOV 9100, 2004: 45). Since internal control is built in the management process, it concerns everyone in the organization.

External Parties

External parties also play an important role in internal audit process. These groups may contribute to achieving the organization's objectives, or may provide information useful to effect internal control. However, they are not responsible for the design, implementation, proper functioning, maintenance or documentation of the organization's internal control system. (INTOSAI GOV 9100, 2004: 46).

Supreme Audit Institutions (SAIs)

SAIs encourage and support the establishment of effective internal control in the public sector. INTOSAI issued Guidelines for Internal Control Standards in 1992. In 2004, it published the revised version of the guidelines. The publication of the Guidelines for Internal Control Standards aims at the development and adoption of a common understanding of internal control among SAIs.

The assessment of internal control is essential to SAIs' compliance, financial and performance audits. SAIs report their findings and recommendations to the interested stakeholders. Internal control should ensure within the framework of its monitoring function that the findings and recommendations of SAIs are adequately and promptly resolved (Turkish Court of Accounts (TCA), 1997b: 20-21). SAIs auditors' assessment of internal control implies:

- determining the significance and the sensitivity of the risk for which controls are being assessed;

- assessing the susceptibility to misuse of resources, failure to attain objectives regarding ethics, economy, efficiency and effectiveness, or failure to fulfil accountability obligations, and non-compliance with laws and regulations;
- identifying and understanding the relevant controls;
- determining what is already known about control effectiveness;
- assessing the adequacy of the control design;
- determining, through testing, if controls are effective; and
- reporting on the internal control assessments and discussing the necessary corrective actions (INTOSAI GOV 9100, 2004: 46-47). SAs should focus on the development of high quality and effective internal control systems in the institutions audited (TCA, 2000; 28).

SAs' audit over internal control systems and their reports prepared after audits are helpful. SAs should include the audit of internal control systems within their realm of audit. In addition, institutions should attach importance to the SAs' findings on their internal control system and take action as necessary.

Legislators and Regulators

Legislators and regulators prescribe the policies and give directives related to internal control. They promote internal control to be widely understood. (INTOSAI GOV 9100, 2004: 47).

Important Aspects of Internal Control

Internal control is essential: The purpose of implementing internal control processes is to help people manage risk and, in doing so, achieve the objectives of the enterprise. Every well-governed organization has internal control. No organization can achieve its mission without some form of internal controls (ECIIA, 2005: 21).

The internal control system covers all activities of the organization: The number, nature and style of internal controls will differ with the type of organization and the risks it faces. The internal control framework covers all activities of the organization – operational, technical, commercial, financial and administrative. It is particularly important to recognize that internal controls are not limited to accounting controls or controls concerning financial reporting (ECIIA, 2005: 22).

In the internal control system, there is a very intense relationship between objectives and the components of internal control: There is a direct relationship between the general objectives, which represent what an entity strives to achieve, and the internal control components, which represent what is needed to achieve the general objectives (Tümer, 2010: 29).

There are limitations on internal control effectiveness: Internal control by itself cannot ensure the achievement of general objectives. An effective internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to the management about the achievement of an entity's objectives. It can give the management information about the entity's progress, or lack of it, toward achieving the objectives. However, internal control cannot change an inherently poor management into a good one. Shifts in government policy or programs, demographic or economic conditions are typically beyond management's control and may require managers to re-design controls or adjust the level of acceptable risk.

Organizational changes and management attitude can have a profound impact on the effectiveness of internal control and the personnel operating the system. Thus, management needs to continually review and update controls, communicate changes to personnel, and set an example by adhering to those controls (INTOSAI GOV 9100, 2004: 11).

Internal control provides assurance to management: As part of the measures to improve governance, the management is increasingly being required to demonstrate that it is fulfilling its responsibilities in relation to the system of internal control. Therefore, not only do they need to have effective controls and to be assuring themselves that they have them, they also need to be able to demonstrate these facts to third parties, the governing board, external auditors and even to the general public (ECIIA, 2005: 22).

The executive management should be sensitive to the internal control system: The executive management is responsible for establishing the framework of internal controls as part of its risk management, and for keeping it up to date as risks change. The management should also operate the controls and, most importantly, should arrange to assure itself that the controls are working effectively by undertaking regular review activities and receiving periodic reports from their own departments. This assurance activity is an essential part of a good control framework, but it is sometimes overlooked by management (ECIIA, 2005: 22).

Internal control is the function of management. The attitude established by management, organizational structure, review and update of the system, serving as a model in complying with the control affect internal control system (Bozkurt, 2010: 133).

Internal audit is essential for sound operation of internal control system: Internal audit activity will supplement management's actions by providing objective assurance that internal control processes are operating as required to manage risks to an acceptable level. It will also be able to support management by providing consulting services, facilitating management's efforts to improve the system of internal control and giving advice on the implications of organizational changes to that system (ECIIA, 2005: 22).

It is evident that internal audit adds value to those charged with governance by providing assurance and consulting services. With regard to assurance, internal audit activity will complement and support management assurance by providing objective assurance on

the effectiveness of the processes for achieving good governance, risk management and internal control. With regard to consulting services, as part of its work, internal audit gives recommendations on and enables the developments in this area and provides consulting services (ECIIA, 2005: 25).

THE REFLECTION OF TODAY'S GLOBAL UNDERSTANDING OF INTERNAL CONTROL ON TURKEY AND THE EVALUATION OF INTERNAL CONTROL PRACTICE IN TURKEY

This section investigates to what extent today's global understanding and standards of internal control reflect on the public administration in Turkey. Furthermore, the operation and practice of internal control in Turkish public administration is evaluated. Internal control structuring in Turkish Public Administration can be described only by examining Public Financial Management and Control Law No. 5018 and the internal control-related provisions of other legislative regulations.

Turkish public administration has adopted globally accepted internal control standards: In Turkey, the internal control system of Turkish public administration is governed by Public Financial Management and Control Law No. 5018. The Law entrusts the duty of central harmonization in the internal control system in public financial management to the Ministry of Finance. The Ministry of Finance is authorized to take necessary measures concerning internal control throughout the country. Moreover, along with the internal control system, an Ex-Ante Financial Control and Internal Audit system has been established (Akyel - Söyler, 2010: 1011).

When the law governing the internal control process and secondary and tertiary regulatory texts are examined, it is understood that an internal control process, which is entirely consistent with today's global approach to internal control has been established. It is seen that legal arrangements such as the By-Law on Principles and Procedures for Internal Control and Ex-Ante Financial Control, the Communiqué on Public Internal Control Standards, and Public Internal Control Manual are in consistency with the internationally accepted legal texts such as the INTOSAI Guidelines for Public Sector Internal Control Standards.

Due to the importance of internal controls in public financial management as required by the nature of the task, establishing a system in line with international standards is a positive situation. It is helpful to make use of the common knowledge and experiences of countries. In financial management, determining whether public resources are acquired, maintained and allocated at reasonable costs and whether they are used in an effective, economic and efficient way in line with the purpose permitted, which are the purposes of internal control, is important (TCA, 1997a: 1).

The internal control system in Turkish public administration should be inclusive:

According to the internationally accepted understanding of internal control, the internal control system should cover all activities of the organization. The number, nature and style of internal controls should differ with the type of organization and the risks it faces. The internal control framework should cover all activities of the organization – operational, technical, commercial, financial and administrative. Internal controls should not be limited to accounting controls or controls concerning financial reporting (ECIIA, 2005: 22).

In Turkey, works are in the pipeline on the systematic general regulations for fields of activity (operational, technical, administrative, etc.) other than public financial management. Existing legal arrangements on this feature are included only in the special organizational laws of the ministries and institutions. The present lack of a systematic general regulation on internal control in fields except public financial management should be considered a deficiency.

It can be asserted that from past to present, Turkish public administration has had a traditional and powerful centralized internal control structure. However, it is also a fact that the Turkish public administration could not be furnished with new systems and mechanisms in line with the changing understanding of internal control in the world. Despite a number of revisions and works, efforts towards establishing an internal control system in public institutions are far from being adequate (SGB, 2007: 7-8).

The Structuring of the Internal Control System in Turkish Public Financial Management

Public Financial Management and Control Law regulates the structure and functioning of public financial management, accounting and reporting of all financial transactions, and financial control (The Official Gazette, 2003, No. 25326). According to the Law, the Ministry of Finance is authorized to determine and monitor public finance principles and procedures. The relevant provisions of Public Financial Management and Control Law No. 5018 are given below (basbakanlik.gov.tr/ 2010):

Financial control: According to the Law, financial control refers to the control system, institutional structure, method and processes, which are established to ensure the effective, economic and efficient utilization of public resources in line with the determined objectives and the rules established by the relevant legislation.

The responsibility of top managers: According to the Law, top managers are responsible for observing and monitoring the functioning of financial management and control system and accomplishing the duties and responsibilities defined in this Law. Top managers fulfil the requirements of this responsibility through authorizing officers, financial services units and internal auditors (Koçdemir, 2007: 9).

Internal control: According to the Law, internal control refers to the whole of financial controls and other controls comprising organizational, methodology, procedural and internal audit established by the administration in order to ensure 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, accounting records are held correctly and completely, financial information and management information are produced in time and securely.

The standards and procedures related to the financial management and internal control processes shall be defined, developed and guided by the Ministry of Finance and those related to the internal audit by the Internal Audit Coordination Board, within the framework of their duties and authorizations (Koçdemir, 2007: 43).

The objectives of internal control: According to the Law, the objectives of internal control are (IDKK, 2010a; 29):

- To manage public revenues, expenditures, assets and liabilities in an effective, economic and efficient way,
- To ensure that the public administration operates in accordance with the laws and other legislation,
- To prevent irregularities and frauds in all kinds of financial decisions and transactions,
- To ensure regular, timely and reliable reporting and information acquisition for decision-making and monitoring,
- To prevent the misuse and waste of assets and to protect against losses.

Structure and Functioning of Control: Under the Law, Financial management and control systems of the public administration 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 top managers and other administrators of the relevant administrations by considering duties, powers and responsibilities, to establish high professional values and an honest administration concept; to grant financial authorities and responsibilities to well-informed and qualified administrators and staff; to ensure compliance of the established standards; to avoid activities contrary to the law; and to ensure a comprehensive management approach and a suitable working environment as well as transparency (Tosun - Cebeci, 2006: 132).

Ex-ante financial control: According to the Law, 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 preparation of financial decisions and transactions, undertaking commitment, realization of works and transactions and their documentation.

Services to be provided by the Ministry of Finance: In accordance with the Law, in cases where there is a complete breakdown of the financial management and control system or

there are indications of major corruption or a public loss, upon the request of the concerned minister or upon the direct approval of the Prime Minister; the Minister of Finance may have authorized audit staff to inspect the entire financial management and control systems, financial decisions and transactions of the public administrations as to their compliance with the legislation. A copy of the reports to be issued at the end of such inspections shall be sent to the Internal Audit Coordination Board and another copy to the concerned Minister in order to take the required actions.

Responsibility of public administration: In accordance with the Law, public administrations regularly keep all kinds of records, information and documents related to the financial decisions and transactions.

The public administration and their officials are obliged to submit the information and documents on the preparation, implementation, finalization, accounting, and reporting of the budget and on the financial management and control systems to the officials authorized to perform audits; and take the necessary measures and provide any assistance and help to ensure duly performance of this duty.

One of the main recognitions of the Public Financial Management and Control Law is granting initiative to the spending authorities within the scope of responsibility in financial management and control. In this context, public administration holding and implementing its own budget have considerable weight in controls and audits. In this sense, control mechanisms other than the relevant institutions were eliminated and special importance has been attached to internal control and the internal audit, one component of internal control. Public administrations are empowered to establish, operate and assess their own internal control system within the framework of their accountability (Cloak, 2008: 265).

Central Harmonization Units: The Central Harmonization Unit for Internal Control and the Central Harmonization Unit for Internal Audit have been established. The establishment of a central unit in order to ensure adaptation to internal control standards and to monitor implementation is the assurance of the system (Örenay, 2010: 139-140).

The control system, which existed before the Public Financial Management and Control Law No. 5018, which has established internal control in public financial administration in Turkey, was based on the French model. The control activities were mainly devoted to pre-spending and spending. The internal control system, as such, mostly focused on inputs rather than processes, outputs and outcomes. Attention concentrated on audit; internal control was overshadowed (Demir, 2006: 287).

Operation and Activities of the Internal Control System in the Turkish Public Financial Management

With the Communiqué on Public Internal Control Standards, 18 standards and 79 general requirements for these standards were determined in order to ensure the establishment,

monitoring and evaluation of internal control systems in all public administrations (The Official Gazette, 2007, No. 26738). Public Internal Control Standards were set based on the control environment, risk assessment, control activities, information and communication and monitoring components of internal control within the context of international standards and good practice examples (IDKK, 2009: 69).

The works that have to be done by public institutions required by the Communiqué on Public Internal Control Standards have not yet been completed. Therefore, while internal auditors were conducting internal audit in public institutions, they could not perform audit and consultancy activities in an effective manner. Data gathering or assessment related to the internal control systems of public institutions were inadequate in the systematics stipulated by the Communiqué on Public Internal Control Standards.

Nevertheless, internal auditors, during their audit in institutions, were able to obtain enough findings to provide some recommendations and suggestions on internal control systems. The said recommendations and suggestions are provided in the Annual Report of the Internal Audit Coordination Board. Evaluations for the 2009 practices are given below (IDKK, 2010: 73-76).

Defined Risks

Pursuant to Standard No. 6 titled "Determination and assessment of risks" set forth in the Communiqué on Public Internal Control Standards, the administrations must define and assess the internal and external risks that could prevent the achievement of goals and objectives by performing a systematic analysis, and determine the measures to be taken.

With the adoption of the said standard in public institutions, the institutions will have accomplished their works on risk determination and assessment in a systematic manner. However, since Public Internal Control Standards have not yet been properly put into practice in public institutions, analyses, measures and planning have not been launched yet.

Although institutions have numerous work processes and accordingly, a wide variety of control products within the scope of their organizational structure, duties, powers and responsibilities defined in the legislation; the failure in updating components such as the control environment, risk assessment and control activities for the purpose of establishing internal control system in line with the standards due to the non-completion of the works on tailoring the existing structures to Public Internal Control Standards literally appears as a structural risk by itself for all public institutions (IDKK, 2010: 73).

According to the reports of internal auditors for 2009, the likely structural risks to the achievement of institutional goals and objectives that may pose an obstacle to conducting institutional operations in an orderly, ethical, economic, efficient and effective manner are given below (IDKK, 2010: 73-76):

- Prescription of claims due to the failure in accruing revenues in the required manner and amount;
- Failure in preparing up-to-date, comprehensive and legislation-compliant written procedures and regulations related to certain activities performed in management units;
- Lack of effective follow-up and control system for activities performed,
- Deficiencies in recording and reporting information needed in the process of monitoring and assessing the activities as well as in the decision-making and policy formation process;
- Inadequate in-service training of personnel;
- Bureaucratic slowness and poor performance assessment systems;
- Inadequate budget;
- Inefficient and ineffective use of technological tools and devices; inefficient data centre security; lack of data processing, technical equipment and maintenance teams in the departments; inadequacy of central support units;
- The need for restoration or revision in the network structure of information technology used in units subject to audit, user terminal units, authorization levels, training requirements for use, database security and software/hardware; and
- The low ratio of personnel to the volume of transactions.

Effectiveness and Adequacy of Internal Control Activities

It was reported in the majority of the 2009 internal audit evaluations on the existing internal control systems' level of risk coverage that the existing internal controls were included in the system mainly within the framework of the relevant legislations and activities performed and that their effectiveness was highly inadequate. Evaluations contained a number of recommendations on matters that were deemed inadequate. Internal auditors provided suggestions on the appropriate internal control for efficient risk management and for increased effectiveness in the existing internal control systems. Some observations related to the effectiveness of the existing internal control systems are as follows (IDKK, 2010: 75):

- Lack of internal control systems, other than the controls on works and operations and ex-ante financial control performed in the strategy unit within the administrative hierarchy, that cover all the administrative structure and whose principles are pre-determined.
- The existing controls have not been established in a systematic and orderly manner by units or processes.
- Some of the control measures are not in written form; they are based on established practice.

- Lack of process analyses on works and operations and the absence of process flow charts.
- Deficiencies and weaknesses in job definitions of staff and the distribution of power and responsibility.

It is understood that the effectiveness of the existing internal control activities in Turkish public administration is not adequate. Several reasons can be assumed for this. One of the basic reasons is the failure of top managers and the relevant staff to comprehend the importance of the internal control system. Another reason is that internal control systems do not cover all activities of institutions.

New Risk Areas and Their Likely Impacts

Institutional risks could not be identified in a sound manner, since public institutions have not yet tailored their risk management processes to the standards. Therefore, the risks presented in the risk-based audit plans prepared by internal auditors for 2009 refer to new risk areas. New risk areas will be established at the end of the risk determination works to be carried out by internal auditors within the framework of the proactive works of risk management and the functional independence of the internal audit following the accomplishment of the risk determination process by risk management (IDKK, 2010: 76).

Opinions and Recommendations on the Effectiveness of the Current Internal Controls

The opinions and recommendations of internal auditors about the effectiveness of the current controls performed by public administration against the risks they are faced with and identified by them are given below (IDKK, 2010: 76):

- Institutions should primarily determine service standards in order to define risks and controls.
- In order to establish an efficient internal control system, rather than identifying the risks through the existing controls, first of all, the risks should be determined and then, either the control activities should be re-established or the existing controls should be revised in view of the risks identified.
- In institutions, the effectiveness and security of automation systems should be ensured in order to enhance the effectiveness of the internal control system.
- Every department should prepare process flow charts and should map out an action plan for determining duties, powers and responsibilities.
- Training activities and workshops should be held for employees' better perception of the concepts of risk and control.

It will be helpful to take three more comprehensive and important measures in order to improve the effectiveness of existing internal control practices and activities in Turkish public administration. Firstly, training and raising the awareness of the relevant personnel, chiefly top managers, about the importance of the internal control system should be given weight. Secondly, the Turkish SAI, namely the TCA, which is an important assurance mechanism in building, operating and developing internal control system in public administrations, should focus on evaluating the efficiency and effectiveness of internal control system in its audits and play a guiding role in improving internal control. Thirdly, the internal control system to be established should be comprehensive so as to cover all activities of institutions.

Current Status of Internal Audit in Developing the Internal Control System

Internal audit, determined as a component of internal control, is an independent and objective act of providing assurance and consultation, which aims at improving the activities of an organization and adding value to them. Internal audit comprises five basic fields of activity: compliance audit, financial audit, information technology audit, performance audit and system audit (Söyler, 2007: 106). It is stated in Performance Standards of International Standards for Internal Auditing that the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement (Gürkan, 2010: 170).

The importance of the internal audit for the sound functioning of the internal control system cannot be denied. The existence of a sound and robust internal control system depends on a sound and robust internal audit system. However, the internal audit system in Turkish public financial management is far from where it should be. Besides, it has not yet taken part in fields of activity other than public financial management. At present, internal auditing departments of public institutions are not able to assess their internal control systems adequately (Gürkan, 2010: 175). The role of internal audit institutions in internal control system is not fully understood. For the development of the internal control system in Turkish public administration, internal audit should be institutionalized in consistency with functional independence, and internal auditors should be able to perform audit and consultancy activities in an effective manner. Importance should be attached to the internal audit's findings on internal control.

The Issue of Inspection Boards Should be Resolved

The current situation of boards of inspection that have long existed in Turkish public administration is highly problematic. Especially after the enforcement of Public Financial Management and Control Law No. 5018, the Ministries and their inspection boards have become engulfed in ambiguity. Boards of inspection should be provided with a compatible

and coordinated field of activity between the internal control and internal audit systems in terms of power and responsibility.

Although the Public Financial Management and Control Law contains regulations on internal audit activity, there is no provision related to inspection boards and other audit units. As the necessary amendments have not yet been made to the laws concerning the organization and duties of ministries, organizational laws of public institutions and other special laws, the duties and functions of inspection and audit bodies of public institutions still continue (Gürkan, 12010: 193). The incompatibility between inspection bodies and internal audit bodies of institutions should be promptly resolved.

As included among the main policies and priorities to be implemented in the field of internal audit, which was regulated in the Public Internal Audit General Report for 2014, works should be continued for making legal arrangements in order to be able to end the conflict of authority, duty and responsibility that occurs between internal audit and inspection units in public administrations. (IDKK 2014:32)

CONCLUSION

The fact that the internal control system plays a key role in the achievement of the institutional mission is globally accepted. Independent countries have been engaged in cooperation on an international platform; they have shared their knowledge and experiences and have established unity of meaning and standards. INTOSAI Guidelines for International Control Standards for the Public Sector is the concrete example of today's global recognition of internal control.

It is understood that Turkish public administration has adopted the globally accepted internal control standards. In Turkey, Public Financial Management and Control Law No. 5018 establishes the internal control system in public financial management. The analysis of the law governing the internal control process in public financial management and secondary and tertiary regulatory texts indicates that an internal control process entirely compliant with today's global understanding has been formulated. Legal arrangements such as the By-Law on Principles and Procedures for Internal Control and Ex-Ante Financial Control, the Communiqué on Public Internal Control Standards, and Public Internal Control Manual are in consistency with the internationally accepted legal texts such as the INTOSAI Guidelines for Public Sector Internal Control Standards.

Nevertheless, Turkish public administration has some problems with the operation of internal control. Some of these problems are structural, while some are practice-related problems.

Although there is global acceptance that the internal control system should cover all fields of activity of management, in Turkey, the operation of internal control has been regulated in public financial management in general terms. In public financial management,

the Ministry of Finance is authorized to ensure central harmonization in the operation of internal control. Currently, there is no general regulation governing the operation of internal control in other activity fields of public administration. The operation of internal control in Turkish public administration should be regulated so as to cover all fields of activity.

Internal audit and supreme audit have a key role in the sound and effective operation of the internal control system. Mutually positive and constructive relations between supreme audit and internal audit will contribute both to the supreme audit and internal audit and to the audit system as a whole. In this context, the cooperation and coordination among internal control, internal audit and supreme audit should be increased in Turkey.

Ministries and institutions should, without delay, establish their internal control systems to cover all activities along with financial activities. Ministries and institutions should render their internal audit systems effective in cooperation with the Internal Audit Coordination Board.

Within the framework of global developments and the renewed Turkish legislation, the TCA embraces the awareness and efforts to contribute to Turkish public administration as expected by auditing and assessing the internal control and internal audit systems.

The quality and effectiveness of internal control and internal audit will always be the subject of debate, unless an inclusive and effective external audit system is established. In this context, the Turkish SAI, namely the TCA, which has a significant role in acquiring and using public resources in an effective, economic, efficient and legal manner and ensuring accountability and fiscal transparency, performs its audits by detecting whether the accounts and transactions of public administrations pertaining to revenues, expenditures and assets are in compliance with laws and regulations, giving opinion on the reliability and accuracy of financial statements, and evaluating the financial management and internal control systems. During the audits, internal control systems where financial transactions, events and activities of the institution occur are evaluated to see if they operate effectively and efficiently, and this evaluation enables a system-based audit that prevents the errors before they occur by detecting the problems in the financial management and control systems of the institution instead of an audit focused on the outcomes of errors.

Within the scope of external audit performed by the TCA, the evaluation of the internal control system, the reporting made based on this evaluation and the resulting suggestions contribute towards improving the internal control system, which is the main element of public financial management, and making internal audit operational. While evaluating the internal control system, internal controls that ensure the security and reliability of the information systems utilized by institutions in their financial transactions and management processes are also evaluated, and reasonable assurance is obtained on whether the information generated by these information systems can be trusted.

The status of the Inspection Boards, which have long existed in Turkey, should be reviewed. The Inspection Boards should be rendered compatible with internal control and

internal audit in terms of power and responsibility; they should be rendered effective with a new vision.

Management and personnel at every level should be involved in the internal control process that addresses risks and provides assurance about the achievement of the organization's mission and general objectives. However, the understanding that only certain people should be responsible for internal control prevails. There are concerns whether top administrators of Turkish public administration and staff members have full awareness of internal control and its importance and whether they behave accordingly. It is necessary to try to improve the awareness of top administrators and staff members in terms of internal control.

The attitude of the top management in terms of internal control is important. It should always adopt a supportive approach towards the realization of internal control, and show leadership and ownership. Its attitude reflects on every aspect of any measure taken by management. If the management believes in the importance of internal control, other employees perceive it and, they endeavour to comply with the established controls.

Internal control is perceived either as a supplement to the activities of an organization or a mandatory burden. However, this is not the fact. The internal control, rather than being established as a supplement to activities, should be built into these activities as an inseparable part. If internal control is embedded in the structure of the organization, it becomes part of the basic management processes such as planning, implementation and monitoring and becomes complementary to these processes.

Internal control is perceived as a short-term, occasional act of supervision. However, the truth is different. Internal control is a continuous and regular management process, which everyone is involved in.

It is a must that the internal control system is comprehended well in institutions, it should be understood that the internal control system does not refer to document examination, but any kind of measures taken to ensure the achievement of organizational goals and objectives in internal control. In addition, it should be comprehended that internal control is neither an activity, nor an aggregation of activities, but a process, in which everyone takes part at different levels.

Turkish public administration should show the determination to adopt a globally accepted internal control system that complies with today's internal control standards and covers all activities.

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Tone at the Top in SAIs to Achieve Quality in Audits and the Experience of the Turkish Court of Accounts*

Abstract

The need for effective functioning of SAIs in the face of increasing tasks and responsibilities given to them for providing good governance in public sector has necessitated SAIs to work in a transparent and accountable way. SAIs need to gain their stakeholders' confidence in order to be accountable for their activities. That is why conducting sound and quality audits and producing quality audit reports are crucial for SAIs, if they want to be accountable for their activities and gain their stakeholders' confidence. The means to achieve this goal, on the other hand, are directly related with the tone that the management of an SAI sets. This article deals with the content of the terms of stakeholders' confidence, accountability, audit management integrity and tone at the top in the context of SAIs. In addition, the article handles the concept of 'tone at the top' so as to ensure quality audit, and gives insight about the experience of the Turkish Court of Accounts in this context.

Keywords: Good governance, stakeholders' confidence, audit management integrity, audit quality, tone at the top.

Introduction

Transparency and accountability are the two main principles of good governance in public sector, and the main responsibility of Supreme Audit Institutions (SAIs) is to contribute to the transparency and accountability of the management of public funds. To fulfil this responsibility, an SAI should carry out quality audits and produce quality audit reports. This is the only way SAIs can gain and sustain credibility and confidence. As clearly determined in Tbilisi Statement adopted in The European Organization of Supreme Audit Institutions (EUROSAI)- The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) 7th Congress, "In order for SAIs to contribute to greater accountability of public institutions, it is essential to ensure their independence and the high quality of their work, increasing the confidence of their stakeholders." Thus, the main and paramount issue for SAIs is to maintain high-level quality in their audit activities and maintain this level so that they can both lead by example and justify their *raison d'être*.

International organisations such as International Organization of Supreme Audit Institutions (INTOSAI), EUROSAI, Asian Organization of Supreme Audit Institutions (ASOSAI)

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and many international and regional working groups have handled this issue of audit quality until now and it is clear that this topic will continue to be discussed in the future due to its importance. As external audit bodies of each country, SAIs need to adhere to quality standards and at the same time, auditors should hold the banner of objectivity, independence, professional scepticism and accountability to the public by performing quality audit work (IFAC, 2007: 5).

It is worth discussing how an SAI and especially head of an SAI can ensure quality work. What are the means to achieve this goal? When it comes to this question, the answer lies beneath the concept of 'tone at the top'. As stated in a EUROSAI Report, quality within any organisation is not achieved spontaneously; but requires a specific approach led by management (EUROSAI Working Group Report, 2010: 33). Management should be aware of the importance of and be committed to achieving the highest quality standards. There are certain means of achieving the highest quality standards which management can apply.

In this article, the conceptual terms will be explained very briefly first and then the means with which quality in SAIs' works can be ensured will be handled. Finally, the Turkish Court of Accounts' (TCA) experience in this specific field will be mentioned.

The Meanings of Stakeholders' Confidence, Audit Management Integrity, Accountability and Tone at the Top for an SAI

SAIs have so many stakeholders: auditees, citizens, civil society organizations and obviously the Parliament as the principal stakeholder. Therefore, stakeholders' confidence for an SAI means the trust of the Parliament and public in general to the outputs of SAI. It is important that SAIs' work remains relevant, credible and useful to its stakeholders, especially to the Parliament (EUROSAI, 2010: 31).

Audit management integrity is another term that needs to be clarified considering its importance in terms of enhancing the confidence of stakeholders. Citizens would like to learn about how public funds are being spent by public institutions and how the institutions are performing. An SAI works as a mediator in this context, auditing the institutions and reporting about their accounts and transactions to the Parliament and citizens. Audit management integrity means conducting these audits with competent and independent staff, who adopt a well-established code of conduct and execute the audits in accordance with laws and professional standards. So there are some conditions to meet to ensure audit management integrity: The auditors should be qualified, the code of conduct to be adopted should be clear, the audit procedures should be open and well-defined, the management of the SAI should make sure the monitoring process for assessing the audits and audit reports is in place. Audit management integrity term embraces many elements, which are all related with and leading to audit quality.

Accountability is a familiar term for SAIs, but mainly referred in relation to auditees. For completing the accountability loop, the SAI should also be accountable to somebody. Accountability of the SAI does not compromise the principle of independence of the SAI. Rather, the two concepts are complementary. As stated by Khan: "Accountability of the SAI reinforces its independence by giving legitimacy to its actions" (Khan, 2007: 11). In context of accountability for SAIs, their work processes, activities and products should be transparent and they should communicate openly with their stakeholders.

Tone at the top' is about the leadership responsibilities for ensuring the quality of the products or services institution provides. The term is defined by IFAC as follows:

"The standard set by the organization's leadership whereby performance is measured; the culture within which the members of the organization operate; the tone set by senior management; irrespective of management's documented strategy and policies, it is the force that drives individual professionals; the 'unseen hand' that direct activities regardless of management's proximity to the action; and a commitment to the quality of care clients receive" (IFAC, 2007: 8).

Tone at the top is seen by some as a part of and by others as equal to the internal control environment. According to one approach, the elements of tone at the top are grouped into four, which are: management, communication, culture and structure (Bruinsma, Wemmenhove, 2009: 3).

When considered in the context of SAIs, the term specifically refers to SAIs' managers' responsibilities to provide accountability by ensuring quality through well-established internal control structure.

As can be seen clearly, all of the terms that are explained are co-related with each other. Actually, it is not possible to think of or handle one without mentioning the other. Therefore, the critical issue is the practical aspect rather than the theory. In other words, it leads to the questions of how an SAI will ensure stakeholders confidence and how will the head of an SAI set the 'tone at the top' to ensure quality audits?

Means to Quality Audit

Performing quality audit is a vital issue for SAIs, because it is how SAIs meet accountability principle requirements and ensure stakeholder confidence. Thus, achieving quality audits should be the highest aim of SAIs. In order to realize this aim, heads of SAIs should set the right tone at the top. As stated in IFAC Transnational Auditors Committee Report, culture within a firm, in our case an SAI, is a key driver of audit quality, because it has the ability to create an environment where achieving quality in every aspect of the audit process is valued, invested in and rewarded. However, achieving high quality is more compelling for SAIs than other institutions because of the nature of their work: judging the actions of others (EUROSAI, 2010: 7). That's why maintaining a certain level of quality becomes more and

more important for SAIs. The reputation of SAIs is based on the quality of their output. However, quality cannot be achieved spontaneously or randomly. As already stated, this is the responsibility of the head of SAI to make sure that audits and audit reports are of high quality. As stated in EUROSAI report, “quality is needed in both the professional work of SAI and its administration” and management of the SAI would be responsible for realization of this aim (EUROSAI, 2010: 8).

There are certain means and criteria of achieving good quality audit. So, what to do to set the right tone at the top?

First of all, leadership should set strategy, acknowledge and communicate to all staff the importance of meeting ethical standards and quality. Management’s commitment to quality should be communicated both internally and externally. In addition, management should set the objective of quality management system and define roles and responsibilities. Secondly, management should make sure that international standards on quality control are adopted in the SAI and establish an appropriate system to comply with them. Thirdly, management should make sure that competent and qualified staff is recruited, and they adhere to ethical and legal requirements. Finally, management should regularly review and evaluate the implementation of the quality management system. Therefore, it is obvious that management of an SAI should establish a quality control system and make sure of its well-functioning. Then, what is a system of quality control? The elements of a system of quality control are:

- Leadership responsibilities for quality within the firm,
- Relevant ethical requirements,
- Acceptance and continuance of client relationships and specific engagements,
- Human resources,
- Engagement performance, and
- Monitoring (INTOSAI, 2010c: 4).

The first condition ‘leadership responsibilities for quality within the firm’ is about the tone at the top. The other elements of quality control system may seem not directly related with tone at the top but when considered that head of the SAI is responsible for all the activities of the institution, the other elements may also be regarded as linked with the management and thus, tone at the top. As indicated in Tbilisi Statement (7th EUROSAI-OLACEFS Congress, 2012); sound strategies, internal and external communication, ethical requirements, quality control mechanisms and monitoring are key elements for SAIs to attain a “tone at the top” operation. Such perspective can be illustrated with the diagram shown below.



Graphic 1: Audit Quality

Head of the SAI should explicitly state his/her will on audit quality and have a strategy for providing it. This is the first step for setting a right tone at the top. This strategy should include the objectives and the tools and activities that are going to be realized to achieve the objectives. Moreover, the risks to achieving the objectives, thus audit quality, should be determined. These risks need to be assessed and actions to mitigate them should be taken. This is how the Head of the SAI should deal with the strategy for managing good quality.

After having the strategy, it is all about implementing it; but for successful implementation, the Head of the SAI should make sure that the necessary systems are in place and well-functioning. The main system mentioned here is the quality control system, which is indeed composed of many sub-systems and elements. The Head of the SAI is the one responsible for overseeing that a system is developed and personnel acts in accordance with the requirements of this system. The quality control system is directly related with internal control, or management control, which helps to provide reasonable assurance that the organization:

- adheres to laws, regulations, and management directives;
- promotes orderly, economical, efficient, and effective operations and achieves planned outcomes;
- safeguards resources against fraud, waste, abuse and mismanagement;
- provides quality products and services consistent with the organization's mission and develops and maintains reliable financial and management information and fairly discloses that data through timely reporting (INTOSAI Guidance for Good Governance: 1).

Another crucial element of tone at the top is communication. Communication should be handled with its two dimensions; firstly, communication as from top to down internally and secondly, communication of SAIs with their external stakeholders. Communication within the SAI from top to down requires the management to deliver their messages explicitly and clearly to ensure a standardized implementation amongst auditors. In addition, messages about quality should stand out above all other messages. In order to realize this, management should inform all personnel about the strategy for quality audit and the tools that are going to be adopted to achieve the strategy. In this way, management or the Head of the SAI can make sure that each employee is aware of the requirements they need to meet in terms of ensuring quality audit (IFAC, 2007: 15). The second dimension of communication is about the external stakeholders, which is more directly related with gaining their confidence. Stakeholders of an SAI such as the Parliament, auditees, citizens and the media should be well informed about the concepts of integrity, objectivity, independence, professional scepticism and accountability. External stakeholders should be informed about the strategy of the SAI as well, by the Head of the SAI. The importance of the role and responsibility of audit professionals should be communicated externally so as to enhance stakeholders' confidence. In this way, SAIs would both meet the requirements of accountability principle and at the same time ensure audit quality. It should always be kept in mind that "a quality audit is the result of internal management checks and external review, good communication with the auditee, and rigorous structure and drafting, which lead to clear messages and effective recommendations" (INTOSAI, 2010a: 6).

Human resources (HR) issue is another aspect of audit quality that can be managed by tone at the top. When the subject is about ensuring audit quality, it is mostly related with the auditors since they are the ones to execute the work. So, if the Head of the SAI wants audits to be of good quality, he/she should make sure that the staff is competent and qualified so that integrity can be maintained. In addition, the principles of independence, objectivity, impartiality and professional secrecy should be reinforced by the staff. The Head of the SAI should establish an HR management system, which includes job descriptions, code of conduct and staff appraisal. That's how audit management integrity and audit quality can be maintained in terms of human resources aspect.

Ethical requirements are another aspect of tone at the top which is actually interlocked with human resources issue. It is not possible to separate these two concepts but because of the importance of ethical issues for ensuring audit quality, it is necessary to handle ethics separately. In order to maintain audit management integrity, SAIs should adopt a code of conduct and relevant international ethical requirements. Actually, to comply with ISSAI 30 and its explanatory notes -prerequisites for the functioning of SAIs- SAIs must develop and comply with ethical and deontological principles in order to be able to be and act as a Supreme Audit Institution (Tavares and Lopes; 2012: 10). It is of crucial importance that the personnel of SAIs comply with ethical requirements because this is how audit management integrity can be guaranteed. In addition, the Head of the SAI should make sure that the SAI and the auditors

are independent. The legislation should be adequately and properly established to guarantee the independent functioning of SAIs. Legislation that spells out, in detail, the extent of SAI independence is required (INTOSAI, 2007: 1). Otherwise, adopting the ethical requirements without having sufficient independence would jeopardize audit management integrity. Good governance includes clearly articulated ethical values, objectives, and strategies; proper tone at the top; and internal control. It should align policies and procedures to encourage behaviour that is consistent with the organization's ethics and integrity values (The Institute of Internal Auditors, 2006: 3).

After ethical requirements, monitoring aspect of tone at the top comes which is actually related with all the other aspects. Without monitoring or assessment, all the others are meaningless. The Head of SAI should establish a well-functioning monitoring mechanism in order to follow-up the implementation results for strategy, quality control system, communication, human resources and ethical requirements. The results of all activities in these fields should be reported to the Head of the SAI, so that he/she can see the deficiencies or flaws in the system and correct them in a timely manner. Without an assessment system, it would not be possible to understand whether audit quality is maintained or not. Such a monitoring or assessment system may also include external parties commenting on the implementation of the SAI, like peer reviews. Peer reviews serve to demonstrate SAIs' stakeholders that SAI managements are committed to applying transparency and accountability to themselves (Caldeira, 2012: 6). For setting the right tone at the top, the Head of the SAI should follow-up the whole system and see the results for himself/herself.

To sum up, tone at the top in an SAI is the responsibility of the management for ensuring audit quality so that the confidence of stakeholders can be enhanced. Management of an SAI sets the right tone at the top by making necessary and adequate arrangements in six aspects which are; strategy, quality control system, communication, human resources, ethical requirements and monitoring. These six aspects, which are interrelated and when combined together as tone at the top, constitute audit quality. Moving one element away would break the whole structure and put audit quality into risk.

TCA Experience of Ensuring Quality Audit

The TCA, with 150 years of experience, is now in a process of significant change due to the revision in the TCA Law (O.G. D.19.12.2010, N.27790), which aims to improve public financial management and changes the audit methodologies to comply with international audit standards. In the light of this information, it can be said that setting the right tone at the top and ensuring audit management integrity as well as audit quality is of priority importance for the TCA.

First of all, it is worth mentioning one of the most important requirements of audit management integrity: independence. The Turkish Constitution and the TCA Law itself guarantee the independence of the TCA and its auditors. With the safeguard the legislation provides,

the TCA functions independently without any political influence. According to the Turkish Constitution; establishment, functioning, audit methods and qualifications, appointment, duties and responsibilities of professional staff and safeguard of members are all regulated by laws (Görgün, 2011: 88). Moreover, the TCA is free to publish and disseminate its reports, once they have been formally tabled or delivered to the appropriate authority. Since the resources subject to audit belong to public, informing public about the results of audit is a legal and ethical responsibility for SAIs (Akyel and Köse, 2011: 6). In addition to these, as another indicator of independence, the TCA has the authority to determine its budget and audit scope. It has the authority to audit the public institutions in its legal mandate every year. However, since this is not technically possible, the TCA determines an audit scope and audit plan every year according to some pre-established criteria like budgetary importance, Parliamentary interest or high risks. This system is one of the means that ensures audit management integrity. Moreover, the TCA has the authority to manage its own budget and allocate it appropriately, which is an important indicator for independence and audit management integrity.

The TCA Law provides safeguards for audit management integrity with the provisions on human resources and ethical requirements. The TCA Law determines the qualifications of auditors. The auditors are expected to be successful in a three level entrance examination to be appointed as assistant auditors. Assistant auditors are subject to vocational training and internship period at least for 2 years and take an examination after this period. This is how management provides recruiting competent and qualified auditors. In addition, TCA gives high priority to on-the-job training in order to develop professional skills and qualifications of auditors. Besides, with the requirement of TCA Law, auditors are expected to comply with professional code of ethics in each stage of audit process. It is the TCA management's duty to establish and adopt the code of ethics and monitor the compliance of auditors.¹

The TCA also has a legislative framework that requires and ensures execution of audits within a determined quality control system to ensure audit management integrity and accountability.

Quality control procedures are defined in a detailed way in our Audit By-Law and Audit Manual. According to these documents, quality control procedures are grouped into two: hot-review and cold-review. These processes complement each other. First, the quality control procedures during the audit as to make sure audits are conducted in good quality are implemented. After the audits are completed, with cold review procedures some kind of a gap analysis is foreseen to be taken to see the differences between TCA's implementations and the international standards, if any. In this way, it is aimed to improve the audit quality each year.

In recent years, the TCA is working on development of a software program for audit management, which will organize audit work. With the help of this system, auditors will be able to record all their works, tests and findings electronically and the management will be able to keep track of these. This system enables the management to monitor both the audit

¹ TCA Law, Article 31; Regulation on Code of Ethics for Auditors of Turkish Court of Accounts, Article 15.

procedures and quality control procedures and to take corrective actions when necessary and improve audit quality. In 2012, the TCA has started to use this software program in the execution of audits.

Another significant step taken by the TCA is the adoption of a strategy to develop a communication plan in which both internal and external communication policies are determined. The importance of communication has already been mentioned. Through these communication policies, the TCA aims at gaining the support and improving the motivation of the staff in terms of application of the quality control procedures already in place. It is of crucial importance to deliver the message of audit quality to the staff. If the management can make clear the intention and will to adopt quality control standards, the staff will be more eager to implement them. That's why a communication strategy document in which internal communication policies will be determined explicitly plays an important role in ensuring audit quality.

Besides internal communication, external communication is also crucial. Internal communication may help ensuring audit quality but external communication will help communicating the quality outputs to stakeholders and gaining their confidence and ensuring accountability. TCA gives utmost importance to development of communication tools since strengthening communication capacity is one of the prior objectives (Akyel and Köse, 2011: 18). TCA plans to use kind of communication tools as used in private sector in order to increase our publicity for our stakeholders. One tool for external communication is the accountability report that the TCA publishes every year in which TCA's annual activities are indicated. The aim of this report is to account for the public resources the TCA has used for that year by explicitly setting out the activities carried out. This is one of the ways the TCA meets the requirement of 'accountability' principle. Besides the accountability reports, some documents like transparency reports or publicity reports are planned to be published in which TCA's strategies for ensuring audit quality will be stated. Moreover, these reports will include information about the independence of the TCA and auditors, about the audit methodologies and procedures applied and about how audit management integrity has been provided. These reports are planned to be prepared in a more interesting approach that will be attractive and 'to the point'. In this way, the TCA's stakeholders will learn about the procedures and intentions of management, shortly the 'tone at the top'. Such communication will definitely contribute to enhance their confidence in the TCA.

Certainly, TCA's most important stakeholder is the Parliament. So, improving the relations with the Parliament and enhancing the communication between the Turkish Parliament and the TCA is a crucial issue which has been adopted as a strategic objective in TCA's Strategic Plan 2009-2013 (Sayıştay Başkanlığı, 2009: 33). According to the TCA Law, the Parliamentary Plan and Budget Committee and where necessary, the related Committees must be informed at least twice a year with regard to the activities of the TCA. This provides a regular communication channel through which the TCA can give information to the Parliamentarians about its activities and results.

As already been mentioned, management should have an explicit strategy for executing audits and producing quality audit reports. The new strategic plan of the TCA for the next five years has been prepared in 2012. Since the TCA Law was revised at the end of 2010, the new strategic plan proved to be very important to set a new road map for the TCA in accordance with new provisions and new methodologies. Besides, the implementation of new methodologies brought along new risks to audit quality. So, to make sure that these risks are mitigated, in addition to the strategic plan, an audit strategy plan has been developed in which the activities are determined in more detail. This plan also includes the activities to be performed in order to mitigate the risks to a minimum level. In addition, in this plan, development of an assessment and monitoring system has been foreseen to make sure that results of implementation are followed up and improved every year. In this way, the management of the TCA will be able to assess the audit quality and take the necessary measures to improve it, or in other words to set the right tone at the top.

Finally, it would be worth mentioning the international seminar on audit quality² organized in TCA. The seminar has been designed on a tailor-made approach to serve the needs of the TCA specifically on achieving audit quality. TCA management has indicated its will and dedication to audit quality and setting the right tone at the top by organizing and supporting this seminar. Such seminars and workshops help SAIs' personnel to share their experiences with their international colleagues and improve their practices. Besides, organizing such events is also a part of leadership responsibilities.

Conclusion

In a globalized and rapidly changing world, the importance of SAIs in good governance of public sector rises each and every day. SAIs promote accountability and transparency in public institutions by examining on their accounts and transactions. To make this contribution more valued SAIs should adhere to the principle of accountability themselves and ensure audit quality. If SAIs manage to ensure audit quality and audit management integrity and produce quality audit reports, then their contribution will be valuable and they will ensure enhancing the stakeholders' confidence.

Ensuring the quality of audits is the responsibility of an SAI as a whole but mostly the responsibility of the management or the Head of the SAI. The management is expected to set the right tone at the top so as to discharge this responsibility. Setting the right tone requires ensuring that the right policies are in place for ensuring audit quality. These policies can be classified under six major areas, which are: strategy, quality control system, communication, human resources, ethical requirements and monitoring. If the management achieves to place right policies regarding audit quality in all these fields, then it would be possible to say management has set the right tone at the top to ensure audit quality.

² Seminar on Achieving Audit Quality, Ankara, 9 October 2012.

In practice, it is not always easy to adhere to these principles and manage the objectives of accountability and transparency. Especially when it is about to manage a substantial change process, there emerge some obstacles against successful management. At this point, it is possible to see the importance of “tone at the top”, when the TCA experience is taken into consideration. A significant change has occurred and the way of work has been revised along with the Law. This situation required a successful change management strategy, which could have been steered by the top management of the TCA, in other words an effective and decided “tone at the top”. This example also proves that without the management’s will to adhere to accountability and transparency principles it would not be possible to achieve quality and thus stakeholders’ confidence. However, it is yet early to say that change management has been successfully completed in TCA. The top management of the TCA has taken the necessary steps towards the right tone at the top. Nevertheless, it would not be appropriate to claim that audit quality is just up to the top management. The TCA surely needs enough time and complete adoption of newly established methods by staff for providing audit quality flawlessly.

In conclusion, if an SAI manages to ensure audit quality and produce quality audit reports then it fulfils the accountability principle and gains the confidence of its stakeholders. As it is seen, this process works like a chain: if you manage to complete one task, you can move on to the other and all tasks are correlated with each other. It is always worth remembering the old saying: “a chain is only as strong as its weakest link”. Therefore, it is the responsibility of the head of an SAI: to strengthen all the chains in the institution to make the structure unbreakable.

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The New Approach to the Audit Management System*

The Turkish Court of Accounts (TCA), which is a supreme audit institution that conducts audits on behalf of the Turkish Grand National Assembly (TGNA), is a constitutional entity that is equipped with the task and power of taking final decision. The impartiality of the TCA stems from its independence. In this context, it has been successfully continuing its audit and judicial tasks for 150 years. The TCA, which was established in 1862 and is a reputable member of the global SAI community, is an active member of such international and territorial organizations of SAIs as International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), and Economic Co-operation Organization Supreme Audit Institutions (ECOSAI).

Since the beginning of the 21st century, Turkey has launched a series of reforms not only in government sector such as financial management and control system but also in social life. Especially the Public Financial Management and Control Law No. 5018 introduced a new approach to the public financial management and control. Likewise, the TCA Law No. 6085 envisaged new audit approaches in order to conduct the audits in compliance with the international standards and principles. Since the enactment of the new TCA Law in 2010, TCA has been responsible for carrying out regularity audits of the public sector including both financial audit and compliance audit.

On the other hand, with the new Law, the TCA has now a more comprehensive audit scope and more responsibilities in terms of audit types and objectives, and audit methodology has changed as well. It was not possible to overcome these problems by using traditional tools. The TCA had to perform its audit and reporting functions in line with the generally accepted international auditing standards. For that reason, the TCA had to adopt the new financial audit manual and carried out the Audit Management System Project in order to conduct and manage regularity audits of the TCA with a systematic approach to enhance overall effectiveness of the audits.

Audit management systems are systems that are used for planning, managing, documenting, indexing, connecting, reviewing, reporting, recording audits in a computerized environment.

With the audit management system, the followings are achieved:

- Increasing and improving the efficiency and effectiveness of the audits,
- Managing and using information,

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- Providing value-added activities,
- Improving results,
- Sharing information,
- Standardization,

Audit management systems, whether package programs or tailor-made products, play vital roles in managing the auditing functions of SAIs or other audit organizations. The main objective of the TCA in developing an audit management system is to conduct and manage the audit, especially regularity audit, in a systematic way to enhance effectiveness and save time.

Before developing a tailor-made audit management system, following steps are necessary to establish a well-designed project:

- Taking decision on which way is suitable for the SAI, either developing a tailor made program or buying a package program,
 - Making a good market research in order to choose the audit management system,
 - Analysis of the software in cooperation with the audit groups,
 - Requirement for designing a project,
 - Receiving the support of the management,
 - Making up a well-established and competent project team,
 - Approval of the project with timetable.

After these steps, the SAI can develop an audit management system or reach a suitable one. In the case of our institution, the TCA developed a tailor-made audit management system. Firstly, the TCA found an external Turkish company, which is specialized on audit management systems, and computer-assisted audit tools and techniques (CAATTs) in particular. Secondly, an analysis was made on the company's audit management system that is whether it is suitable for the implementation of regularity audit methodology. After that, project team was established. The project team consisted of an IT project manager, software programmers, three IT auditors, one financial auditor with solid technical background, two financial auditors, one auditor with IDI training certificate and one auditor from Audit Planning and Reporting Group who were employed for the project on full-time basis. Finally, the project team and the external company adapted the regularity audit methodology to the software. After finalization of the project, following criteria were met:

- Suitable for TCA's regularity audit methodology,
- Suitable for team work
- Meets the audit management requirements,
- User friendly

- Adaptable and flexible

Before the Audit Management System was put into use, it was necessary to give a new name to the system. In order to determine the name of the Audit Management System, the TCA made a survey among auditors. Finally, the Audit Management System of the TCA was named as "SAYCAP". "SAY" refers to the TCA in Turkish language, and "CAP" stands for computerized audit program.

Audit Management System (i.e. SAYCAP) has been used for 2 years in the TCA. Between 01.03.2014 and 14.07.2014, approximately 689 auditors used this system actively as heads of financial audit groups, team leaders or auditors. A total of 483 regularity audits have been made on SAYCAP



The main benefits of using the Audit Management System for TCA (i.e. SAYCAP) are as follows:

General Risk Assessment:

The TCA has an audit mandate covering about 5000 auditees. It is not possible to audit all of them in a given auditing year because the TCA has limited human resources capacity and budget. For that reason, a risk assessment methodology is developed to successfully fulfill the requirements. The risk assessment methodology consists of a set of questions. Some of those questions are answered by the Heads of Financial Audit Groups, and some of them are answered by the Head of Audit Planning and Reporting Group. The answers to all questions are scored within the range of 1 – 9, and the total value of the answers is converted to a risk level such as very high level risk, high level risk, medium level risk, and low level risk. Final decision regarding the Annual Audit Program is made by the Board of Auditing, Planning and Coordination based on this risk level.

Institution	Status	Approve	Disapp.	General Assessment				Planning Department Assessment				Audit Group Assessment								
				Max Risk Score	Risk Weight	Risk Percent	Risk	Assessment of the Au...	Score	Max Risk Score	Risk Weight	Risk Percent	Risk	Assessment of the Au...	Score	Max Risk Score	Risk Weight	Risk Percent	Risk	No
Ministry 5	OutOfScope	Approve		72	36	% 77.8	High		0	17	17	% 100	Very High		0	35	36	% 70.9	High	
Ministry 4	OutOfScope	Approve		72	72	% 100	Very High		0	17	17	% 100	Very High		0	35	55	% 100	Very High	
Ministry 3	OutOfScope	Approve		72	12	% 21.7	Low		0	17	2	% 17.6	Low		0	35	9	% 25.4	Low	
Ministry 2	OutOfScope	Approve		72	40	% 55.6	Medium		0	17	25	% 88.2	Very High		0	35	25	% 45.5	Medium	
Ministry 5	OutOfScope	Approve		72	37	% 51.4	Medium		0	17	5	% 29.4	Low		0	35	32	% 58.2	Medium	
Ministry 4	OutOfScope	Approve		72	0	% 0	No risk ass...		0	17	0	% 0	No risk ass...		0	35	9	% 25.4	Low	
Ministry 3	OutOfScope	Approve		72	69	% 95.8	Very High		0	17	11	% 64.7	High		0	35	46	% 88.2	Very High	
Ministry 2	OutOfScope	Approve		72	0	% 0	No risk ass...		0	17	0	% 0	No risk ass...		0	35	37	% 67.3	High	
Ministry 1	OutOfScope	Approve		72	34	% 47.2	Medium		0	17	11	% 64.7	High		0	35	23	% 41.8	Medium	
Ministry 2	OutOfScope	Approve		72	47	% 65.3	High		0	17	11	% 64.7	High		0	35	36	% 65.5	High	
Ministry 5	OutOfScope	Approve		72	0	% 0	No risk ass...		0	17	0	% 0	No risk ass...		0	35	0	% 0	No risk ass...	
Ministry 4	OutOfScope	Approve		72	0	% 0	No risk ass...		0	17	0	% 0	No risk ass...		0	35	0	% 0	No risk ass...	
Ministry 3	OutOfScope	Approve		72	56	% 77.8	High		0	17	11	% 64.7	High		0	35	46	% 88.2	Very High	
Ministry 1	OutOfScope	Approve		72	0	% 0	No risk ass...		0	17	0	% 0	No risk ass...		0	35	0	% 0	No risk ass...	

Planning of Audit Resources:

Before the implementation of the Audit Management System, the Heads of Financial Audit Groups did not have any idea about their resources such as the work force and work load. After the introduction of the Audit Management System, each financial audit group is now able to compare the potential workload (days) required for implementing audits under their mandate with the work force (auditor/day). Finally, the Heads of Financial Audit Groups can see the balance between total days required for all auditees and the audit resources.

Audit Procedures:

SAYCAP has an audit pool (i.e. a database of audit questions). These procedures are categorized by the audit stage such as control tests or substantive tests, and the type of auditees such as university or municipality.

Team leader makes the audit plan and decides who is responsible for completion of the procedure in accordance with audit requirements.

Working Papers:

Without using computer tools, it is hard to manage many working papers. After SAYCAP it has become easy to monitor and archive working papers in a systematic way. When an auditor finishes his working paper, this working paper is reviewed and approved by the team leader. In this way, all working papers are monitored during the audit.

Additionally, auditors are able to see the working papers of the last 5 years that are related to the same auditee, by using audit management system.

Findings:

Draft findings written during the planning or execution phase of audit are automatically sent to the evaluation module for getting findings in the reporting phase, and they are subject to modifications and final approvals by team leaders and the head of groups. Moreover, initial copies of the draft findings are archived to be reviewed in case of a disagreement. Team leaders and/or heads of groups are obliged to write a brief explanation if finding is removed completely. Furthermore, SAYCAP is able to embed approved audit findings into the draft and final audit report templates so that the auditor can automatically extract audit reports in the .doc format.

Management Information:

SAYCAP provides a wider range of management information when compared to other audit management systems. The management of the TCA can get many reports related to the cost of each audit, the progress of audits at any particular time, a comprehensive analysis of audits based on audited entity, sector, budget and institution type during the audit.

Library:

Auditors can easily reach the information that is necessary during the planning, execution, and reporting stages of the audit.

Quality Control and Monitoring:

Quality control team can evaluate a regularity audit according to the financial audit manual.

The audit management system of the TCA (i.e. SAYCAP) has helped the TCA to improve itself in following areas:

- Standardization in the implementation of the regularity audit manual,
- Improving transparency and accountability throughout the audit processes,
- Efficiency and effectiveness in regularity audits,
- Better risk assessments of auditees in the general planning phase,
- Facilitating team work,
- Eliminating the trivial procedures that do not provide any value added,
- Providing information on human resources and audit days to make better plans,
- A better quality control review system including hot and cold reviews,
- Providing management information to assist the senior level of TCA,

- Integration of audit work papers and information,
- Time savings,
- Standard and configurable reporting,

However, there are some risks related to the adaptation phase:

- Resistance of auditors especially in adapting to a new system,
- Insufficient training and system support for users,
- Lack of computer literacy within auditors,
- Unclear business needs,
- Lack of financial audit knowledge,

Conclusion

Audit Management System (i.e. SAYCAP) has been used for 2 years in the TCA. Between 01.03.2014 and 14.07.2014, approximately 689 auditors used this system actively as heads of financial audit groups, team leaders or auditors. A total of 483 regularity audits have been made on SAYCAP. In the future, we will adapt other audit types such as performance audit and IT audit.

Audit is a planned and documented activity performed to determine misuse of property and budget by investigation, examination or evaluation of objective evidence. Beside this audit also add value to the auditees for reaching maximization of public interest. Moreover audit is a public serves as a security, justice and education. For that reason audit must be thought as a business activity because it has a complex structure. This business activity consist of audit methodology, working paper, team work, relationship with auditees and public awareness. If you do not have it instrument especially Audit Management System, it is not possible to manage all of them. In the case of the TCA, Audit Management System is a part of strategic management because SAYCAP is a unique program which is tailor made and cover all stages of the audit from the general risk assessment to the reporting. SAYCAP provide different kind of management information which is related to the auditor and progress of audits. SAYCAP stores all not only working paper but also all document of audit such as financial audit report as an archive. It is easy to manage this kind of huge data and process with SAYCAP. In the future we will adapt other audit types such as performance audit and IT audit.

Proper Implementation Issue of the Audit*

Introduction

Audit is necessary and important in terms of providing related parties with assurance on the proper implementation and quality of the work performed. Audit should be performed properly as it is an important mission. The benefit expected from the audit is possible only with proper implementation. Lack of audit is a risk, yet improper audit is another risk. Improper implementation of the audit leads to negative consequences.

In this study, it is emphasized that audit is an important mission and should be performed properly. Next, the requirements to cover for the proper implementation of the audit are pointed out. In this context, important points such as general principals of the audit, ethic rules of the audit, independence and quality control assurance will be clarified. In conclusion, some recommendations will be introduced.

1. Audit is Important and must be Performed Properly

The audits performed properly can play crucial roles for a well-functioning democracy and a sound public management system. The roles of high quality audits are increasing in parallel with a growing demand for governments to be more accountable, transparent and effective. The extent to which audit organizations are able to make a difference to the lives of citizens depends on their effectiveness in strengthening the accountability, integrity and transparency of public entities (Akyel and Kose, 2013: 5510). The audits performed properly add much value to efforts for combating fraud and corruption and increases public confidence to the public management.

Today, there is a stronger demand for promoting democracy and good governance, which requires strengthening transparency and accountability. To respond to that demand, audit organizations are gaining great importance (Akyel and Kose, 2011) and their role and responsibilities are increasing constantly. In this context, the quality of audits is one of the most important issue to meet the demand and make useful changes in public financial management.

Lack of audit is a risk, yet improper audit is another risk. Improper implementation of the audit leads to negative consequences. If not properly dealt with, the benefits expected from audit does not come true. Resources become wasted. The credibility and respectability of audit institution suffer. The perception that auditors are not in compliance with rules prevail. The necessity of the audit functions is questioned.

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Each mistake of audit institution and noncompliance of auditors with ethics lead to questioning credibility for the existence and necessity of the audit. Yet, it is the social responsibility of an audit institution in social life to raise awareness for necessity and importance of the audit. The most concrete way of doing this is to make audit properly.

In order for audit to be implemented properly, some requirements need to be fulfilled.

2. Requirements for Implementation of Proper and Quality Audit

There are two main components in performing audit. One is the audit organization and the rules of it. In this context, general auditing principals as to the audit functions of audit organization must be clear and be complied with. Another is the human resource to carry out audit activities. In this context too, code of ethics of human resources to carry out audit, that is of auditors, should be clear and complied with.

2.1. General principles of audit

General Principals of an audit organization regarding how to carry out audit activities must be clear beforehand. Audit organization must carry out its audit functions in line with these principals which are set out and declared beforehand. In this study, general audit principals (Turkish Court of Accounts Law No. 6085; article.35) of Turkish Court of Accounts is dealt with as a sample audit organization.

a) What it is meant by audit is clarified by defining the audit. Audit is the examination of accounts, financial transactions, and the evaluation of effective, economic, efficient and legal usage of public resources.

b) The limit of the audit has been drawn. Turkish Court of Accounts shall not undertake propriety audit and shall not render decisions that limit or remove the discretionary powers of administrations.

c) The rules to be followed by audit are determined. Audit shall be carried out in accordance with the generally accepted international auditing standards.

d) Independence and impartiality of the audit is recognized. Turkish Court of Accounts and auditors shall carry out audit activities independently and impartially. Turkish Court of Accounts shall not be given instruction in planning, programming and executing of the audit function.

e) The importance of the audit methodology is specified. Audits shall be carried out with due consideration to the implementation of the contemporary audit methodologies.

f) Qualification of audit professionals is considered important. For effective fulfillment of audit function, technical and professional competencies of personnel of Turkish Court of Accounts shall be developed.

g) Quality control is adopted: For maintaining quality assurance, each stage of audit shall be reviewed constantly in terms of its conformity with audit standards, strategic plans, audit programs and professional code of ethics.

Audit organizations can determine the general principles of audit within the legal and administrative framework of their own countries. The important thing is to determine these principles beforehand and to comply with.

2.2. Code of ethics of audit

Just as the code of ethics each professional has to follow, so do audit professionals. Primarily as is the case with international auditing standards, different audit organizations have audit code of ethics peculiar to themselves. Code of ethics addressed to public sector auditors have been issued by the International Organization of Supreme Audit Institution (INTOSAI). In this study, firstly code of ethics of the international auditing standards will be introduced, and then the practice of the Turkish Court of Accounts (TCA) will be taken as sample.

2.2.1. Standards on Code of Ethics

Standards on code of ethics (ISSAI 30) addressed to the public sector auditors as well as general standards in government auditing and standards with ethical importance (ISSAI have been issued by the International Organization of Supreme Audit Institution)

a) Significance of the Code of Ethics

Code of Ethics is comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high expectation for code of ethic behaviors from the SAIs and the staff assigned for audit work (ISSAI 30, Code of Ethics).

b) Standards with ethical significance

There are standards of ethical importance in public audit. They can be counted as the following: (ISSAI 200; General Standards in Government Auditing and Standards with Ethical Significance)

- a) The auditor and the SAI must be independent
- b) SAIs should avoid conflict of interest between the auditor and the entity under the audit
- c) The auditor and the SAI must possess the required competence

d) The auditor and the SAI must exercise due care and concern in complying with the INTOSAI auditing standards. This embraces due care in planning, specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations.

2.2.2. The Code of Ethics of the TCA

Turkish Court of Auditors (TCA) has established and declared the principals and procedures for auditors' code of ethics (Official Journal, 17.12.2011-28145) based on the reference by standard (ISSAI 30) of the INTOSAI on the code of ethics addressed to the public sector auditors. The content of this regulation can be explained by the following systematic.

Obedience to the Code of Ethics

The purpose of this regulation is to establish the procedures and principals on code of ethics to be complied by TCA auditors (art: 1). TCA auditors acknowledge the significance of code of ethics, abide by the rules in all circumstances (art:4)

Independence

TCA auditors act independent of the public entity under audit and other related parties. They keep away from any behavior and relationship that can damage their independence or give such impression. They avoid from every influence to keep their independence (art.5)

Impartiality and Objectivity

TCA auditors;

a) Perform their duties without any pressure, influence and leading; do not take part in any activity or relationship that may damage the impartiality or lead to such impression around; keep independence against all sort of pressure.

b) In evaluating information and documents related to the duties; act fair, independent, and impartial; comply with objectivity that profession requires.

c) They declare work-related opinion and conviction with justification.

d) They prepare their report without leaving any room for doubt and based on the evidence collected in compliance with generally accepted international auditing standards (art.6).

Honesty

TCA auditors;

a) Shall carry out duties with honesty, integrity, due care and responsibility.

b) Shall not make statement, commitment or initiative binding the TCA by exceeding their authority in the course of performing their duties.

c) Shall avoid from any image, manner and act which damage prestige and reliability.

d) Shall be honest in using public resources with respect to duties; not use and cause the usage of public building and vehicles as well as other public goods and resources except public goals and service requirements; avoid from extravagance in using resources.

e) Shall prove to be worthy of esteem and credit required by their duties with their behaviors; avoid from manners damaging the sense of trust, arousing doubt and harming the principle of justice (art.7).

Equality;

TCA auditors;

a) Shall act in compliance with the principle of equality before the law in the course of performing duties.

b) Shall perform duties irrespective of the differences based on the language, religious, gender, social and economic status, political belief and other similar reasons.

c) In the course of performing their assignment, auditors may not harbor bias against or in favor of any person or group or be in a exclusive manner (art.8).

Avoidance of Conflict of Interest

TCA Auditors;

a) Shall refrain from any situation in the course of performing or with respect to their duties that may relate to their personal or relatives conflict of interest; not involve in audit, investigation and reporting activities, not disclose opinion and conviction on these matters.

b) Shall refrain from any actual or potential conflict of interest provided to himself, relatives or connections as all benefits, financial or other instruments or similar interests that affect or seem to affect the objective and impartial performance of their duties.

c) Shall not work for three years on audit, investigation and reporting related to the institution, organization and affiliations for which they recently worked.

d) Shall not demand from the audited entities additional facility or service except for audit requirements in the course of performing duties, not make use of public goods, service and human resources apart from service requirements and cause to use.

e) Shall not make public servants or related individuals perform transactions out of law or force them to do so by using their job, title or influence to get benefit or privilege for themselves or relatives.

f) Shall refuse any gift or reward that may be perceived to jeopardize or damage the independence and integrity and avert any potential conflict of interest; not receive any gift that can affect or possibly affect the independence, performance, performing duties or opinion.

g) Shall not receive any gift or interest for themselves or relatives from individual or entities as related to their duties through direct or intermediary means (art.9).

Professional Competence and Due Care

TCA Auditors;

a) Shall constantly endeavor to develop Professional knowledge and skill at the level required by their duties. In the course of performing duties, they give importance to teamwork and collaboration among their colleagues; provide the necessary support expected from them.

b) Shall present professional care and meticulous attention in the course of audit planning, implementing and preparing the audit report.

c) Shall follow the profession-related legislation, national and international developments as a requirement of their professional competency.

d) Shall know and apply the policies, procedures and implementation of the legislation in force, have enough information on the legal and institutional principles and standards directing the activities of the public entities under audit (art.10).

Professional and Institutional Conscience

TCA auditors act in accordance with the purpose and mission of the TCA; avoid from manners that can damage the credit given by the society (art.11).

Avoidance of Usage of Profession for Getting Benefit

TCA Auditors;

a) Shall not provide benefits and make mediation in favor of themselves, relatives or third parties through using their job, title or authority, sell or distribute their or third party's publication, periodical, CD or similar products, provide favor, donation or similar benefits to any institution, foundation, association or sporting clubs, apply nepotism or political discrimination or any sort of favoritism.

b) Shall not use official or confidential information obtained in the course of performing their duties to provide direct or indirect economic, political, or social kind of benefits for themselves, relatives or third parties.

c) Shall not mediate before the public administration, civil servants and other related institution and organizations under audit.

d) Shall not ask for any revenue-generating request from the institutions and organizations through using their job, title or power (art.12).

Courtesy and Respect

TCA auditors cannot exhibit humiliating, degrading and arbitrary behaviors; make insulting, repressive or threatening practice; behave kindly and respectfully towards those they work together and related to their work (art.13).

Keeping Confidentiality and Professional Secrecy

TCA auditors shall not pass information obtained through their assignment not open to the public on to the unauthorized institutions or individuals in the form of personal interpretation, recommendation or any ways. They shall not disclose secrets as well as confidential information with respect to the related person and third parties they accessed through their assignment to any institution or individual except for the authorities specified by law; use for their interest or to the detriment of third parties (14).

Responsibility of Managerial Staff

Managerial Staff;

a) Shall not make discrimination among auditors, shall be fair, honest and credible to them.

b) Shall contribute to the auditors in fulfilling their social and ethical responsibilities and encourage them to do so.

c) Shall make a distinction between their professional and private life, care for professionalism in decision making and stick to the principle of equity in making segregation of duties.

d) Shall make necessary rotation in drawing up audit planning not to damage the objectivity and independency of the auditors.

e) Shall not make discrimination in terms of seniority and title among auditors except for the requirement of legislation and profession.

f) Shall not make professional harassment directed to restrict the employee rights, damage the careers and psychological harassment (mobbing) intended to reduce the quality of work-life and take necessary measures to prevent.

g) Shall provide auditors with proper training on professional code of ethics; follow the compliance with these rules and take the lead on ethical behavior.

h) Shall ensure that professional code of ethics take part in basic, preparatory and in-service training program oriented to auditors (art.15)

Compliance with Professional Code of Ethics

(1) TCA auditors are obliged to comply with professional code of ethics specified in this regulation

(2) Board of Promotion and Discipline of Professional Personnel formed based on Law No. 6085 carry out necessary prosecution in line with provision in this regulation on the allegation that auditors are not in compliance with professional code of ethics and submit conclusion to the Presidency to be informed to those concerned and a copy of the decision is placed in to the personnel file of concerned.

(3) In awarding promotions, professional code of ethics specified in this regulation is considered.

(4) Where there are no provisions in this regulation, general provisions are taken as basis for procedures. (art.16)

3. Independence

Independence of audit organization is vitally important. Independence of audit organizations has been regulated first in the international auditing standards as well as their domestic law. Mexico Declaration (ISSAI 10) on Supreme Audit Institutions (SAIs) independence has been adopted by INTOSAI. Besides, Lima Declaration has regulatory rules on the independence of the SAIs.

As well as the independence of the audit organization, independence of the auditor is also mentioned. How independence of the auditor is understood is an important issue. The importance of independence of the auditor from the audited institution is very high, however, the limit and scope of the independence of the auditor are important to determine. In this study, the issue of independence is examined as practice of the Republic of Turkey in terms of both audit institution and auditor.

3.1. Independence in terms of Institution

a) Turkish Court of Accounts shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws (Law No: 6085; art.3)

b) Turkish Court of Accounts and auditors shall carry out audit activities independently and impartially. Turkish Court of Accounts shall not be given instruction in planning, programming and executing of the audit function (Law No: 6085; art.35)

3.2. Independence in terms of Auditor

a) Turkish Court of Accounts and auditors shall carry out audit activities independently and impartially (Law No: 6085; art.35).

b) The auditors shall carry out the audit and examination duties assigned by the President of Turkish Court of Accounts, or by heads of groups on behalf of him, within the framework of principles and procedures provided for in laws, by-laws, regulations, standards, circulars and guidelines; shall submit their results to the Presidency by a report, and carry out all other tasks prescribed herein (Law No: 6085; art.32).

c) For maintaining quality assurance, each stage of audit shall be reviewed constantly in terms of its conformity with audit standards, strategic plans, audit programs and professional code of ethics (Law No: 6085; art.35).

d) TCA Auditors acknowledge the importance of professional code of ethics; stick to these rule in any case. These rules are as follows (The procedures and principals of TCA auditors on professional code of ethics).

e) Independence of the auditor is mentioned within the professional code of ethics of auditor. The independence of auditor should be interpreted within the context of many principles taking part in the Professional code of ethics. Independence of the auditor coexist and is accepted with the principle such as impartiality, integrity, and so on.

f) Professional code of ethics is a comprehensive statement of the values and principles that should guide the daily routines of the auditors. The independence, authority and responsibilities of the public sector auditors bring with it high level ethical behavior from the Supreme Audit Institutions and personnel assigned for the audit (ISSAI 30, Code of Ethics).

4. Quality Control System Must Be Established

As audit mission is important, the establishment of quality control system is a must within the audit institutions to ensure the proper implementation of the audit. The error risk of the auditor can be compensated with quality control system. Correct and high quality implementations of the work affect the credibility and reliability of the audit organizations.

A standard has been accepted in the Supreme Audit Institution covering the whole field of activity, convenient for the conditions of the functions and powers, aiming to support the establishment and maintenance of a quality control system intended to reply quality risks (ISSAI 40). SAIs should be able to benefit from the Quality Control standard for SAIs within

the framework of their conditions and as far as they are of comprehensive nature to satisfy needs.

Quality Control System must be a part of the strategy, culture, policy and procedures of the audit institutions; Besides, quality control system must cover each phase of the audit work such as planning, implementation, reporting and follow-up and must be pertinent to all process (ISSAI 40).

A quality control system to be established in an audit organization is expected to cover certain elements. These elements are set out below (ISAI 40):

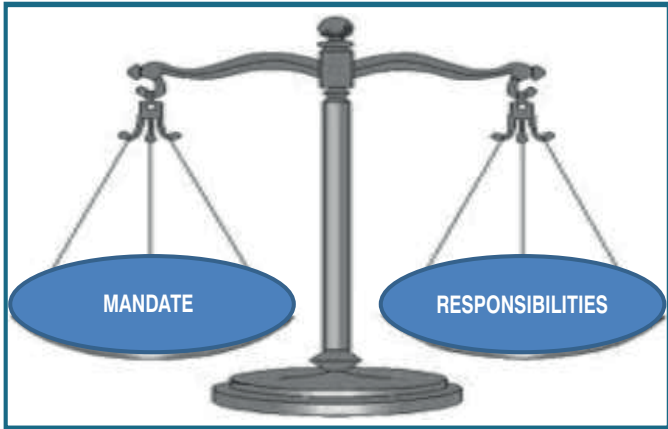
- Setting and implementation of the leadership responsibility oriented to the quality within the audit institution.
- Setting of the code of ethics with respect to the audit, announcement to the parties and ensuring the compliance to these rules.
- Establishment of the communication and relation network with those under audit: arrangement of the audit process and announcement to the parties.
- Improvement of the professional competence of audit human resource and ensuring the follow-up.
- Establishment and implementation of the necessary system in order for audit activities to be carried out in line with the quality.
- Follow-up of audit findings.

Along with counting the general components above, audit institutions can also allow for different components within the framework of their structure and to cover their needs.

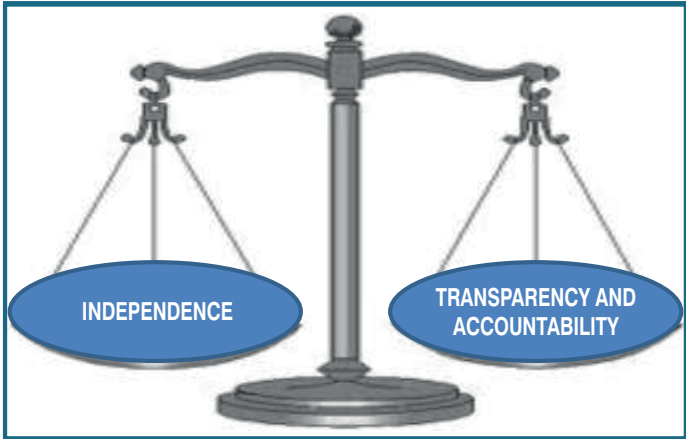
5. Balance System must be Established

A balance system must be established while decision, transaction and activities are being carried out. In general sense, the importance and necessity of establishing balance system on the basis of institution and incumbent must be acknowledged.

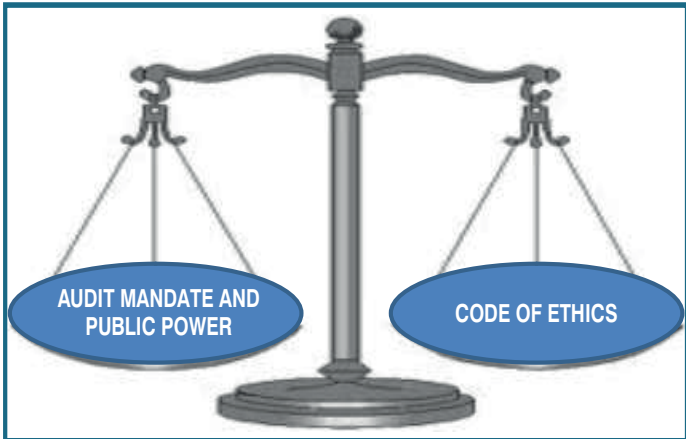
1) IN GENERAL



2) IN TERMS OF AUDIT INSTITUTION



3) IN TERMS OF AUDITOR



CONCLUSION

In case of proper implementation, audit provides many benefits known to all.

Lack of audit is a risk, yet improper audit is another risk. Improper implementation of the audit leads to negative consequences.

In case of not being properly dealt with, the benefits expected may not come true. Resources become wasted. The credibility and respectability of audit institution suffer. The perception that auditors are not in compliance with ethic rules prevails. The necessity of the audit functions is questioned.

Each mistake of audit institution and noncompliance of auditors with code of ethics lead to questioning the need for the existence and necessity of the audit.

Audit institution and auditors should be in endeavor to carry out their activities correctly and in line with quality and ethics. In this regard, necessary systems must be set up, process must be followed, related procedures must be generated, implemented, followed up and corrective activities carried out.

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Disaster Management System*

Introduction

We always remember the phenomenon of disaster and its fatal impacts at the anniversary of the Marmara Earthquake dated 17 August and 12 November 1999 in Turkey. As a matter of fact, we should not underestimate disasters and, in particular, their devastating impacts on people and social system. Natural and human-driven disasters are becoming increasingly more challenging and detrimental for societies. When technological and industrial developments are considered together with population density and urbanisation, it is accepted that mankind faces a serious disaster risk. This acceptance urges societies to be sensitive towards disasters. Admitting that disasters should be managed, societies establish disaster management systems. Perceptions of societies with respect to disasters as well as their disaster management systems are improving day by day. The Turkish disaster management understanding is making progress, as well.

Disaster

Disasters are the incidents which profoundly affect human life, social life and organizational structure. Disasters, either natural or human-driven, affect individuals, institutions, properties and nature, and they lead to destructions. While disaster is a repetitive natural event on the one hand, it is a catastrophe resulting from the activities and behaviours of human beings on the other hand. In this respect, disasters constitute an indispensable part of the nature, life and society. The fact that societies face the risk of disasters and that a life without disasters is not possible forces societies to develop their skills of living with disasters. The understanding that it is not possible to escape disasters, that it is compulsory to live with disasters and that the disasters should be managed is improving day by day.

Disaster Perception

A natural hazard turns into a natural disaster when it damages properties or injures or kills people. In brief, when natural risks damage individuals, buildings and social, economic and political life, a natural disaster is encountered. Within this framework, a natural risk, that is a natural phenomenon such as earthquake, flood or hurricane, can be described as natural disaster when it affects the functioning of social system and technological products, buildings and other structures adversely. Therefore, natural disasters are described according to not only physical dynamics or characteristics of a natural reason but also its impacts on the social system.

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Explaining Natural Disasters as a ‘Man- and Society-Driven Phenomenon’

According to the approach which regards natural disasters as social phenomena rather than natural events, natural disasters occur as a result of the failures of individuals, societies and social, cultural, economic and political systems to adapt to environmental conditions. Logical outcome of explaining natural disasters as man- and society-driven phenomena is that social, cultural, economic and political systems can be improved in a manner to prevent or decrease natural disasters which threaten human life. Disasters can be prevented or decreased in number only by understanding the relations between specific policies or social, economic and political system types and environmental conditions or natural reasons. Rousseau emphasized that the 1755 Lisbon Earthquake should be thought as a result of urban structuring and house construction on the highly seismic zones in a reckless manner. According to Rousseau, human behaviours and social factors played a key role on the impacts of this earthquake. Particularly, as technological advancements aimed at increasing physical resistance failed to struggle against natural disasters on their own, it came to be claimed that natural disasters are not so natural, and that they are driven by humans and societies.

Disaster Phenomenon Should Be Examined in terms of Social Sciences.

According to the social approach, the phenomenon of natural disaster is not only a physical incident but also it has social, economic and political dimensions. Thus, as the other areas of the social life, natural disasters should be explained by social sciences. The first step to take in this respect should be the development of a conceptual framework that will explain the social, economic and political dimensions of the natural disaster phenomenon.

The Effects of Social Factors in the Occurrence of Natural Disasters

Natural disasters originate from the social, economic, political and cultural systems. According to this view, a natural disaster is not an external power affecting the social system but is an expression of internal deficiencies and societal weaknesses. In other words, the threat does not exist outside as an earthquake, hurricane or flood; on the contrary; it exists within the social system. The effects of disasters constitute a function of the physical, social and economic resistance of the society. Thus, it is not accurate to speak of natural disasters as if they could exist irrespective of the actions and decisions of humans and societies. A natural hazard turns into a natural disaster as a direct or indirect consequence of people. Floods, earthquakes, volcanoes, tsunamis and other natural incidents will lead to social results only depending on the actions of the individuals and societies prior to, during and following the incident. There is no such thing as a natural disaster; there are crises caused by the combination of specific physical events and specific social phenomena.

The fact that natural disasters occur mostly in the developing countries rather than

developed ones and that the economic losses caused by disasters are higher in these countries is attributed to the differences in organizational structure.

Transboundary Nature of the Disasters

Humankind has witnessed such natural events as earthquake, tsunami and typhoon throughout history. However, the frequency of the natural events to transform into disasters due to economic and environmental factors has increased in the 21st century. The secondary disasters triggered by natural disasters such as the nuclear leak in the Fukushima Nuclear Power Plant in Japan in 2011 have occupied countries' agendas as major problems. The magnitude and frequency of disasters and the losses caused by them reminded the humankind about the importance of risk reduction activities aimed at preventing the transformation of natural events such as earthquake, tsunami etc. into disasters.

This process also contributed to the development of the sense of global cooperation and solidarity among countries and to the comprehension of the importance of a shared wisdom and action in transboundary issues such as disaster, environment, transport, immigration, terror and economic crisis, and made the formulation of common policies compulsory. Transboundary nature of the disasters that affect not only the country in which it occurs but also in other countries has created the need for cooperation both in risk reduction activities and post-disaster damage reduction and rehabilitation activities. In addition, regional and international joint works have gained speed in this regard.

Disaster Management Systems

Disaster management is a management approach and specialty, which determines the technical, managerial and legal works that should be carried out before, during and after disasters in order to prevent them and reduce their damages. It puts these works into practice ensuring that relevant persons carry out an effective implementation when they encounter an incident. Moreover, it develops the existing system in the light of the experiences obtained from each incident.

As a result of the destructive effects of disasters which lead to loss of human life and property, societies have needed to take preventive measures and struggle against disasters. Such countries as Japan, which frequently encounter all kinds of fatal disasters, have learned how to live with disasters, and they made living with disasters almost a lifestyle. This situation brought forth the idea that hazards and disasters should be managed. Civil defence, crisis management and disaster management understandings came into existence with respect to the struggle against hazards and disasters. If disasters can be managed properly and efficiently in societies, their damages to people can be reduced. Disaster management systems consist of modern disaster management system, integrated disaster management system and society-based disaster management system.

Modern Disaster Management System

Modern disaster management system defines activities related to the disaster management on the basis of the realisation of disaster. Accordingly, there are some works that should be carried out before and after disasters. Since natural disasters repeat in the regions where they occur, it is possible to see these works in a successive cycle. Preparedness, emergency response, recovery and damage reduction are four basic stages, which require separate specialties and complete one another in the course of time. This model only indicates that there must be at least four sets of works in a society for disaster management.

Integrated Disaster Management System

Integrated disaster management system suggests that all resources should be used together in a coordinated manner in the struggle against disasters. In other words, all resources are managed from a single centre. This approach regards disaster as an integrated process and targets to see the whole picture. Therefore, integrated disaster management system is also referred to as complete disaster management system. Integrated disaster management system is a comprehensive concept, which requires the management of all institutions of the society as well as their resources in line with a single joint goal for steering, coordinating and implementing the works that should be carried out in the damage reduction, preparedness, rescue, first aid, recovery and reconstruction phases of a disastrous incident with the aim of preventing disasters and reducing their damages.

Society-Based Disaster Management System

Society-based disaster management system adopts the idea that society should be a part of the disaster management system. It should take part in all four phases of the disaster management. Works with respect to disasters should not be limited to public institutions; citizens, non-governmental organisations, and society should play active roles in disaster-related activities. Society-based disaster management should be implemented because disasters primarily harm human life, and it is the humans who are responsible for managing disaster risks and taking the first emergency actions during disasters. Therefore, humans should assume the responsibility of re-establishing a safer and more secure society. In this context, pre-disaster, during disaster and post-disaster protection methods should be taught to the public.

Accountability and Audit of Disaster-related Activities

The activities related to the disasters should be transparent. They should be audited, reported and disclosed to the public. The trust of the national and international individual benefactors, who voluntarily want to provide aid to the disaster-related activities, should be maintained since they want to see that their aids are used duly and properly.

Marmara earthquake in 1999 in Turkey and South East Asia disaster in 2004 showed once again that disasters constitute one of the biggest human, environmental, economic and social challenges, and new policies are needed to be resilient against them. New disaster policies for disaster risk reduction have already been developed by the United Nations resolutions. These policies need to be addressed in a coordinated effort at the international level.

In parallel with these developments, the International Organisation of Supreme Audit Institutions (INTOSAI) primarily created a *Task Force on the Accountability and Audit of Emergency Aid* after the South East Asia disaster in 2004. Then, the “Working Group on Accountability for and the Audit of Disaster-related Aid (WG AADA)” was set up in 2007. In the scope of this working group, the Turkish Court of Accounts (TCA) took responsibility for and prepared the Guidelines which are included among the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) as “International Standard of Supreme Audit Institutions (ISSAI) 5510 Audit of Disaster Risk Reduction”. While preparing this standard, the Turkish Court of Accounts (TCA) organised an international parallel/coordinated audit on disaster risk reduction. The aim of this audit was to provide inputs for the draft versions of the International Standard of Supreme Audit Institutions (ISSAI) 5510 and to test and improve its content. In addition, the Supreme Audit Institution (SAI) of Indonesia prepared the International Standard of Supreme Audit Institutions (ISSAI) 5520 on the audit of disaster-related aid in the “Working Group on the Accountability for and the Audit of Disaster-related Aid (WG AADA)”. The aim of the International Standard of Supreme Audit Institutions (ISSAI) 5520 is to provide guidance and good practice for the Supreme Audit Institutions (SAIs) on the audit of disaster-related aid.

We know that the Supreme Audit Institutions (SAIs) play a critical role in promoting accountability and transparency by reporting to the parliaments on the efficient, effective and economic implementation of, inter alia, disaster policies.

It is beyond doubt that strong cooperation and sense of mission among all participating Supreme Audit Institutions (SAIs) and the European Court of Auditors (ECA), which also acts as the President of the International Organisation of Supreme Audit Institutions Working Group on the Accountability for and the Audit of Disaster-related Aid (INTOSAI WG AADA), in particular, have played a crucial role in the success of these works.

Qualified Housing

In social life, structuring and settlement with physical environment is important with respect to pre-disaster preparedness. Housing, accommodation and working environments from among the individual needs; collective uses such as school and hospital, and urban infrastructures such as dams, bridges, roads from among mass needs have vital importance while considering preparedness plans.

Construction and building sector makes a big contribution to the formation of physical environment from the simplest village life to town, district and city lives, and even at the country and global levels. As we move from individual level to collective level, to common use and urbanization, and as the human population grow, physical structuring and settlement deserve special attention and sensitivity, especially when preparing for disaster management.

With urbanization, private needs and collective needs, private use areas and public communal areas have become inseparable, and now they cannot be thought separately. Moreover, with urbanization, people have moved from individuality to commonality in terms of use. In the use of physical environment, a human being is not only an indispensable part but also a prisoner of the physical system of the city like “sand in the ocean” or “a tree in the forest”. As a result, the individual is no longer able to move alone in the urbanized modern society. He is a part of a huge system in the building complex where tens, hundreds and even thousands of people live, in the gigantic buildings where hundreds of people work, in the highway where thousands of cars move in traffic, tunnels or bridges.

In the urbanized modern society, it is important for a construction to be powerful and qualified and seek solutions for problems for a well-developed building and housing. Disaster management systems should take this fact into consideration, and prepare critical infrastructure protection strategies for qualified housing.

“Critical infrastructure protection strategies and resilience against disasters” vary depending on the type of the disaster, the region where the disaster occurs as well as its intensity. Therefore, planning should be performed in accordance with those variables along with a consideration of the human factor and an understanding of society-based disaster management.

Conclusion

There are steps that should be taken for improving disaster management approaches in all countries. In order to strengthen the understandings of modern disaster management, society-based disaster management and integrated disaster management; deficiencies in the legislative regulations and organisational structure should be made up. The disaster phenomenon should be examined from the perspective of social sciences and with an interdisciplinary approach. Importance should be attached to education and training activities for raising people’s awareness of disasters. Funds should be provided for preparation activities and disaster damage reduction. More importantly, disasters should be taken into account during the planning and cost-calculation phases of constructions and productions.

It is now evident that global issues such as disasters can only be addressed at the global scale. With this basic awareness, individual Supreme Audit Institutions (SAIs) need to exert institutional efforts at national level, and also try to create global awareness and impact through coordinated efforts with the aim of contributing to the accountability and audit of disaster-related activities and aids.

Building for society, establishing infrastructure and constructing qualified housing and working settings are both important and difficult when it comes to preparing disaster management systems. Several elements should exist together for a settlement that will ensure living under safe physical conditions in a city that is built on a robust basis. The existence and intensity of elements such as capital, knowledge, technology, awareness level, philosophy and aesthetic concerns, together and interlocked, will ensure a safe settlement. The organization of the construction sector and the self-audit of the sector will also play an important role in ensuring a strong settlement that is well-prepared against disasters. Social consensus, interdisciplinary assistance, legal arrangement, institutional organization, and civil society sensitivity play a positive role in settlement as well.

Last but not least, problems encountered after the disasters should be addressed meticulously; necessary lessons should be taken and, the strategies aiming at protecting critical infrastructure and enhancing resilience against disasters should be developed on the basis of lessons taken from previous disasters.

Corruption and Strategic Management of the Fight against Corruption*

I. Introduction

In this study related to corruption and the fight against it, it is primarily necessary to define corruption, explain its types as well as its common factors, examine the importance of secrecy in corruption and its relationships with transparency and accountability.

In this study, various impacts of corruption, importance of fight against it, effective factors in the fight against corruption, the roles of audit, inspection and the Turkish Court of Accounts in this respect are also addressed. The present study includes both international and Turkish dimensions of this fight and lastly, it gives advices and recommendations in addition to the points that should be taken into consideration in the fight against corruption.

II. Corruption

To better understand the issue of corruption, answers must be sought to some questions including "what is corruption", "what does it refer to", "what is its qualification" and "what are the types of corruption". Common factors of corruption and effectiveness level of secrecy should be determined in order to put up a successful fight against corruption.

A. Characteristics of Corruption

Corruption has certain characteristics. It is of paramount importance to determine these characteristics. Determination of these characteristics helps us understand corruption correctly. It is possible to list the general characteristics of corruption as follows:

- Corruption is a global phenomenon. It exist everywhere irrespective of the country and society.
- Corruption concerns all people and all institutions.
- Individualistically, corruption is a human weakness and psychological disorder.
- Corruption is a social disaster in terms of the society.
- Corruption is an evil corroding the trust of the citizen to the state and the established order.

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B. Definition

As in every concept, corruption can also be defined in different contexts and from different aspects. Three different definitions of corruption are given below:

Corruption: It refers to the abuse of public power for individual benefits.

Corruption: It refers to the degeneration and deterioration in the decision-making mechanisms of public institutions and private establishments.

Corruption: It refers to demanding, offering, giving or accepting bribe or all kinds of other illegal benefits which cause deviations in fulfilling the tasks or necessary behaviors in accordance with the laws.

C. Types of Corruption

Corruption is classified from various aspects:

- Public corruption – private corruption,
- Political corruption – administrative corruption – legal corruption,
- Corruption for pecuniary benefits – corruption for non-pecuniary benefits,
- Black – Gray – White Corruptions,
- Embezzlement – Granting tips for early completion of a work – Non-Invoiced Purchase,
- Penalised Corruption – Pending Corruption, etc.

D. Common Factors of Corruption

Certain common factors exist in each corruption phenomenon or corruption case. These factors should be comprehended correctly and precisely in order to draw a successful strategy for fight against corruption. These common factors are as follows:

- Presence of an Authority and an Authorised Person,
- Unlawful use of the Authority
- Gaining benefit (pecuniary / non-pecuniary)
- Secrecy

It seems possible to interfere in the intensity and ratio of corruption by addressing these common factors.

E. Secret Nature of Corruption

What makes preventing, investigating and unearthing the corruption difficult and complex is its “**secrecy**” factor.

The phenomenon of corruption can be eliminated to the extent that “secrecy” is removed from fulfillment of actions and proceedings in public administration. A public official can never tempt to do an unlawful act explicitly.

F. Transparency, Accountability and Corruption Relationship

There is a strictly inverse connection between transparency and accountability and formation of corruption phenomenon. As the ratio and level of transparency and accountability increase, ratio and level of corruption decrease.

Corruption = Existence of Monopolistic Exercise of Power and Power of Discretion.

Lack of Accountability and Transparency.

Corruption refers to gaining benefits **secretly** by abusing the authority. As all actions can be monitored in the **transparent administrations**, as all transactions are examined in the **administrations based on accountability**, the officials attempting to do an unlawful act will be realised and they will account for their acts. This system will prevent corruption.

The role of **audit** is of great importance in introducing the accountability principle to the public sector and enhancing the transparency. Both **internal audit** and **external audit** should be performed in a consistent and sound manner so as to fulfill the audit function.

III. Fight Against Corruption

A strategic management should be established for the fight against corruption. From the contemporary perspective, all issues should be managed. The issues which are not managed always bear risk and damage. A contemporary society should be able to manage the fight against corruption as well as the damages of a natural disaster.

Thus, it is important to determine strategic policies, draw strategic plans and to determine the mission, vision, basic objectives and implementation programmes in relation to the fight against corruption within the framework of strategic management. It is also essential to take the necessary steps to implement the determined points.

A. Establishing a System with the Strategic Management Understanding is a Must.

- A strategic approach should be adopted within the framework of strategic management understanding. The community life consists of interlocking systems.

- Take the necessary measures, don't pave the way for corruption.
- We should establish the system to prevent corruption; we should not drive the citizens to corruption.
 - Virtue and honesty of individuals do not impede the establishment of a sound system in this respect. Although it is compulsory for individuals to drive their cars carefully, the traffic rules are also essential.
 - Humanbeings are not angel. It would be unjust to see them as angels. Humanbeings can not shoulder this burden. It is contrary to their nature.
 - Humanbeings should be honest and virtuous but a preventive system for corruption is a must.

B. The Model of Fighting against Corruption by Interfering in its Common Factors

There are some factors leading to the corrupt activities. When these factors come together, the phenomenon of corruption exists. When an authorised person uses his/her authority unlawfully in return for a benefit or gain in secrecy in an ineffective public administration, corrupt activities appear. The quality and quantity of the abovementioned factors affect the quality and quantity of corruption. Therefore, a model based on fighting against corruption through interfering in its common factors comes up.

The following table displays how the changes in the quality of common factors of corruption will decrease or increase the risk rate.

The Model of Fighting against Corruption by Interfering in its Common Factors

Common Factors of Corruption	High Corruption Risk Rate	Low Corruption Risk Rate
Authority	In great quantities Power of discretion Subjectivity	In small quantities Dependent authority Objectivity
Authorised person	One person	Many people
Abuse of the authority	Inadequate audit Insufficiency of the audit	Optimal audit Healthy audit
Gaining benefit	Lack of preventive and corrective Instruments	Presence of preventive and corrective instruments
Secrecy	Lack of transparency and accountability system	Presence of transparency and accountability system
Effectiveness of administrative structure	Incertainty Arbitrariness Ineffective bureaucratic structure	Open and clear. Effective bureaucratic structure

C. Impacts of Corruption

Corruption has negative impacts on all aspects of the life. In this study, the impacts of corruption on economy and citizens have been addressed.

1. The Impact of Corruption on Economy

- Corruption impedes investments. It reduces the investment tendency of both national and foreign investors as it brings additional charges on the investors.
- Corrupt activities retard the growth.
- Corrupt activities impoverish the public investments while they make the private sector investments more expensive.
- There is the vicious cycle of "Corruption – Poverty".

2. The Impact of Corruption on the Citizen

- Due to corruption, the distribution of income deteriorates and poverty increases.
- Corruption shakes the foundation of the principle of rule of law by impeding the good governance of the state and implementation of the principles of equality and justice and brings the legitimacy of the state into discussion. Public administration is also hindered and management becomes more expensive.
- Corrupt activities pave the way for subsequent corrupt activities and thus, results in a self-feeding vicious cycle.
- Corruption abuses the citizen's trust on the state.
- Corruption hinders the ordinary course of the citizen's affairs, disturbs their businesses and disappoints the citizen.

D. Importance of the Fight against Corruption

The following points should be taken into consideration with a systematic approach within the framework of the strategic management of the fight against corruption:

- Nature and formation process of corruption should be understood well.
- Corruption is a common problem throughout the world.
- International agreements and international cooperation are of great importance for national institutions in relation to the standards, policies and procedures which can increase effectiveness in the fight against corruption.
- Public institutions are special risk areas in terms of corruption.

- It must be admitted that each individual, each institution and the state should work actively for the fight against corruption.

E. Factors Effective in the Fight against Corruption

As there are certain factors facilitating the corrupt activities, there are also some factors which may help the prevention of such activities. The existence of the following factors limits the possibility of corruption. Co-existence ratio of these factors directly increases the ratio of preventing corrupt activities:

- Democratic Management
- Transparency
- Accountability
- Audit (Internal-External)
- Good Governance (New Public Management Understanding)
- Rule of Law
- High Bureaucratic Quality
- Deterrent Sanctions
- Widespread Use of Ethical Rules
- Development of Effective Management in Public Sector

F. Role of the Supreme Audit Institutions (SAIs) in the Fight against Corruption

- SAIs should definitely play a more effective role in the fight against corruption in addition to maintaining transparency and accountability for more effective, productive and economic use of public resources.

- The article on Intensifying the Fight Against Corruption is included in the Johannesburg Accords adopted by INCOSAI, held in South Africa on the 27th November 2010.

- Corruption is common global problem threatening the public finance, legal order and social welfare. INTOSAI must lead by example in the fight against corruption. INTOSAI must fulfill its responsibility of maintaining transparency and preventing corruption through various activities and measures.

SAIs develop actions, procedures and policies aiming at the prevention of corrupt activities via financial and administrative control activities which include:

- Evaluation of internal control systems,

- Confirmation of the presence of good governance practices,
- Observing the principles of economy, effectiveness and efficiency,
- Evaluation of the financial statements.

SAIs guarantee the sound management and transparency of democratic states.

G. International Dimension of the Fight against Corruption

Along with globalisation, the countries started to address the problems at a global level. This tendency continues increasingly. Hence, a global approach has been adopted in relation to the fight against corruption.

1. Active International Institutions in the Fight against Corruption

- United Nations (UN)
- European Union (EU)
- Council of Europe (CoE)
- Organisation for Economic Cooperation and Development (OECD)
- Transparency International (TI)

United Nations (UN)

- The United Nations Convention against Corruption
- The United Nations Convention against Transnational Organised Crimes (Palermo Convention)

European Union

- European Anti-Fraud Office (OLAF)
- European Union instructs member states to establish Anti-Fraud Coordination Service (AFCOS) units.

Council of Europe (CoE)

- Criminal Law Convention on Corruption
- Private Law Convention on Corruption
- Group of States against Corruption (GRECO)
- Twenty Basic Resolutions in the Fight against Corruption of the Council of Europe

Organisation for Economic Cooperation and Development (OECD)

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

Transparency International (TI)

- Corruption Perception Index (CPI)
- Bribe Payers Index (BPI)
- Barometer: 2010 Global Corruption Barometer

H. Dimension of the Fight against Corruption in Turkey

Since corruption is an old and longstanding phenomenon, there have been activities and studies on this issue for a long time in Turkey, as well. The present study also addresses the recent developments in the fight against corruption in Turkey.

- In Turkey, important reforms have been made since 2001 in public administration, in general terms, and in the field of fight against corruption, in particular.
- In recent years, legal arrangements and administrative practices have been realised in order to increase transparency, maintain accountability and prevent corruption in Turkey.
- *Transparency, accountability, effectiveness and fight against corruption* are the factors that are taken into consideration in the legal arrangements.
- There are relevant legislation and legal arrangements in the field of the fight against corruption. In the Turkish Criminal Code no. 5237, offences are defined in line with the types of corruption.
- In Turkey, the Commission for Increasing Transparency and Strengthening the Fight against Corruption was established (2002-2009).
- The Strategy for Increasing Transparency and Strengthening the Fight against Corruption,
 - Prime Ministry Inspection Board was commissioned as Anti-Fraud Coordination Service Unit.
 - Financial Crimes Investigation Board was established.
 - Public Finance Management and Control Law No. 5018 was adopted in 2003.
 - Law No. 6085 on the Turkish Court of Accounts was adopted in 2010.
 - Such civil society organisations as TESEV (Turkish Economic and Social Studies Foundation) and TEPAV (Economic Policy Research Foundation of Turkey) carry out activities in this field.

1. Public Financial Management and Control Law No. 5018

The Law No. 5018 accepted the reflection of the new public management understanding adopted at the global level to the public financial management. Thus, the law in question is of great importance in the fight against corruption. It is possible to list the Fundamental Principles of Financial System Established by the Law No. 5018 as follows:

- Recording all the financial transactions,
- Compliance with Laws,
- Effective, Economic and Productive Use of Resources,
- Financial Transparency
- Codetermination
- Accountability
- There are four stages of Public Financial Management Process: Planning, Budget Preparation, Implementation of the Budget and Responsibility, Audit (Internal – External)

2. Law No. 6085 on the Turkish Court of Accounts

Law No. 6085 on the Turkish Court of Accounts regulates the composition, authorities and responsibilities, operating procedures and principles of the Turkish Court of Accounts. It is possible to summarize the important role of the Turkish Court of Accounts as follows:

The Turkish Court of Accounts;

- performs audit activities on behalf of the Turkish Grand National Assembly,
- takes final decision on the accounts and transactions of the responsible officials,
- carries out the duties of examining, auditing and taking final decision stemming from laws,
- in the framework of accountability and fiscal transparency in the public sector, to ensure that public administrations function effectively, economically, efficiently and in compliance with laws and that public resources are acquired, preserved and utilized in accordance with foreseen purposes, targets, laws and other legal arrangements.

3. TESEV

There are many studies conducted by TESEV. The present study includes TESEV's survey concerning corruption. It is possible to summarize the relevant parts of the answers given to the questions of this survey as follows:

- In any case, the supervisory role of the state should be accepted.
- The most important step is expected from the state.

- Corrupt activities are prominent among the problems that should be solved. However, the major factor causing this corruption is the community.
- There is a widespread conviction that corrupt activities are intense within the community and that corruption is an indispensable component of the social-political and economic structure although all the citizens generally complain about it.

4. TEPAV

According to the survey conducted by TEPAV, there is an ongoing perception change in Turkey in relation to corruption:

- The ratio of those regarding bribery and corruption as the most important problem of Turkey was:
 - 14 % in 2000,
 - 10 % in 2004,
 - 3 % in 2008.
- Perception of the Turkish people about the fight against corruption has improved.
- Since 2001, Turkey has made important reforms both in public administration, in general, and in the field of the fight against corruption, in particular.

I. Factors That Should Be Taken Into Account in the Fight against Corruption:

- Risk Factors – There are certain dilemmas to be solved.
- Its importance should be comprehended.
- How will it be defined?
- Its perception, restriction and tolerable level.
- Its Legal – Moral – Ethical Dimensions.
- Written Rules – Theoretical Acceptance – Practice – Different Evaluation by Parties.
- Who will fight against it? Who is responsible for?
- Not finding excuses to legitimate corrupt activities.
- Assessments and perceptions about the corruption should be realistic.
- Distinction between Irregularity/Corruption? Does Irregularity always mean corruption?
- There is corruption in public sector but does not it exist in the private sector? We also need to fight against corruption in private sector.

As corrupt activities can be observed in all fields and professions, measures against corruption should be taken individually for respective fields and professions.

- Means and methods of the fight against corruption should be revised under the evolving conditions.

IV. Conclusion

For an effective and successful fight against corruption, individual awareness-raising should be ensured, this fight should be made a component of the social culture, institutional structuring should be realised, legal arrangements should be made and a public opinion sensitivity should be developed. Providing support of the political will and establishing an effective management are compulsory.

As corruption is a global phenomenon, it is a social disaster for the community and it concerns all individuals and institutions; legal and institutional structuring should be realised and individual awareness-raising should be ensured within the framework of a strategic management and a systematic approach for prevention, determination and eradication of corruption as well as imposing sanctions on corrupt activities.

A preventive system should be established against corruption and the citizens should not be canalized towards corruption. We should not make way for corruption; in other words, we should render corrupt activities impossible.

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National Integrity System and Supreme Audit Institutions: The TCA Implementation*

Abstract

The fight against corruption holds its priority place on the agenda of the countries in the world. Considering the political, economic and social damages it causes, the importance of the systematic fight against corruption emerges once again. National Integrity Systems, in this sense, present a framework defining that all sectors in a country have roles and responsibilities in the fight against corruption. One of the building blocks of this framework is undoubtedly the Supreme Audit Institutions (SAIs). SAIs perform audits on behalf of the Parliament, and promote the development of a sound public financial management and control system by performing audit tasks in compliance with the legislation, national and international standards and audit guidelines. SAIs function as a deterrent against corruption. In this direction, the Turkish Court of Accounts (TCA) plays a key role in the fight against corruption as a fundamental component within the Turkish National Integrity System.

Keywords: The fight against corruption, National Integrity System, SAIs, TCA, accountability, fiscal transparency, performance-based management, internal control systems, institutional capacity.

1. INTRODUCTION

Making National Integrity Systems and its elements agenda topics and trying to strengthen them will encourage taking important steps in the field of the fight against corruption. Since SAIs which are the main elements in Public Financial Management System have a leading role in National Integrity System, they have indispensable duties and responsibilities in the area of the fight against corruption. Experience of the Turkish Court of Accounts (TCA) within the National Integrity System and its contributions to the system as an SAI by fulfilling the external audit duty with its judicial function have recently increased with the capacity development efforts intended for this field.

Therefore, the first part of this study focuses on the fight against corruption, the relation between the national integrity system and SAIs. The second part of the study addresses the role of the TCA in terms of national integrity system and the fight against corruption. Finally the third part deals with the capacity of the TCA in terms of national integrity system.

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2. NATIONAL INTEGRITY SYSTEM IN THE FIGHT AGAINST CORRUPTION AND THE PLACE OF SAIs IN THE SYSTEM

2.1. The Importance of the Fight Against Corruption

Corruption is defined as the misuse of entrusted power for private gain. It has taken its place as an important problem in the world not only in the agenda of the developing countries but also in the agenda of the developed countries. Particularly in recent years, international independent organizations have revealed that corruption cases have increased in many countries in the world and that its economic dimensions have reached terrible numbers. No matter what name is given to it, the practice of making illegal payments in many routine transactions, particularly in public tenders and international commerce activities, has become ordinary despite current efforts.

Corruption is a matter related to a state's legitimacy in terms of public management. It damages the legality and respectability of a state and political system. According to professional and academic studies, corruptions constitute a barrier in front of the good management of a state and the implementation of equality and justice principles. Thus they shake the rule of law principle to its foundations, and in this way, render the state's legitimacy questionable. If it cannot be prevented or if it spreads, it has a negative impact in the form of pushing society towards violations and disturbance. It is necessary for every state to prevent corruption, which is considered as a universal disease due to its political, social, economic, ethical etc. harms.

However, considering its current extent and complexity, the fight against corruption necessitates long-term, multi-dimensional and patient efforts. The fight against corruption requires legal arrangements serving specifically this purpose, suitable policies, strategies, actions plans and finally a well-designed organizational structure. The fight against corruption and in this context the effectiveness of the state are directly related to the state's efforts to become transparent and accountable and to the citizens' participation into the various stages of the management process either in person and/or through non-governmental organisations (NGOs), in addition to other reforms.

2.2. National Integrity System in the Fight against Corruption

An effective fight against corruption requires an agreement to be reached among all sectors of society. It is very important that the agreement aims particularly at preventing corruption before it emerges and that it deals with systematic issues rather than individuals. Due to the damages of corruption to individuals, society and public management, the fight against corruption is a collective movement, which should be performed in a serious spirit at all levels starting from individuals to the public entities and international organizations. Therefore, collaboration and cooperation are essential to fight against corruption. In line with

this, the fight against corruption requires the active participation of all public entities that have authorities and responsibilities in the field, the private sector, citizens and the civil society.

The success of the fight against corruption depends on the wideness of the social agreement reached in this field and also on the functionality of the multi-faceted strategies that need to be determined in this field. In this way, it is possible to form individual awareness on the one hand and to turn the fight against corruption into a social culture as a collective movement on the other hand.

As this truth was realised in the 1990s, the term “National Integrity System”, which sets forth a system in the fight against corruption, has gained a place in the literature. Aiming at preventing corruption before it emerges and focusing on systems rather than individuals, this approach means giving roles and responsibilities to all necessary sectors of the society in the fight against corruption. It also proposes to conduct the fight against corruption in a multi-faceted and holistic framework covering all sectors of the society.

While National Integrity System varies across countries due to different bureaucratic structures, in general, it covers following elements that have a function in the fight against corruption:

- Parliament,
- Executive,
- Judiciary,
- Supreme Audit Institution,
- Ombudsman,
- Anti-corruption Agencies,
- Electoral Management Bodies,
- Political Parties,
- Media,
- Civil Society,
- Business,
- Law Enforcement Agencies,
- Public sector.

All elements of the system are independent from each other but they are in an absolute coordination in the fight against corruption. On the other hand, all elements should be effective in a successful strategy for the fight against corruption. Any shortcoming in one or a few of the said elements would decrease the effectiveness of other elements and endanger the power of the fight against corruption. Therefore, all elements of National Integrity System should be

powerful and in a certain balance. As all elements are inter-dependent, a weakness in one element would overload the others. If a few of the elements have weaknesses, the system can stop functioning and even collapse.

2.3. SAIs in the National Integrity System

Corruption is closely related to the concepts of accountability culture and transparency. The activities of SAIs have an indispensable role in establishing accountability and developing transparency in public sector. Being the financial assurance of a sound financial management in all countries, SAIs are among the most trusted entities within their systems. SAIs undertake the function of holding managements accountable on behalf of the citizens, who want to know where and how the collected taxes were spent. Therefore their activities, even their mere existence, is an element of assurance for the public.

Corruption is much more common in the public financial managements where the audits are not effectively performed. SAIs perform audits on behalf of the Parliament, and promote the development of a sound public financial management and control system by performing audit tasks in compliance with the legislation, national and international standards and audit guidelines. They function as a deterrent against corruption. Therefore, the activities of external audit institutions are extremely important in the fight against corruption. Due to those activities, they are one of the fundamental elements of National Integrity System.

The importance of the fight against corruption for SAIs is also emphasized in the basic level INTOSAI international audit standards:

- The INTOSAI audit standard titled “The Value and Benefits of Supreme Audit Institutions” (ISSAI 12) states that “SAIs should evaluate changing and emerging risks in the audit environment and respond to these in a timely manner, for example by promoting mechanisms to address financial impropriety, fraud and corruption”.
- The audit standard on the principles of transparency and accountability (ISSAI 20) states that “Accountability and transparency are two important elements of good governance. Transparency is a powerful force that, when consistently applied, can help fight corruption, improve governance and promote accountability”.
- Similarly, the INTOSAI audit standard identifying the code of ethics (ISSAI 30) states that “Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption or which may raise doubts about their objectivity and independence”.

3. THE ROLE OF THE TCA IN THE SCOPE OF THE NATIONAL INTEGRITY SYSTEM AND THE FIGHT AGAINST CORRUPTION

3.1. An Overview of the TCA in the Context of the Fight against Corruption

The TCA was established in 1862 with the name of the Court of Accounts. It is a fundamental institution within the Turkish public management system with its long-standing past, well-established constitutional status, well-designed legal authorities and powerful organizational structure. It has a constitutional basis for its duties and powers. The professional staff members performing audits have constitutional and legal guarantees. The financial, functional and institutional independence of the TCA is very well-defined, and it also has a judicial power. The TCA, on behalf of the Parliament, audits all areas and institutions using public resources, and it performs its activities in accordance with international standards. The TCA has come to meet all the basic qualifications that an SAI should have for the fight against corruption particularly as a result of intense reform efforts realised in the last 15 years.

The capacity building efforts performed by the TCA actually form an important part of the reform efforts in the Turkish public financial management. The Turkish public financial management has been in constant change in the last decades. In general, this process includes reforms for making many legal arrangements and increasing capacity for implementation. During this process, the roles and responsibilities of the TCA were enhanced within the system, and at the present situation, it has become an indispensable institution for the functionality of the Turkish public financial management.

Within the scope of the roles and responsibilities given to the TCA for ensuring accountability and transparency, it has also had a very effective position in terms of the fight against corruption. By means of the audits it performs, the reports it prepares after audits and the judicial power it has, the TCA acts as a fundamental component within the Turkish National Integrity System in the context of the fight against corruption. It has functions such as establishing accountability awareness in public management, increasing fiscal transparency, improving the systems that are not efficient, effective or economic and that pave the way for corruption, and developing the performances of public entities delivering public services.

The duties of the TCA defined by legislation are as follows:

- To audit all revenues, expenditures and assets of public administrations within the scope of the general government budget and social security institutions on behalf of the Parliament and take final decision on the accounts and transactions of those responsible.
- To audit the accounts and transactions of local administrations and take final decision on them.
- To audit the public economic enterprises.

- To submit the statement of general conformity to the Parliament.
- To conduct the financial audit of political parties unless the Constitutional Court decides otherwise, and to send the resulting audit report to the Constitutional Court for finalization.
- To give its opinion on the draft laws and proposals pertaining to the TCA, the by-laws to be prepared as per the TCA Law, the by-laws to be regulated on financial matters by public administrations under general government, and the regulatory actions having the characteristics of by-laws.
- To perform the duties of examining, auditing and taking final decision prescribed by laws.

In this framework, the mission of the TCA is as follows:

- To conduct audits in accordance with the international standards and to submit reports to the public and the Parliament, on whose behalf the TCA conducts audits, in order to ensure accountability and financial transparency in the public sector;
- To ensure that the public entities act in compliance with the requirements financial management, performance management and reporting requirements of Law No. 5018 and submit financial statements and other reports, which are reliable, timely, informative and consistent with the financial regulations so as to present evidence that the public resources are used in an economic, efficient and effective manner; and
- To take the final decision on those issues that cause public loss among the financial transactions of public entities under general government based on concrete information and analysis in a timely manner.

In this framework, the TCA has preventing, revealing and deterring roles in the fight against corruption. The TCA primarily plays a preventive role in the fight against corruption by improving the culture of transparency and accountability in the public sector and strengthening the sound public financial management. Besides, the TCA is well-equipped to play a considerably significant role in detecting certain cases of corruption such as conflict of interest, asset misappropriation, embezzlement, forgery and a wide variety of illegal activities in public procurement procedures etc. Finally, it has a deterring role as a result of its judicial mechanism as well.

As it is seen, the TCA makes a contribution to decreasing corruption risks and taking preventive measures before corruption emerges in addition to its notion of seeking and punishing corruptions in line with the main philosophy of the National Integrity System.

3.2. TCA Audits

The TCA, which is defined in the form of the sole external audit institution of the Turkish public financial management system, performs its audits in two ways on behalf of

the Parliament. The first one is the regularity audit, and in this scope, risk and system based financial audits and compliance audits are performed at the institutional level. The second one is performed under performance audit by measuring the activity results with respect to the objectives and indicators identified by the administrations within the accountability framework. The TCA audits are performed in line with the audit manuals prepared by using international audit standards as a reference.

3.2.1. The Purposes and the Scopes of the TCA Audits

The TCA audits are performed with the following purposes;

- Submitting reliable and sufficient information to the Parliament and the public concerning the activity results of public administrations, as required by the power of the purse,
- Executing public financial management in line with laws, and safeguarding the public resources,
- Evaluating the performance of public administrations,
- Establishing and extending accountability and fiscal transparency.

Within the scope of financial audit, the TCA gives opinion on the reliability and accuracy of the financial accounts, transactions, financial reports and financial statements of almost all public entities in Turkey, and makes assessments regarding the financial management and internal control systems of public entities. During the performance of those works in accordance with the Financial Audit Manuals prepared in compliance with the ISSAI - International Standards of Supreme Audit Institutions, the TCA provides reasonable assurance on whether the financial reports and financial statements of the audited public entities have any significant misstatements due to error or fraud. In addition, the matters found during audits and including suspected corruption are transferred to the relevant units and institutions.

Within the scope of compliance audit, which is another part of regularity audit, the TCA determines whether the revenues, expenditures and asset accounts of public entities, as well as their accounts and transactions are in compliance with laws and other legal arrangements. All revenue and expenditure transactions of public entities in relation to budget execution including corruption risk are audited in this scope, and the results are connected to various sanctions.

The audit of efficiency, effectiveness and economy, which the TCA is legally authorized to perform, is actually established on the basis of the accountability of those with authority on public resources. One of the most important precautions in the fight against corruption is to hold those collecting, spending or keeping public resources accountable. With this audit, the TCA has the function of evaluating the activities performed in risky areas within the framework of efficiency, effectiveness and economy principles and promoting the improvement of the system and processes.

3.2.2. The Competencies of the TCA

The competencies of the TCA during audits are as follows:

- In performing its duties prescribed by laws, the TCA is competent to correspond directly with public administrations and officials; to see required documents, books and records through its assigned personnel; to have these brought over to any location it deems appropriate, with the exception of assets; to call on relevant officials of all grades and categories in order to receive oral information; and to request representatives from public administrations
- The TCA may request all kinds of information and documents related to its audit works from public administrations and other real and legal persons including banks
- The TCA is competent to examine, on the spot and at any stage of operation and incidence, all related records, goods, properties, practices, transactions and services of those public administrations and institutions within its audit scope, by its assigned personnel or expert witnesses
- The TCA may also audit the accounts, transactions, activities and assets of public administrations as of the pertaining year or years irrespective of their account or activity period; as well as based on sector, program, project and topic.

3.2.3. The Audit Approach of the TCA

The existence of audit itself plays a role in preventing corruption by strengthening accountability. In addition, the activities performed during audit have roles in detecting and deterring corruption. Therefore, the TCA accepted the following approach at the strategy level and urgently took the necessary precautions in order to strengthen an accountable and transparent public management understanding and increase the effectiveness and capacity of audits within the framework of international standards:

- The aim is to improve the audit processes within the framework of fraud and corruption; in this scope, audit methodologies are constantly developed in the light of institutional knowledge and internationally accepted audit and accounting standards, and thus audit effectiveness is improved.
- Audit strategic plans and annual audit programs are prepared by considering the high-risk areas in terms of fraud and corruption and the expectations of the public. Moreover, the news in the press about fraud and corruption are evaluated, and the frequent or important matters in terms of TCA audit are identified.
- The audit manuals of the TCA are regularly reviewed and updated within the framework of the fraud and corruption principles of international audit standards.
- In order to increase auditors' awareness about preventing and detecting fraud and

corruption, audit procedures were formed and they were presented for auditors' use during audits.

- In order to increase auditors' awareness about the fight against fraud and corruption, trainings are organized. By trainings, it is ensured that professional scepticism is understood correctly and used so as to promote the fight against fraud and corruption, that SAIs' roles and responsibilities in the fight against fraud and corruption are understood, and that the awareness of ethical rules is increased and implemented accurately in audit activities.

3.3. TCA Reports

The reporting activity of the TCA also promotes fiscal transparency directly and thus accountability. As it is known, an SAI operating in compliance with the standards should submit adequate, accurate and reliable audit reports to the Parliament so that the state has accountability. Easy access to information on how public entities operate is an important tool promoting transparency. In line with this, in 2014, the TCA prepared 698 institutional level audit reports. In addition to those, it prepared general reports as shown below to the Parliament. Through the reports, it made suggestions to the Parliament for taking necessary actions to ensure accountability.

3.3.1. The Audit Reports of the TCA and Their Contents

The TCA audit reports and their contents are as follows:

- *Audit Report of Public Entity*: This report is prepared as a result of the regularity and performance audit of public entity. The audit reports regarding the public administrations under central government and social security institutions are submitted to the Parliament with the External Audit General Evaluation Report and sent to the relevant public entities for information and necessary action. The audit reports of local administrations are sent to their assemblies for information and necessary action.

- *External Audit General Evaluation Report*: This report is prepared in a manner to cover issues that are considered important or general in the audit reports prepared at the end of the audits of public entities; general information about the audits conducted and other financial matters that are deemed appropriate for reporting. This report is submitted to the Parliament and made public. External Audit General Evaluation Report is an important means helping those assigned and authorised in the acquisition and use of public resources take necessary measures to ensure the economic, effective, efficient and lawful use, recognition and reporting of resources and to prevent misuses.

- *Accountability General Evaluation Report*: Accountability General Evaluation Report is prepared by the TCA through the evaluation of the accountability reports sent by the public entities, the General Accountability Report sent by the Ministry of Finance and the Local

Governments General Accountability Report sent by the Ministry of Interior in consideration of the audit results as well. The purpose of this report is to assure the accuracy of the financial and performance information disclosed by the senior executives to the public through a statement of assurance within the context of strategic plan, performance program and budget relation.

With the Accountability General Evaluation Report, the TCA targets to provide the Parliament and public with adequate and reliable information about the activity results of public entities by ensuring that administration and accountability of public entities with respect to the acquisition and use of public funds are discussed within the Parliament.

Accountability General Evaluation Report is submitted by the TCA to the Parliament along with the general accountability report, local governments general accountability report and accountability reports of the public entities excluding those pertaining to the local governments, and one copy is sent to the Ministry of Finance. One copy of the evaluation of the TCA concerning the accountability reports of the local governments is sent to the Ministry of Interior and one copy is sent to the assembly of the relevant local government.

▪ *Financial Statistics Evaluation Report:* This report is prepared as a result of the evaluation of the annual financial statistics published by the Ministry of Finance in terms of preparation, publication, accuracy, reliability and conformity to the predetermined standards in the following year. This report is submitted to the Parliament and one copy is sent to the Ministry of Finance.

▪ *Statement of General Conformity:* The TCA prepares the statement of general conformity for the public entities within the scope of the central government and submits to the Parliament within at least seventy five days as of the submission date of the draft final account law. The statement of general conformity prepared by the TCA relates to the final account law. It contains findings and recommendations with respect to the promotion of transparency and accountability of the final account process. In this way, the statement of general conformity makes significant contributions to the improvement of the public financial management and control as well as the budget audit system. In order to make conformity evaluation, final accounts of the public entities within the scope of the general budget, special budget entities and regulatory and supervisory bodies for the relevant year are compared with the administration period accounts of the Accounting units within the scope of the central government; financial statements and tables included in the central government final account and final accounts of public entities are examined and audit results and accountability reports are taken into consideration.

▪ *Annual Audit Report for Public Economic Enterprise:* A reasoned and comparative report including the opinions that will form the basis for whether or not the transactions, balance sheets, operating accounts and governing boards of the audited entity are released or are submitted to the general debate is prepared annually. This report is sent to the audited entity, the relevant ministry and the Parliament. It is sent to the Ministry of Development and the Undersecretariat of Treasury as well.

▪ **General Report on Public Economic Enterprises:** The General Report on Public Economic Enterprises includes the results of the annual activities of the public economic enterprises, their place in the Turkish economy and their general and common problems. Encompassing the results of the annual activities of the audited public economic enterprises, this report is announced every year in order to inform the public.

Considering the importance of the reporting activity within the framework of accountability; such strategies as producing easy and understandable audit reports, preparing audit reports in line with international standards and expressing the intended messages more clearly through reports were determined and accordingly, works are being carried out with the aim of increasing the reporting capacity of the TCA.

3.4. The Contributions of the TCA to the Turkish National Integrity System

3.4.1. Strengthening Accountability and Fiscal Transparency

Accountability is the responsibility and duty of those using public resources and powers on behalf of citizens, to provide information and explanation for all their works and transactions. In other words, it is the obligation to provide information and justification to the public for decisions, transactions and actions. *In this framework, those assigned and authorized in the acquisition and use of all kinds of public resources are responsible for acquiring, using, accounting, and reporting the resources in an effective, economic, efficient and lawful manner and taking the necessary precautions to prevent their misuse, and they must answer to authorized parties.* The purpose of accountability is to ensure that the citizens have information so that they can assess the state's activities. Since corruption will grow where secrecy exists, an accountable state covers significant ground in preventing corruption in well-functioning democracies.

Fiscal transparency means being open to public regarding the duties and structure of government, fiscal policy strategies, public sector plans and financial projections. In other words, it means that the public entities share information on their plans, decisions and actions, and their findings and documents with the nation and its representatives in a regular, sound and accurate manner. Transparency is one of the most important mechanism ensuring a state's accountability. Since the public is informed on how and why public resources are used in a transparent system, it becomes quite difficult for managers to use their authorities against public good or for their own benefits. Therefore, transparency both encourages the efficient and effective use of public resources and also dries out the sources of corruption.

For ensuring transparency and accountability and thus promoting the fight against corruption; the public and those concerned should have access to the information that will enable them assess whether public officers act within the boundaries of authority granted to them and whether the public resources are used in a lawful, efficient, effective and economic manner.

The most important role of the TCA in the fight against corruption is its contribution to the development of accountability and transparency in Turkish public financial management. The audit activities of the TCA and the reports prepared and submitted to the Parliament promote fiscal transparency directly and thus accountability.

Reports of the Turkish Court of Accounts, except for the cases forbidden to be announced by laws, is announced to the public by the Turkish Court of Accounts through internet.

3.4.2. Making Performance-Based Management Functional in the Public Sector of Turkey

Public Financial Management and Control Law No. 5018 foresees that the public administrations prepare strategic plans in a cooperative manner in order to form missions and visions for future within the framework of development plans, programs, relevant legislation and basic principles adopted, to determine strategic goals and measurable objectives, to measure their performances according to predetermined indicators, and to monitor and evaluate this overall process.

In this framework, public administrations should prepare performance programs including their activities and projects to be carried out, resources required for them and their performance objectives and indicators.

Public administrations should base their budgets, their program and project-based resource allocations on their strategic plans, annual goals and objectives, and performance indicators in order to present public services at the required level and quality.

Public administrations should prepare their budgets on performance basis and in concordance with the mission, vision, strategic goals and objectives included in the strategic plans.

Public administrations should also prepare and publicize administration accountability reports, which present the activity results of their administrations every year, in the framework of accountability.

Performance audits carried out by the TCA methodologically focus on whether the public funds are used in an economical, effective and efficient manner on one hand while they target to contribute to making performance-based management functional in the public sector on the other hand.

The TCA has three objectives in the performance audits:

- Ensuring that public entities indicate their performance information in the accountability reports in compliance with the Law No. 5018 in order to guarantee accountability and transparency in public financial management,
- Contributing to the usefulness and quality of the reported information,

- Giving assurance to the Parliament and the public about the use of sound data record systems for monitoring and reporting the progress made by the public entities in terms of performance targets and indicators.

The approach of measuring institutional performance with the aim of promoting accountability and transparency has come into prominence in the new public financial management understanding of Turkey. Within this scope, the use of public funds allocated to the public entities for realising their aims and objectives through activities in an economical, effective and efficient manner has become important.

Pursuant to the methodology of the performance audit conducted with this understanding, aims and objectives indicating the procedure to be followed by the public entities in the light of their plan and program documents and activity results emerging as a result of the budget implementation are measured within the framework of the performance indicators. The audit reports prepared within this framework exhibit the year-end performance of the entities by comparing it with the initial targets. In addition to ensuring an effective functioning of accountability, these reports make significant contributions to the improvement of performance management processes of entities.

3.4.3. Improving Internal Control Systems of Public Entities

Within the framework of the Turkish public financial management, senior executives are held responsible for establishing and supervising the internal control system. This system should be established in order to ensure that activities are carried out in an economical, effective and efficient manner in line with the aims of the entity, predetermined policies and legislation; assets and resources are protected; accounting records are kept completely and accurately; corruption and errors are prevented and detected, and financial information and administration information are produced in a timely and reliable manner. Awareness concerning corruption constitutes a part of the internal control system and reliability of this system is of paramount importance in preventing corruption.

Establishment and implementation of an effective internal control system to minimise the risk of corruption principally fall under the responsibility of the government and public entities. In this respect, the fundamental role of the TCA is to inform the audited public entity, the Parliament and other relevant parties about the internal control deficiencies identified during the audits through its reports in an instructive manner and to follow the developments in this field.

Within the scope of the risk-based audit understanding, the TCA has focused on whether the internal control mechanisms are established in the public entities in a sound and reliable manner and whether the existing control systems are sufficient to ensure compliance with laws and to prevent irregularities and corruption. The findings reached are included in the External Audit General Evaluation Report of the TCA prepared annually for submission to

the Parliament. The developments with respect to the functioning of the system are followed on a regular basis.

3.4.4. Imposing Sanctions by Means of Judicial Power

According to the Constitution of the Republic of Turkey, the TCA is a judicial body and, beyond this, a supreme court. Trial of the TCA is based on the audits conducted by the TCA within the framework of the provisions of the TCA Law. Judicial reports prepared as a result of the audits conducted by the TCA auditors in the headquarters and in the field are discussed and adjudicated by the TCA Chambers and “writs” are prepared. Those responsible can appeal these writs and the Board of Appeals of the TCA takes the final decision on the judgment. Chambers and the Board of Appeals are located in the headquarters of the TCA. The TCA functions both as a lower court and a superior court.

Judicial reports prepared by the auditors as of the end of the financial year include public loss which constitutes the main topic of TCA’s judicial authority. Public loss refers to preventing increase or leading to decrease in the public funds as a result of unlawful decisions, transactions or actions of the public officials resulting from their intentions, faults or negligence. While final decision on the responsibilities of the public officials with respect to the public loss is taken by the Chambers, the TCA can impose a penal sanction by ruling that those responsible should indemnify the loss.

Within this framework, judicial activities of the TCA have a dual function with regard to the fight against corruption. They firstly reveal corruption and ensure that punitive fine is imposed on those responsible, and secondly, play an effective deterring role by ensuring that measures are taken so as not to allow the repetition of these activities. On the other hand, the TCA plays another important role in the fight against corruption by ensuring the transfer of the criminal acts encountered during audits to the Public Prosecution Offices so that they are prosecuted by the relevant judicial bodies.

3.4.5. Increasing Social Awareness in Turkey and Participating in International Activities

Informing the public about the effective role that the SAIs play in the fight against corruption is of great importance for the success of this fight and increasing social awareness in this respect. In today’s modern world, informing the media and the public as well as the parliament has become a responsibility for the SAIs. As the supreme audit institutions conducting external audit on behalf of the Parliament, SAIs should have close relationships with the parliament and the media, in particular, so as to ensure that their reports are taken into consideration and their recommendations are followed.

In this direction, the TCA can convey its messages to the Parliament, the audited entities and the public through various tools according to the requirements of each stakeholder via

its versatile communication strategy. The type, level and content of the information that each stakeholder requires from the TCA are evaluated on a regular basis. Increasing the awareness of the stakeholders and the society in general is targeted within the scope of the fight against corruption.

The TCA also makes the audit reports submitted to the Parliament available to the public by publishing them on its website in line with the principles of accountability and transparency. When feedbacks are evaluated, it is understood that the public has reached a certain level of awareness about corruption both on the level of citizens and on the level of media and non-governmental organisations through the reports of the TCA. Within this framework, the TCA adopted a strategy for creating effective tools in order to inform the public about the reports and information on the audit results.

Last but not least, the contribution made by the TCA to the fight against corruption in the international arena is another point worth mentioning under this title. The Republic of Turkey has demonstrated its determination to fight against corruption and the importance it places on the international cooperation in this respect to the whole world by joining the international organisations established for a more effective fight against corruption throughout the world and adopting the adjustments made by these organisations.

As for the TCA, it regularly participates in the events held in the field of audit as the single external audit institution of Turkey. In this direction, the TCA, as one of the representatives of the Republic of Turkey, also participates in the meetings on corruption that host “States Parties to the United Nations Convention against Corruption” and are organized by UNODC on a regular basis. Furthermore, a high level of participation is ensured for the activities of the Group of States against Corruption (GRECO). The contribution of sharing knowledge, document and experience with international organisations having roles and responsibilities in combating corruption to the fight of the TCA against corruption and fraud has been increasing day by day.

4. TCA’S CAPACITY IN TERMS OF THE TURKISH NATIONAL INTEGRITY SYSTEM

4.1. Resources of the TCA

Budget proposal of the TCA is directly submitted to the Parliament every year during the preparation of the central government budget. The TCA prepares its five-year institutional strategic plan and, in accordance with this plan, its annual performance program as per the Public Financial Management and Control Law No. 5018. Within this scope, the budget of the TCA which is prepared in line with its strategic plan and annual performance program is adequate for the realisation of its aims and objectives.

Human resources recruitment of the TCA is made in line with the institutional aims and objectives as well. In this sense, the TCA Human Resources Management Strategic Plan (2015-2018) was prepared and is being implemented. Since the TCA auditorship is a career profession, only the graduates of the faculties specified in the TCA Law can apply to the exam for the assistant auditor candidates of the TCA. It is targeted to train and develop the TCA staff through annual training plans and programs. Positive performance records of the staff play a key role in the progress they make in their positions.

Physical resources of the TCA (headquarter, office rooms, archive buildings, training and social facility etc.) are adequate as well for the realisation of its strategic aims and objectives. Where necessary, physical resources can be increased after being subject in the budget proposal of the TCA. The TCA controls and manages its own resources by itself.

4.2. Independence of the TCA

Independence is the prerequisite of the existence of the TCA as an SAI and judicial body as well as of impartial service provision. Conduct of audits in a fair, prejudice-free and impartial manner and observance of the code of conduct are indispensable components of the institutional credibility. Therefore, the TCA Law guarantees this fundamental value. In the TCA Law No. 6085, the independence is expressed as "The Turkish Court of Accounts has functional and institutional independence in carrying out its duties of examining, auditing and taking final decision conferred by this Law and other laws".

The Constitution of the Republic of Turkey addresses the relations between the TCA and the Parliament in a general manner and specifies that the TCA is charged with the auditing of all revenues, expenditures and assets of the public entities within central government budget and social security institutions on behalf of the Parliament. The TCA is fully independent in its institutional functioning. It prepares and implements its strategic plans and programs on its own. The Constitution guarantees that the establishment, functioning and audit procedures of the TCA, qualifications, appointment, duties and authorities, rights and obligations and other personal affairs of the TCA staff as well as the tenurial safeguards of its President and members are regulated by laws.

The TCA legislation and other regulations referred to by this legislation include provisions restricting the political and other activities of the TCA staff so as to preserve their independence and impartiality. The procedure concerning the dismissal of the TCA staff and the disciplinary process to be followed for each erroneous behaviour are prescribed by legislation. Terms of office of the professional staff of the TCA are determined by legislation as well. Government or any other public institution is not entitled to interfere in the planning and execution of the activities of the TCA.

4.3. Audit Area of the TCA

The audit area of the TCA is described by the legislation and covers the following:

- Public entities within the scope of the central government budget and social security institutions, local governments, joint stock companies established by special laws with more than 50% of its capital directly or indirectly owned by the public sector and other public entities (excluding the professional organizations having a public status),
- Provided that the public share is no less than 50%, all types of entities, organizations, institutions, associations, enterprises and companies affiliated to or founded by the entities listed in point (a), or those of which the above mentioned entities are directly or indirectly partners,
- All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds,
- All public accounts, including private accounts, public funds, resources and activities regardless of whether these are in the public administrations budget;
- Accounts and transactions of international institutions and organizations within the framework of the principles set out in the relevant treaty or agreement.

The TCA has become much more powerful in implementing the new audit methods and approaches in its expanding scope of authority. Therefore, the TCA will further contribute to the promotion of accountability and transparency in the public sector and to the improvement of the public administration by informing the Parliament and the public on a regular basis through the audits it will conduct in line with the international standards.

4.4. Integrity Mechanisms of the TCA

The TCA attributes a great importance to the development of integrity culture within the TCA to maintain its stakeholder's trust. Therefore, integrity is always a high level topic on the agenda of the TCA.

In this regard, a comprehensive approach is followed to ensure that the TCA staff act honestly and that an ethical working environment is maintained. Requirements of the ethical leadership are implemented at all level of the TCA's management. Ethical guidance is another function the TCA's management maintains. In order to guide staff in terms of integrity, all related documents and legislation are made available on intranet and website, general announcements are made in a timely manner through intranet and necessary trainings are organized.

Since integrity efforts should be handled strategically, the TCA holds integrity-based objectives and activities as subject to its strategic plan in order to maintain and strengthen its integrity mechanisms. The TCA monitors its possible risky areas in the field of integrity and

implements due control activities to manage them effectively. Furthermore, the TCA benefits from the international knowledge and experience by assigning staff to the meetings held in the fields of audit, ethics and integrity under EUROSAI and ASOSAI.

The TCA adopted the regulation titled "Principles and Procedures Concerning the Code of Ethics of the TCA Auditors" in 2011. This regulation was published in the Official Gazette in Turkey. It is also on the internet and the intranet of the TCA to make external and internal stakeholders aware of it. This regulation is aligned to ISSAI 30.

Accordingly, the professional ethics rules of the TCA auditors is regulated under the following titles:

- Adherence to professional ethics rules
- Independence
- Impartiality and objectivity
- Integrity
- Equality
- Avoiding conflicts of interest
- Competence and professional care
- Professional and institutional consciousness
- Not using the profession to gain advantage
- Kindness and respect
- Confidentiality and keeping professional secrets
- Responsibility of executives

The procedures related to the declaration of properties, right to information, prohibition on acceptance of any other duty, performance assessment of staff regarding to compliance with professional code of ethics and staff complaints are prescribed in legislation. These procedures are implemented by the TCA in compliance with legislation.

From the integrity perspective, the disciplinary management is also very important to promote expected standart behaviours and maintain a fair organization. The legislation defines the procedures related to the disciplinary management in a comprehensive manner. Some examples of the situations that are prescribed by the legislation and regarded as the breach of the code of conduct are given below:

- Using state-owned vehicles, equipment and other similar objects for own purposes
- Providing information or making statements to the press, news agencies or broadcasting organisations without having the authority to do so
- Using official documents, vehicles, equipment etc. for obtaining personal gain

- Gaining benefits with respect to the task by any means
- Trading or engaging in other gainful activities prohibited for civil servants
- Making discrimination based on language, ethnicity, gender, political opinion, philosophical thought, religion and sect in fulfilling a duty; and acting by targeting benefits or harms for people
- Failure to make a declaration of property in the specified situations or durations
- Disclosing the information that is not allowed to be disclosed
- Joining political parties
- Acting in a disgraceful and embarrassing manner incompatible with the capacity of civil servant.

In the event of misconduct by the TCA staff, necessary examinations are carried out and the appropriate sanctions are applied.

5. CONCLUSION

Corruption, if it cannot be prevented or if it spreads, has a negative impact in the form of pushing society towards violations and disturbance. Therefore it is necessary for every state to prevent since it is considered as a universal disease due to its political, social, economic, ethical etc. harms. Fight against corruption is a collective movement, which should be performed in a serious spirit at all levels starting from individuals to the public entities and international organizations and therefore for which collaboration and cooperation are essential. Within this scope, each SAI is generally considered as an assurance factor within its own public financial management system and has roles and responsibilities for preventing and detecting corruption along with its deterring force against corruption. The TCA is a supreme audit institution which has reached the essential capacity in the fight against corruption with its well-defined mandate, broad audit scope, financial, organisational and functional full independence, system-oriented and ethics-based audit approach and finally adequate and equipped organisational structure. The TCA takes part in the fight against corruption with such contributions as promoting accountability and transparency, making performance-based management functional in the public sector, improving internal control systems of public entities, imposing penal sanctions by means of its judicial power and increasing social awareness. Therefore, the TCA constitutes a key component of the Turkish National Integrity System.

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Fight against Corruption in Turkey and the Role of the Turkish Court of Accounts*

1. Introduction

Corruption is a concept which dates back to the beginning of the social life and is based on a set of managerial, economic and social factors. Since corruption is a social phenomenon, it has been examined by many disciplines such as politics, public administration, sociology, anthropology, economics and law since its advent. Each discipline has made a separate definition for corruption within the framework of its own area of interest. The common aspect of these definitions is that corruption results from the abuse of powers by the individuals in order to ensure illegitimate private gain.

However, there is no generally accepted definition for the concept of corruption, which has been defined in different scopes and with different contents by academicians, experts and national and international organizations in the course of time. According to the World Bank, corruption refers to the abuse of public power for the aim of private benefits. According to the more comprehensive definition made by the Transparency International, the corruption, on the other hand, is not limited to the public power and refers to the abuse of any positions or powers for the purpose of private benefits.

The fight against corruption is a crucial prerequisite for the welfare and progress of the societies. According to the professional and academic studies in this field, corruption decreases the tendency to invest by leading to unforeseen additional costs on the part of the investors and for this reason; it affects growth in a negative manner and impoverishes the public investments. Due to these negative impacts of corruption, the fight against corruption is a comprehensive action, which needs to be taken at all stages ranging from the individuals to the international organizations and thus, requires cooperation and coordination.

In this context, Supreme Audit Institutions (SAIs) play an indispensable role in the fight against corruption. SAIs contribute to the development of accountability, transparency and sound public finance management and control understanding by fulfilling their audit works in consistency with the legislation, national and international standards and audit manuals and constitute a deterrent force against corrupt activities.

The Turkish Court of Accounts (TCA), which is a supreme audit institution conducting audit on behalf of the Turkish Grand National Assembly (TGNA), is entrusted with the mandate of placing final judgment, and it is a constitutional entity that gets its objectivity from its independence. The TCA duly performs its duties regarding the fight against corruption,

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conferred by the related regulatory framework and the “Strategy for Increasing Transparency and Strengthening the Fight against Corruption”, which is the official strategy of the Turkish Republic. It plays a significant role especially in preventing corruption and promoting a culture of openness and accountability in the public sector of Turkey. Despite the fact that the TCA has already established itself as an example in the field of anti-corruption in its region, it firmly believes in continuous improvement and is open to further improve itself in this field by taking the invaluable outcomes of the 10th ASOSAI Research Project into consideration.

2. Anti-Corruption Efforts in Turkey¹

In general, the current level of anti-corruption efforts in Turkey is much higher than past years thanks to a series of steps taken as a part of reforms relating to the public financial management and control system and positively contributed to prevent corruption. The anti-corruption efforts in Turkey could be analyzed with four dimensions: “Strategic planning”, “institutional base”, “legal background” and “international cooperation”.

2.1. National Anti-Corruption Strategy

National anti-corruption strategies play a chief role in the fight against corruption. Turkey has already prepared and put into practice its “National Strategy for Improving Transparency and Strengthening Anti-corruption”, covering a period between 2010 and 2014. It was adopted by the decision of Council of Ministers and published in Official Gazette in February 2010. It is coordinated by the Prime Ministry Inspection Board (PMIB).

The strategy aims at removing the factors that prevent transparency and feed corruption and developing an understanding of governance that is fair, accountable, transparent and credible. The main components of this Strategy are categorized under three main areas: Measures for prevention, enforcement of sanctions, and raising awareness in society. The action plan of the strategy is composed of a total of 28 main measures in these three areas. Each of these measures are explained in detail in accordance with its objectives, sub-measures if available, specific institutions responsible for the implementation, coordination, and collaboration, and a time-frame for realization.

2.2. Anti-Corruption Agency

In Turkey, the Prime Ministry Inspection Board (PMIB) plays the leading role in this field in collaboration with other public authorities with anti-corruption mission such as the Financial Crimes Investigation Board, the Council of Ethics, Ombudsman and the Public Procurement Authority. Prime Ministry’s Circular 2009/19 provides the legal basis for the PMIB to function as the coordination authority and based on that circular the PMIB;

¹ This section is prepared mainly on the basis of the “Questionnaire: Evaluation of Current Situation of Anti-Corruption” officially replied by the “Prime Ministry Inspection Board” of Turkey.

- Cooperated with OECD, the European Union, GRECO, SIGMA and other international institutions;
- Provided expertise to the works of relevant Commissions of the Turkish Grand National Assembly; and
- Played a leading role in the preparation of “National Strategy for Improving Transparency and Strengthening Anti-corruption” and “Action Plan for Improving Transparency and Enhancing Effective Public Management in Turkey”.

The main responsibilities and/or functions of the PMIB in the field of anti-corruption could be summarized as:

- Collect, centralize and exploit the denunciations;
- Conduct investigations;
- Raise public awareness about the fight against corruption;
- Identify the causes of corruption and propose to the competent authorities the measures to help eliminate it;
- Draw a risk map of corruption in the country;
- Research and analysis the matter of corruption;
- Research and analysis the matter of conflict of interest in the public management;
- Use a dedicated e-mail address so as to enable citizens to complain of corruption actions; and
- Occasionally conduct reevaluations of areas and activities having high risk of corruption in order to employ appropriate measures to mitigate corruption.

2.3. Legal Background

While Turkey has a special Law on anti-corruption, it is the Turkish Criminal Code that penalizes types of corruption such as abuse of position/power, fraud, bribery, criminal breach of trust, extortion, embezzlement, forgery, kickback, nepotism etc. Although punitive measures are very important, our experience shows that preventive policies and measures like improving transparency and accountability etc. have a bigger role in anti-corruption. To this end, Turkey has put a series of laws and regulations into practice in the areas of the financing of political parties, code of ethics of public officials, declaration of assets by public officials, accounting and auditing standards for both public and private sectors, obligation for public officials to report corruption-related offence. The adoption of the National Anti-Corruption Strategy, the National Anti-Smuggling Strategy, the United Nations Convention Against Corruption, the Right of Information Act, the Prevention of Laundering Proceeds of Crime Act, the Public Procurement Law, the new Turkish Penal Code, the new Public Financial

Management and Control Law and the new Law on the Turkish Court of Account are the examples of serious steps taken by Turkey.

2.4. International Cooperation

Turkey eagerly has been taking part in international efforts to cooperate and collaborate in this field. To illustrate, Turkey:

- signed the “United Nations Convention against Corruption” in 2003 and ratified it in 2006 and planned to review at year 4;
- ratified the “Convention on Combating Bribery of Foreign Public Officials in International Business Transactions” in 2000 and is a party to the OECD Working Group on Bribery;
- ratified the “Council of Europe’s Civil and Criminal Law Conventions on Corruption” in 2004;
- ratified the Council of Europe’s “Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime” in 2004;
- is a member of the Group of States against Corruption (GRECO) since 2004; and
- is a member of the Financial Action Task Force (FATF).

3. The Turkish Court of Accounts

3.1. Overview

The TCA, as the SAI of Turkey, conducts audits on behalf of the TGNA. Established by an imperial edict of His Majesty Sultan Aziz I on 29 May 1862, the TCA has been successfully continuing its duties and responsibilities for more than 150 years. Equipped with the task and power of taking final decision, it was set up on the basis of Judicial or Napoleonic model and performs its judicial power and functions through the Chambers.

The TCA has an indispensable role in the public financial management and control system of Turkey thanks to its auditing and judicial functions clearly stated in the Constitutions and related laws and regulations in force. Enjoying a high level of legal, institutional and personnel independence, it carries out that role with impartiality. The improvements in the public financial management and control system in the last decades have led to a series of new laws and regulations which has strengthened the role of the TCA. In line with these changes, the TCA has continued to improve its audit functions by complying with International Standards of Supreme Auditing Institutions (ISSAIs) and introducing new audit methodologies and techniques. In doing so, the TCA has been using the opportunities of information technologies with a view to enhance the quality and effectiveness of its audits.

The TCA, as a reputable member of the global SAI community, is an active member of the international and territorial organizations of SAIs, such as International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI), Asian Organization of Supreme Audit Institutions (ASOSAI) and Economic Cooperation Organization Supreme Audit Institutions (ECOSAI), and also takes part in the activities of United Nations (UN) and Group of States against Corruption (GRECO).

3.2. Constitutional and Legal Basis

3.2.1. The Constitution of the Turkish Republic

The TCA has a very strong constitutional base and took its place in the 1924, 1961 and 1982 Constitutions, the last of which is in force today. The Article 160 of the Constitution of the Turkish Republic provides the main constitutional base for the TCA including its judicial powers, while the Articles 164 and 165 also include provisions regarding the TCA.

According to the Article 160 of the Constitution:

“The TCA shall be charged with auditing, on behalf of the TGNA, all accounts related to revenues, expenditures and properties of the public administrations within the scope of central government budget and social security institutions, with taking final decisions on the accounts and transactions of those responsible, and with exercising the functions required of it by law in matters of examining, auditing and taking final decision. Parties concerned may file a single request for reconsideration of a final decision taken by the TCA within fifteen days of the date of written notification of the decision. No applications for judicial review of such decisions shall be filed in administrative courts.

Regarding taxes and similar financial obligations and duties, when there is disagreement between the decisions of the Council of State and the TCA, the Council of State’s shall prevail.

The TCA shall audit and take final decision on the accounts and transactions of the local administrations.

The establishment, functioning, audit procedures, qualifications, appointments, responsibilities and authorities, rights and obligations and other matters concerning the status of its members and guarantees of the President and the members of the TCA shall be regulated by law.”

3.2.2. Public Financial Management and Control Law No. 5018

Enacted in 2003, the Public Financial Management and Control Law (PFMC Law) is considered as the main legal framework for the public financial management system in Turkey. The main aim of the PFMC Law is to regulate the structure and functioning of the

public financial management, the preparation and implementation of the public budgets, the accounting and reporting of all financial transactions and financial control in general. The Article 68 of the PFMC Law describes the main principles of external audit.

3.2.3. The TCA Law No. 6085

In accordance with the reformation in public financial management and control system in the last decades and enactment of the PFMC Law, change in the TCA Law and related regulations became inevitable so that the TCA could satisfactorily fulfill the requirements of the new system. Hence, the new TCA Law came into force in 2010 and revoked the previous Law No. 832.

The purpose of the TCA Law No. 6085 is to regulate the establishment of the TCA, its functioning, audit and judicial procedures, qualifications and appointments of its staff, responsibilities and competences, rights and obligations and other matters pertaining to personnel, the election and security of tenure of the President and members of the TCA.

Additionally, there are regulations, which provide detailed information on the functioning of the TCA in accordance with the TCA Law.

3.3. Mission, Vision and Fundamental Values

The Strategic Plan (2014-2018) of the TCA determines the mission, vision and fundamental values of the Court. The mission of the TCA is:

- to conduct audits in line with international auditing standards and to submit reports to the TGNA and the public on behalf of which the TCA performs audits in order to ensure accountability and fiscal transparency in the public sector;
- to ensure that public administrations act in accordance with the financial management, performance management and reporting provisions of Law No. 5018 and present reliable, timely and informative financial statements and other reports as required by the financial regulations, giving evidence of economy, efficiency and effectiveness in usage of public resources; and
- to take final decisions in a timely manner and on the basis of sound information and analysis on matters related to public loss caused by the financial transactions of the public administrations within the scope of general government.

In this context, the TCA has a vision of being a leading organization in the effective management of public resources and a model organization for other public entities in the field of institutional management. The TCA realizes its mission and vision by complying with the fundamental values of independence and objectivity; good governance and responsiveness to expectations; openness to innovation; and professional competency and acknowledging staff as the most valuable assets.

3.4. Independence of the TCA

Thanks to its sui generis position in the administrative system of Turkey, the TCA is independent of the executive, legislative and judicial branches. It owns a very strong framework for independence ensured by the Constitution and laws and regulations in force. Moreover, its independence not only comprises functional and institutional dimensions but financial provisions as well.

The main legal base for independence is the Article 3 of the TCA Law, which states that the TCA “shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws”.

In addition to this, the TCA enjoys financial independence without any intervention of the Ministry of Finance despite the fact that the TCA is within the scope of the general budget. That is to say, the TCA prepares its own budget independently and does not have to follow the general budgeting procedures as it is the case for other public administrations under the general budget. According to the article 62 of the Law on the TCA, the Presidency of TCA shall submit its budget directly to the TGNA and forward one copy to the Ministry of Finance. While the Ministry of Finance does not have any control over the budget of the TCA, the TGNA has the final say on the budget of the TCA. However, in practice, the TCA does not face any budgetary limitation imposed by the TGNA.

Finally, the TCA Law provides provisions to safeguard the independence of professional personnel of the TCA. First of all, the President of the TCA is elected by the TGNA and the term of service is five years with the possibility of being elected twice. Likewise, the members of the TCA are also elected by the TGNA until the compulsory retirement age. The procedures of election are determined by the relevant provisions of the TCA Law in detail. Last but not least, special disciplinary and penalty procedures are provided for the President, members and other professional personnel by the TCA Law.

3.5. Audit Area

Apart from the abovementioned Articles of the Constitution and the PFMC Law, the TCA Law provides the framework for the audit area of the TCA.

According to the Article 4 of the TCA Law:

1. Turkish Court of Accounts shall audit:

a. Public administrations within the scope of the central government budget and social security institutions, local governments, joint stock companies established by special laws and with more than 50% of its capital directly or indirectly owned by the public sector and other public administrations (with the exception of professional organizations having a public status);

b. Provided that the public share is no less than 50%, all types of administrations,

organizations, institutions, associations, enterprises and companies affiliated to, or founded by the administrations listed in point (a), or those of which the above mentioned administrations are directly or indirectly partners;

c. All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds;

d. All public accounts, including private accounts, funds, resources and activities regardless of whether these are in the public administrations budget.

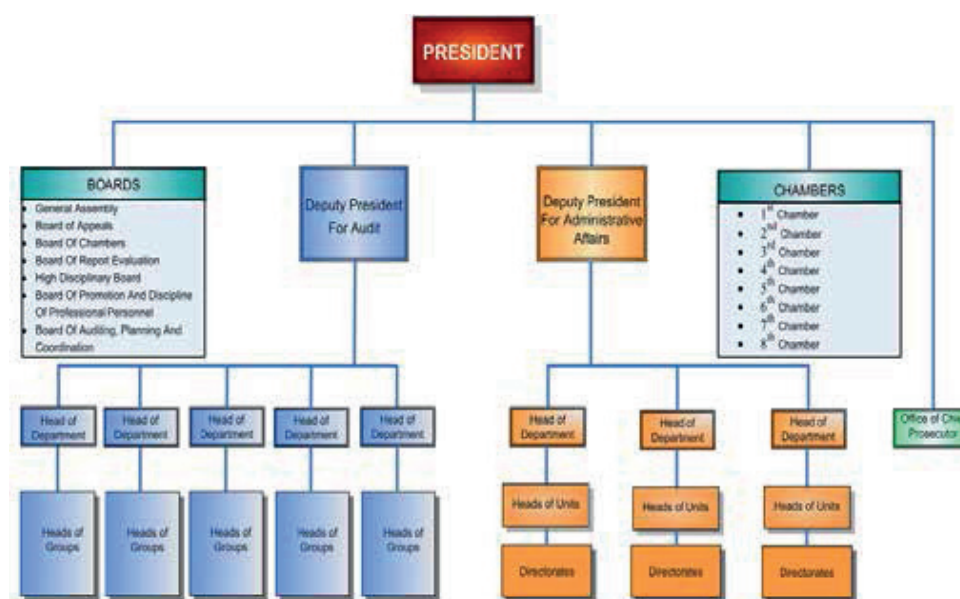
2. Turkish Court of Accounts shall also audit the accounts and transactions of international institutions and organizations within the framework of the principles set out in the relevant treaty or agreement.

3. Audit of public institutions, organizations and partnerships within the scope of Article 2 of Law No. 3346 on Regulating the Audit of State Economic Enterprises and Funds by the Turkish Grand National Assembly, dated 02.04.1987, shall be performed within the framework of the procedures and principles indicated in this Law and other laws.”

3.6. Organization of the TCA

The Personnel of TCA consist of professional personnel (The President, Chairmen of chambers, members and auditors), the Chief Prosecutor and prosecutors, and supporting staff. Currently, the TCA has one President, two Deputy Presidents, 8 chairmen of chamber, 48 members, 901 auditors (including assistant auditors), one Chief Prosecutor, 12 prosecutors and 594 supporting staff members.

The bodies in the organization of the TCA involve the Presidency, Chambers, the General Assembly, the Board of Appeals, the Board of Chambers, the Board of Report Evaluation, the High Disciplinary Board, the Board of Promotion and Discipline of Professional Personnel, the Board of Auditing, Planning and Coordination, and the Office of the Chief Prosecutor.



4. Role of the TCA in the Fight against Corruption

4.1. Overview

Turkey has been in a process of continuous reformations in the public financial management and control system, and the pace of change and improvement gained a huge impetus in the first decade of the 21st century thanks to willingness, contributions and initiatives of both public sector and civil society. The TCA is considered as one of the most indispensable actors in the implementation and betterment of the new public financial management and control system of Turkey. The most invaluable contribution of our SAI to good governance in the system is to ensure the accountability and transparency with sound financial management in public sector through their auditing, reporting and judicial functions.

Firstly, the enactment of the TCA Law No. 6085, which broadened the audit mandate of the Court and introduced financial audit, has helped the TCA enhance transparency and accountability in the public sector. The TCA implements regularity, performance and IT audits and report them to relevant stakeholders.

Secondly, the TCA reports to the TGNA, audited entities and public. Apart from the audit reports and judicial reports, the TCA prepares general reports and present them to the TGNA such as the External Audit General Evaluation Report, the Accountability General Evaluation Report, the Financial Statistics Evaluation Report, the Statement of General Conformity and other reports stated in the TCA Law. The fact that TCA Reports are discussed by the Committees within the TGNA and published on the TCA website reinforces the preventive function of the TCA.

Thirdly, the trial of accounts is one of the most important functions of the TCA thanks to the judicial powers granted by the Constitution and the TCA law. Basically, if a public loss is

detected during TCA audits, auditors are required to prepare judicial reports. The Chambers of the TCA examine and take decisions on judicial reports. TCA judgments bear four main results:

- Compliance of accounts and transactions with legislation in force;
- Indemnification of public loss from those responsible;
- Matters deemed necessary are communicated to relevant public authorities; and
- Cases sent directly to the Public Prosecution Office for an investigation when discovered acts involving guilt.

There are legal mechanisms to ensure the proper execution of the judicial decisions of the TCA. First of all, the judicial reports (writs) of the TCA are also delivered to the Ministry of Finance for administrations within the scope of the general budget so that the Ministry can execute the writs in accordance with provisions of the laws in force. Furthermore, all audit teams are obliged to control the execution of the writs of the TCA and take it into account in their report if the writs of previous years are not executed. Finally, the TCA has the power to initiate financial, administrative and judicial sanctions to the public officials, who do not follow up the execution and fulfill the requirements of the writs of the TCA. To illustrate, those public officials who do not fulfill the requirements written in the judicial report shall be subjected to salary cut off by relevant public administrations upon the demand of the TCA.

4.2. Preventive Role

The TCA primarily plays a preventive role in the fight against corruption by improving the culture of transparency and accountability in public sector and strengthening the sound public financial management. To this end, the TCA carries out its auditing, reporting and judicial functions in line with its regulatory framework and ISSAIs as well and makes use of up-to-date knowledge and skills in such areas as data analysis, accounting, internal control systems, risk assessments etc.

4.3. Detective Role

As a watchdog agency, the TCA puts less emphasis on detecting the suspected cases of corruption due to the fact that SAIs are not primarily designed to detect and reveal suspected cases of corruption. The lack of power to investigate those cases comprehensively or the extent of audit evidence gathered by the auditors can be considered as the main restrictions towards the detective function of the SAIs in the fight against corruption. In the case of fraud, auditors are expected to maintain the professional skepticism and be alert to the possibility of fraud throughout the audit process since they express an opinion as to whether the financial statements are free from material misstatement due to fraud or error in financial audits.

Still, the TCA is well-equipped to play a considerably significant role in detecting certain cases of corruption such as conflict of interest, asset misappropriation, embezzlement, forgery

and a wide variety of illegal activities in public procurement procedures etc. The cross control of data obtained especially from different sources, physical observation and site visits, risk analysis and analysis of complaints and referrals received can be acknowledged as examples of the tools and techniques employed during the course of TCA audits. The compulsory two year-long vocational training for assistant auditors and in-house trainings on a variety of subjects, which contribute to knowledge on anticorruption, help auditors enhance their skills to combat corruption.

4.4. Reporting Role

As it is the case in most SAIs, the TCA does not investigate suspected cases of corruption, which auditors detect during the course of TCA audits. Instead, auditors carry out a preliminary review to gather sufficient information and evidence to be able to find out whether the case concerned can be regarded as an act involving guilt. At this point, what is unique for the TCA is that chambers play a critical role as a consequence of the judicial power granted to them. Due to the fact that some matters that initially appear suspicious may have reasonable explanations, the final decisions of the Chambers are vital to avoid involving the legal authorities unnecessarily.

The reporting function helps the TCA initiate administrative sanctions (when cases are sent to the responsible officials' public administrations for necessary actions to be taken) or criminal prosecution (when cases are sent to the office of public prosecutor for necessary actions to be taken) against the perpetrators of suspected corrupt activities and transactions. Each year approximately 30 suspicious cases of corruption are detected by the auditors and those cases are sent to responsible officials' public administrations and/or the Public Prosecution Office.

4.5. Best Practices of the TCA

The TCA has a series of best practices concerning anti-corruption such as developing strategic approaches; better use of technology to enhance its audit capacity and effectiveness; focusing on ethics; conducting general risk assessment methodology; making use of physical observations and site visits and reporting suspected cases of corruption in accordance with the steps clearly defined in the TCA Law and relevant regulations.

5. Future Perspectives

SAIs need to improve their anti-corruption capacity in order to better fulfill their roles and responsibilities in this field. To this end, following suggestions could be made:

1. It is important for SAIs to establish mutually beneficial ways of cooperation among themselves or with international organizations. To this end, INTOSAI, ASOSAI and EUROSAI may serve as excellent platforms to discover the aspects of corruption which go beyond the

national borders and require regional or global actions to fight against. The main tool to disseminate knowledge and share experience regarding the fight against corruption is to organize conferences, seminars and other types of meetings where SAIs and international organizations may share best practices, limitations and areas for improvements.

2. Considering that different countries have their own administrative systems, one unique suggestion regarding the strengthening of the investigative power of SAIs could not be made. Again, it should be kept in mind that most SAIs do not directly fight against corruption because of the nature of supreme audit function, and the lack of investigative powers should not be considered as a detriment to the supreme audit function. However, all things considered, SAIs should be competent enough to conduct a sufficient initial review of a suspected case so that they would not involve judicial or other authorities unnecessarily in the case.

3. SAIs could use the following techniques in detecting corruption in the highest risk areas:

- Risk analysis;
- Analysis of complaints and referrals received;
- Cross control of data obtained especially from different sources;
- Physical observation and site visits.

4. SAIs could determine fraud indicators by considering the following sources:

- Analysis of the inherent and control risks determined by audit teams during the planning phase of regularity audits;
- Main issues highlighted in denunciation letters;
- Hot topics or alleged cases of corruption in the media regarding the subjects or public institutions under the audit mandate of SAIs;
- Suggestions to be made by the auditors;
- Legal conflicts which involve auditees of SAIs.

5. SAIs could develop a dedicated web-based complaint system by the help of a robust business process and document management system. In this context, denunciation and complaint letters could be automated and auditors would be able to prepare working papers and make evaluations regarding each complaint. This complaint system will have the following benefits for SAIs:

- Better knowledge creation and management regarding complaints by complying with the legal requirements of confidentiality and security;
- Producing regular or on-request management reports;
- Analyzing the complaints and assessments of the auditors so as to create fraud indicators and/or red flags for the future audits; and

- Better meeting the expectations of external stakeholders.

6. The utilization of audit results in the planning of the future audits could be a useful tool in the fight against corruption. To this end, developing audit management systems may enable SAIs to perform general risk assessments and help them prepare audit strategies and annual audit programs in line with a prospective risk analysis. Such IT systems not only help SAIs focus on high risk areas and take red flags into account but also provide an appropriate platform for knowledge creation and management relating to all kinds of audits.

Need for Effective Cooperation among Asian SAIs and the Role of ASOSAI*

Introduction

Containing countries with the highest growth rate in the world, Asia is at the same time one of the regions that most need development. We can readily say that with its dynamic population, rich natural resources and enormous potential for growth, Asian continent has a promising future. For Asian communities to reach its well-deserved level of welfare and to achieve sustainable development, supreme audit institutions (SAIs) as well as public administrations have critical roles. ASOSAI plays an important part and assumes responsibilities for SAIs to fulfil their mandates in an effective manner. Each and every activity to be performed under the umbrella of ASOSAI is of great importance, whereby we can contribute to the rise of Asia in the world as well as to the welfare of our nations.

Mission of SAIs in Promoting Good Governance

The main elements of good public financial governance are transparency, participation, responsiveness, compliance with the rule of law, effectiveness, oversight, accountability and predictability. These are key factors for economic and social development as well. Likewise, the World Leaders at the 2005 World Summit concluded that good governance is integral to economic growth, the eradication of poverty and hunger, and sustainable development. The ex-Secretary General of the United Nations, Mr. Kofi Annan also emphasizes that “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”.

In ensuring good governance, SAIs are key institutions, and independent auditing is one of the most effective instruments. As it’s well known, SAIs have crucial roles in ensuring the soundness of public financial system and its stability and sustainability through strengthening the management of potential risks of public finance, and ensuring the effectiveness of systems of budgetary and financial control.

Strong connection between the quality of the public management and social and economic growth and the level of democratization in any country shows the importance of SAIs and their audit function as an independent oversight body. There is no doubt that one of the most important driving forces of achieving high level of quality in public management is independent auditing and SAIs have crucial roles to improve public management at national and international level.

The audit function exercised by independent supreme audit institutions plays an instrumental role in coping with the most important challenges that all human being face and

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in achieving vital objectives which may ensure a better life for current and next generations. SAls have a wide range of responsibilities and functions such as maintaining social security and peace, promoting human rights and democratic values, eradicating corruption and money laundering and protecting disadvantaged groups of the population.

SAls have crucial roles in detecting mismanagement and inefficiency and can improve strategies and measures against corrupt practices in public management. By promoting efficient and effective financial management, they enhance good governance and add value to the life of the citizens.

They contribute to promotion of good financial governance through their work, which has potential effects in the fields of;

- Increasing transparency and disclosure of public financial information,
- Enhancing external scrutiny of public finances,
- Performing an educational and preventive function on auditees,
- Strengthening the demand for greater accountability in the management of public resources,
- Ensuring contribution to savings or more efficient use of funds in individual areas.

SAls contribute also to better governance by objective, independent and credible reporting, and by successfully demanding the implementation of their recommendations. At the same time, they generate a better understanding of the principle of government accountability and of the role accorded to it by the public.

An effective, independent and credible external public audit is key for the strengthening of parliamentary scrutiny and the building of the confidence of citizens in the government and public administrations. As recognized in the Lima Declaration, SAls' credibility in delivering value is affected by their degree of independence, adequacy of resources and skills, adoption of international auditing standards, reliability and results.

As emphasized in the "Conclusions and Recommendations" of 19th UN INTOSAI Conference on "The Value and Benefits of Government Audit in a Globalized Environment" in Vienna, the value of SAls stems from promoting good governance for today and tomorrow, through:

- enhanced government financial and budgetary reporting and accountability to their parliaments, citizens and the international community, including supporting the adoption of international accounting and reporting standards;
- greater transparency of government and advocacy of the importance of parliamentary scrutiny, improving public awareness and supporting a culture of scrutiny among legislative bodies and citizens;
- improvements in public management and public service delivery, increasing its economy, efficiency, effectiveness, equity and ethics; and

- deterring fraud and corruption in public administration and addressing it in collaboration with anticorruption bodies.

According to ASOSAI Strategic Plan for 2011-2015, the core of the vision of ASOSAI is promoting good governance, which is stated as “ASOSAI promotes good governance by enhancing the SAI’s role to improve performance, effectiveness, transparency and accountability in the public sector.”

Need for Enhancing SAIs’ Capacity

The last global financial and economic crisis, which was recently transformed into a debt crisis in some countries, has highlighted the major advantage of a professional, accountable and high quality public auditing. This kind of audit would provide a clear and reliable image of the problems and their origins, and would focus on the appropriate solutions that may redress the situations in time and prevent major and prejudicial risks.

To achieve this in a progressive, professional and efficient manner, SAIs must be endowed with sufficient professional, organizational and institutional skills to meet the challenges of conducting effective auditing. Especially the maturity of SAIs in new audit areas such as auditing e-government is generally proportional to the level of technical capacity and the skills in the SAIs themselves.

SAIs need to have a greater capacity to enhance reporting on public finance and national budgets with a view to achieving stronger accountability of governments and administrations. Audit effectiveness needs to be raised primarily through increased attention to quality control process, and for that reason, one of the most important components of building capacity in any SAI is focusing on quality assurance activities.

SAIs fulfill their duties and responsibilities on behalf of the parliament and they ensure that parliament has access to independent audit information as part of the framework of accountability. So, one of the main areas to focus on in enhancing their capacity is improving relations between SAIs and the Parliament. Good communication with the Parliament gives ample opportunities to improve their effectiveness and legitimacy.

Improving communication capacity of SAIs in relations with audited entities, the media, academic institutions, civil society organizations and the public at large is very important for effectively fulfilling their roles and responsibilities. Setting up a strong and effective SAI will contribute to strengthening the trust of parliaments, governments, citizens and civil society in the independence, objectiveness, quality, efficiency and effectiveness of government audit, and hence national stability, economic growth and good governance as well.

Technological infrastructure of SAIs also needs to be developed. There is no doubt that SAIs should play a proactive role in promoting e-government, as it can lead to more transparency and better services to citizens. To help government in such fields, SAIs need to improve their technical capacity and qualifications of staff as well.

We can add any other areas where SAIs are in need to improve their institutional and operational capacities. In Asian region, we know that different SAIs have excellences in different areas and each SAI may set an example for the others in that specific area. So, effective cooperation is an exceptional tool to strengthen capacity of our respective SAIs, and ASOSAI must support each member in this process and engage in a joint effort towards achieving and strengthening independence and excellence.

In brief, to improve their effectiveness and impact, SAIs need to improve their institutional capacities. This will improve their legitimacy at the same time and add value to their works.

International Cooperation for Enhancing SAIs' Capacity

To improve their institutional capacities, international cooperation is one of the most essential tools for SAIs. To be tied into international networks of exchange gives great opportunities to any organization for development.

Increasing global dimension of governments' action and more frequent translation of this dimension into internationally agreed goals, such as the Millennium Development Goals adopted by the UN, requires also for SAIs enhanced degrees of international coordination in order to assist governments in pursuing their common and agreed objectives.

Some issues that SAIs have to focus on reflect international or global characteristics more than national. Close cooperation is key for success in dealing with such problems. Auditing environmental issues is the most relevant example that refers to the need for cooperation among SAIs. Corruption is also a pervasive, global problem, which threatens public finance, legal order and social prosperity, endangers social security and impedes the reduction of poverty. ASOSAI can build up a framework and develop required tools for SAIs to fight against corruption and fulfil their responsibilities to ensure transparency and prevention.

To prevent and fight against corruption, close cooperation is required by INTOSAI and its Regional Working Groups including ASOSAI and individual SAIs, with international organizations and civil societies in an anti-corruption network and other similar activities, provided that this cooperation fully addresses the independence of INTOSAI and its member SAIs and the objectivity of the auditing work, as well as the national SAIs' mandates, scope and pertinent legal framework.

From international activities held by INTOSAI, ASOSAI and other regional organizations, we can learn clearly that each SAI has different experiences in different areas. Whereas some of them are more capable in developing new audit methodologies, some have effective techniques in fighting against corruption. Some SAIs are highly experienced in communication with the parliament, civil society, the media, etc. and the others have comprehensive training facilities for developing human resources to produce more effective outputs. Therefore, to improve the institutional and operational capacity of each SAI, mutual sharing of experiences is the key, as is highlighted in INTOSAI's motto "Experientia mutua omnibus prodest" (Mutual experience benefits all).

The Communication Policy adopted by XIX INCOSAI in 2007 focuses on the benefits of free flow of information, ideas, experience and knowledge between INTOSAI members, and encourages free communication among themselves.

Importance of ASOSAI for International Cooperation

ASOSAI was founded in 1978 and since then, has been working for effective cooperation among respective members to fortify and strengthen them through exchange of ideas and experiences in the field of public audit. According to its charter, the objective of ASOSAI is to provide facilities for training and continuing education for government auditors with a view to improving the quality of their performance; to serve as a center of information and as a regional link with organizations and institutions in other parts of the world in the field of public audit and to promote closer collaboration and brotherhood among auditors and regional groups.

To achieve its objectives, the Charter of ASOSAI determines main tools as organizing conferences and seminars for the exchange of ideas and experiences in the field of public audit, encouraging and promoting research and undertaking publication of research papers and professional articles in auditing and related fields.

ASOSAI Strategic Plan for 2011-2015 sets its mission as promoting member SAI's professionalism and mutual support and understanding. Likewise, its vision is set to promote good governance by enhancing SAI's role to improve performance, effectiveness, transparency and accountability in the public sector. The Strategic Plan has three strategic goals: 'Institutional Capacity Building', 'Knowledge Sharing and Knowledge Services' and 'Leading Regional Working Group of INTOSAI'. The focus of the plan is on how to promote professionalism and cooperation among member SAIs.

Particularly SAIs in the developing countries need to cooperate with others. To achieve its goals, it is important for ASOSAI to work with SAIs with particular attention to the specific needs of developing countries to build their capacity and define their training needs and working with others, including INTOSAI and its specialized units such as IDI.

As it is well known, cooperative audits facilitate mutual sharing and learning, capacity building, networking, and identification of best practices for SAIs. However, cooperative audits among SAIs in the region are very limited. ASOSAI should motivate member SAIs and undertake active role to extend such internationally coordinated and parallel audits.

Adoption and implementation of ISSAI framework highlights the need for sustained capacity building efforts. Therefore, ASOSAI shall play role to help raise awareness of international standards and provides training. ASOSAI should also continue to develop audit guidance and best practices through research on issues of mutual interests and concerns, as is determined in its strategic plan as an objective.

As a working group of INTOSAI, ASOSAI can play important roles to improve awareness of INTOSAI's outputs in the region. INTOSAI is an autonomous, independent and non-political organization established as a permanent institution in order to foster the exchange of ideas and experiences among SAIs on government auditing. As the internationally recognized leader in public sector auditing, INTOSAI issues international guidelines for financial management and other audit topics, develops methodologies, provides training and exchange of experiences. ASOSAI can support such activities more actively and make the outputs of them available for the benefit of its members.

ASOSAI can add value to the quality of governance in the region through strengthening its members and is therefore convinced that good governance in Asian states can be promoted in a joint effort by the following:

- Enhanced reporting on public finance and national budgets, and stronger accountability of governments and public administrations;
- More transparency of government action, and active endorsement of the essential role of parliamentary scrutiny, deepening public understanding and media perception of the functions and tasks of government audit, as well as raising awareness with the law-making bodies and the people at large;
- Improving public management and better public service delivery at greater economy, efficiency, effectiveness, fairness and integrity;
- Promoting legitimacy of state organs through enhancing their sensitiveness for demands and expectations of public and ensuring efficient and effective receipt and use of public resources for the benefit of citizens;
- Preventing and fighting fraud and corruption in the public sector in cooperation with anti-corruption agencies.

ASOSAI can also undertake important roles to support the international position and global strengthening of SAIs as external auditors of government in their respective nations.

Conclusion

As a regional organization, ASOSAI has to review its roles and commitments to achieve further accomplishment and maximize its contribution to the member SAIs, and should continue to promote and support further development in their performance. It should be the primary objective of ASOSAI to add value to its member SAIs to make more visible the value and benefits of external government audit in the region and to provide a suitable platform for an extensive exchange of experience between SAIs of developed and developing countries as well as between SAIs of different legal and organizational forms.

To support its members more effectively, ASOSAI should maintain an open and regular

dialogue with global and regional professional organizations, international donor community, global civil society and others for the benefit of its members.

In brief, ASOSAI should be a staunch advocate of a closer exchange of experience and best practice in public management and auditing to strengthen government audit as a contribution to social and economic development. Each and every SAI should be active and volunteer partners in international cooperation to promote its effectiveness and impacts at national and international level.

I am more than confident that SAIs, which will further strengthen thanks to the assistance of ASOSAI, will contribute to building up welfare, peace and security not only in their societies but also in the whole world at a time when the world is globalized, societies have converged and mutual interaction is on the rise.

Activities of the ECOSAI*

Economic Cooperation Organization (ECO) is an inter-governmental regional organization, which was established, in 1985, by Iran, Pakistan and Turkey with the purpose of promoting economic, technical and cultural cooperation among the Member States, and currently it has ten members.

In the third meeting of the ECO's Economic and Trade Cooperation Committee, in Islamabad, in 1993, "the establishment of an organization with the name of "ECO's Supreme Audit Institutions (ECOSAI)" to be consisted of the SAIs of the member states of ECO" was suggested. The said organization was intended to be a sub-regional organization in the presence of ASOSAI.

In order to realize this suggestion, which was welcomed by the participants, it was decided to hold a meeting of founders with the participation of the Presidents of the SAIs of Member States, in Pakistan, in 1994, with the purpose of discussing the basic structure, main charter and the details of the ECOSAI.

In accordance with this decision, the ECOSAI Founders' Meeting was held in Bhurban, Pakistan in April 1994 with the participation of the SAIs of Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. In this meeting, a sub-committee consisting of the SAIs of Iran, Pakistan and Turkey was established, and the ECOSAI Charter was finalized and then accepted unanimously.

Currently, the president of the ECOSAI is the Turkish Court of Accounts, and the General Secretariat is the Office of the Auditor-General of Pakistan.

The other members of the ECOSAI include the SAIs of countries which I mentioned before. In accordance with the ECOSAI Charter, the Turkish Republic of Northern Cyprus (TRNC) joins the activities of the ECOSAI in the capacity of observer.

The most recent 3 Governing Board Meetings of ECOSAI were held in Iran (2013), Pakistan (2014), and Tajikistan (2015) respectively. The 7th Assembly of ECOSAI will be held in Ankara, TURKEY in September 2016.

The mission of the ECOSAI, which was established in 1994 and which is a regional organization, has five items;

1. Improving relations in the field of public audit, among the States of ECO possessing different experience of economic and social developments:
2. Cooperating in sharing the burden of professional development of the auditors of the ECO countries;

* Assoc. Prof. Dr. Recai Akyel, President of the Economic Cooperation Organisation Supreme Audit Institutions and President of the Turkish Court of Accounts

Presented at the 13th ASOSAI Assembly in Kuala Lumpur, Malaysia on 9-13 February 2015 and the 50th ASOSAI Governing Board meeting in Chiang Mai, Thailand on 15-16 February 2016.

3. Promoting exchange of view and experience among SAIs of member states of the ECO, which have evolved on different lines and perform different functions;
4. Acting with the spirit of cooperation and brotherhood; and
5. Encouraging SAI employees to deliver their duties with the highest sense of responsibility, efficiency and professionalism.

The vision of the ECOSAI is to “endeavor to promote delivery by the SAIs of their assigned duties with efficiency, effectiveness, transparency, accountability and in accordance with recent concepts to facilitate good governance in the public sector”.

In this framework, the core values adopted by the ECOSAI are:

Independence, Accountability, Transparency, Integrity, Professionalism, Cooperation, Diversity, Quality, Innovation, Credibility, and Inclusiveness.

The ECOSAI has carried out many activities, since its establishment with the purpose of empowering the existing bonds among the SAIs of ECO member states. I would like to take this occasion to share with you some of the programs we realized as ECOSAI.

- A training program on “Implementation of the ISSAIs” was organized in Ankara, Turkey from 29 September to 09 October 2015.
- A training program on “Advanced Performance Auditing” was organized in Tehran, Iran, in May 2015.
- A training program on “Audit of Effectiveness in the Implementation of Development Projects” was organized in Astana, Kazakhstan, in October 2012.
- Again in 2012, a training program on “Performance Audit” was organized in Tehran, Iran.
- In 2010, the Turkish Court of Accounts hosted the ECOSAI Course Program on Environmental Auditing in Antalya, Turkey.
- “Essential Skills in Financial Auditing” Training Program was held in Tehran, Iran, 2008.
- In 2006, the ECOSAI Training Program titled “Audit of Privatisation” was held in Lahore, Pakistan.
- In 2003, the ECOSAI Training Course on “Internal Control” was organised in Tehran, Iran.
- The Turkish Court of Accounts hosted the ECOSAI Training Course on “Financial System Audit” in Ankara, Turkey in 2003.
- SAI Pakistan hosted the training course on “Performance Audit” in Lahore, Pakistan in 2002.

Now, I would like to touch upon the ECOSAI Circular. The decision for the publication of the ECOSAI Circular was taken in the ECOSAI 5th Governing Board

Meeting held in Tehran, Iran, in 2000. ECOSAI Circular is a journal which highlights the independent and professional character of the ECOSAI and includes news from the member SAIs as well as the works of the professional staff of the SAIs.

The Circular is published annually until 2015. It is currently published twice a year. In total, 14 issues of the Circular has been published.

I would like to emphasize that training programs on such topics as Performance Audit, Environmental Audit, Financial Audit/Risk-Based Audit, IT Audit and Audit of Internal Control Systems will continue in the forthcoming period so as to increase mutual cooperation and institutional capacity within the body of the ECOSAI.

Contribution of EUROSAL in Public Sector Auditing*

Introduction

Being one of the regional groups of the International Organisation of Supreme Audit Institutions (INTOSAI), European Organisation of Supreme Audit Institutions (EUROSAL) is a highly important organisation that aims at strengthening public sector auditing via its 50 members throughout Europe and to this end, promotes good governance as well as cooperation and knowledge and experience sharing between its member states within the framework of the concepts of transparency and integrity. Having regularly participated in the events and congresses of EUROSAL, the Turkish Court of Accounts (TCA) has taken part in the activities of the EUROSAL Working Groups and Goal Teams on a regular basis and has had active contributions therein.

The TCA attaches special importance to the works and activities of EUROSAL in order to increase its current capacity by benefiting from the cooperation opportunities provided by EUROSAL on one hand and to transfer its knowledge and experience to the other member SAs on the other hand. Explaining the contributions of EUROSAL to the member SAs at the focus of the efficiency and good governance criteria in public sector auditing, the activities that are being carried out by the TCA by means of Congresses, Working Groups, Goal Teams, Joint Conferences and EUROSAL Magazine which are the basic working tools developed within the EUROSAL will be discussed and achievements, experiences and good practice examples obtained by the TCA in this respect will be presented.

EUROSAL Congresses

Showing the importance it attaches to the contribution of the EUROSAL works, the TCA participates in the events of EUROSAL at the level of congress with a delegation consisting of the First President and high level officers. The TCA considers EUROSAL Congresses in which it takes part with a high level of participation as a significant opportunity so as to develop its ongoing activities and hereby, increase the quality of its audit works. In particular, joint conclusions and recommendations published at the end of the Congresses are addressed meticulously by the President of the TCA, are compared to the existing policies and strategies of the TCA and the issues suitable for making use of are primarily assessed in the policy and plan documents to be prepared for the forthcoming periods. Besides, the issues addressed in the Congresses and resulting recommendations and conclusions are used as significant data in the training and R&D activities of the TCA.

* Assoc. Prof. Dr. Recai Akyel, President of the SAI of Turkey

Published in EUROSAL Magazine, No 21, 2015.

Working Groups

Working Group on Information Technologies

The main objective of the Working Group on Information Technologies which was established with a decision taken in the EUROSAI Congress held in Moscow in 2002 is to promote expertise and experience sharing among the European SAIs in the field of Information Technologies. The TCA attends the meetings of the Working Group on Information Technologies on a regular basis and benefits from this participation significantly so as to increase its institutional capacity. As a consequence of the contributions obtained from these works, the TCA published Information Technologies Audit Manual and described how the audit of institutional information systems would be conducted in line with the international standards in accordance with this manual. Additionally, the TCA brought into use of all auditors the "SayCAP" platform which currently allows for the management, conduct and documentation of audit processes in compliance with the international standards. In the light of the latest developments, an IT Audit Group has been established within the TCA and IT systems of the public entities are audited.

Working Group on Environmental Auditing

Working Group on Environmental Auditing is one of the major Working Groups that the TCA attends actively. The TCA has participated in this Working Group established with the decisions taken in the EUROSAI Congress held in Paris in 1999 on a number of occasions and through joint audits. In terms of audit; particularly joint audits contributed considerably to the planning of audits and development of methodologies. For instance, through the "Coordinated/Parallel Audit on Protection of the Black Sea against Pollution" conducted by the SAIs of the countries bordering the Black Sea between 2009 and 2011, SAIs got the chance to address different audit approaches and methodologies and share their experiences within the scope of the common issues and audit questions.

Working Group on the Audit of Funds Allocated to Disasters and Catastrophes

The size and impacts of disasters, which take place almost everywhere around the world, on relevant communities oblige SAIs to attach importance to the audit of activities before and after disasters. The TCA participates in the activities as an active member of the Working Group on the Audit of Funds Allocated to Disasters and Catastrophes, and seeks the optimal ways of benefiting from other country experiences and also presents its knowledge to the use of member SAIs.

Task Force on Audit and Ethics

Task Force on Audit and Ethics was set up for encouraging SAIs to value ethical behaviors and supporting SAIs in this sense by means of sharing experiences. In this scope,

the TCA participates in the relevant events regularly, and conducts the necessary works to ensure that all professionals have access to the matters discussed in those events as well as the outcomes, recommendations and best practices resulting from those events so that these can be reflected within the institution.

Goal Teams

Capacity Building Goal Team

Capacity Building Goal Team carries out activities in order to ensure that SAIs operate more effectively and perform their audits in compliance with the professional standards in a reliable and qualified manner. This Goal Team performs its activities within an annual program, it has many sub-teams and it carries out its works through them. The TCA has joined this Goal Team a short while ago, and it is among the executive countries for the subteam “Delivering the Message” in the Goal Team.

Professional Standards Goal Team

The TCA follows the new developments made by member SAIs with the help of the experienced professionals assigned to Goal Team meetings, identifies the techniques and methods it can benefit from, and develops plans and strategies to adapt those into its own processes. In line with this, the TCA declared that it “will conduct its audits in line with international standards” in the policy documents, which are prepared as strategies, and in the secondary legislation including its own law.

Knowledge Sharing Goal Team

This Goal Team aims to improve the sharing of knowledge and experiences between EUROSAI members and external partners in order to strengthen accountability and transparency in public sector auditing. Within the scope of the works entailing the sharing of knowledge and experiences at high levels by benefiting from the advantages of information technologies and systems, the TCA follows the developments in the field by assigning representatives and conducts necessary works to transfer the international developments to its own processes in the best way.

Governance and Communication Goal Team

As the TCA will take over the presidency of EUROSAI from the current president of EUROSAI, the Netherlands Court of Audit, and will organize the X. EUROSAI congress in this scope, it attends the Goal Team meetings at high level and plays an active role in the decisions made.

Joint Conferences

Striving for being an active member of EUROSAI, the TCA takes part in joint conferences both as participant and organizer. In this context, the TCA hosted the 1st EUROSAI-ASOSAI Joint Conference, the theme of which was “Challenges for Ensuring Transparency and Accountability in Public Financial Management”, in Istanbul in September 2011 with the participation of member SAIs of ASOSAI and EUROSAI. Besides, at the 4th EUROSAI-ARABOSAI Joint Conference which was held in Baku in April 2013 with a central theme of “Modern Challenges for SAIs’ Capacity Building”, the TCA was represented at a high level and a presentation on “Role of SAIs in the Development of Public Financial Management” was given by the President of the TCA.

EUROSAI Magazine

EUROSAI Magazine where experiences of member SAIs concerning the audit of public funds and expenditures are presented has been published on a yearly basis since 1991. The articles titled “The Role of Proactive and Strategic Corporate Communication to Improve the Effectiveness of SAIs”, “An Example of Supreme Audit Institution (SAI)-University Partnership: Master of Auditing Program”, “Supreme Audit Institutions as a Safeguard for Fiscal Sustainability” and “Challenges for Ensuring Transparency and Accountability in Public Financial Management and the Role of SAIs” were published at the EUROSAI Magazine no. 20 in 2014, EUROSAI Magazine no. 19 in 2013, EUROSAI MAGAZINE no. 18 in 2012 and EUROSAI MAGAZINE no. 17 in 2011, respectively, at the level of President on behalf of the TCA.

Conclusion

The TCA has been increasingly participating in every activity of EUROSAI since its foundation, and benefiting from those activities in theoretical and practical areas. The TCA developed its strategy documents with the contributions from EUROSAI activities, and directed its research-development and training activities accordingly. On the other hand, it also found an opportunity to transfer its own knowledge and experiences to other member SAIs with the help of those activities. At this point, the TCA, who is next President of EUROSAI and who continues its preparations for the next EUROSAI Congress, has ensured important benefits for executing good governance and reliable and effective audit works within the framework of mutual cooperation with EUROSAI.

Relations between EUROSAL and the Turkish Courts of Accounts*

After the foundation of INTOSAI in 1953, the idea of forming regional working groups came forward in order to realize the foundation goals at the local level, and firstly OLACEFS was founded in 1965.

With the same purpose, the idea of founding EUROSAL was adopted with the “Berlin Declaration”, which was signed in 20 June 1989, in order to be able to combine knowledge and experiences on a common platform, during the 13th INTOSAI Congress held in 12–21 June 1989 in Berlin. The official foundation of EUROSAL was realized in the Constitutive Conference and 1st Congress of EUROSAL, which was held in 12 November 1990 in Madrid. Representatives from the SAIs of 29 countries and the European Court of Accounts attended this meeting. The Turkish Court of Accounts (TCA) is among the SAIs that signed the Statutes of EUROSAL in Madrid in 1990.

EUROSAL is one of the most active regional organizations of INTOSAI, and it has strong relationships with others such as OLACEFS, ASOSAI and ARABOSAI. International collaboration and cooperation provide us with a wide range of opportunities to reshape our approaches, methodologies, work styles and reform ourselves in general.

EUROSAL has four goals that promote the development of the professional activities among SAIs. The first strategic goal of EUROSAL is building capacity for member SAIs. EUROSAL is committed to facilitating the development of strong, independent and highly professional SAIs. In order to perform their duties competently and professionally, SAIs need an up-to-date framework of professional international standards. EUROSAL aims to promote and facilitate the implementation of ISSAIs within the framework of its second strategic goal. Thirdly, EUROSAL aims to improve knowledge, information and experience sharing among its members and with external partners in order to strengthen public sector auditing, accountability, good governance and transparency in its region. EUROSAL has adopted “Governance and Communication” as the fourth goal.

These goals give responsibility not only to the EUROSAL but also to its members. Achieving these goals is very important for each SAI to effectively help its respective nation. As members of the EUROSAL, we have to improve our institutional and professional capacity, audit methodologies and standards, governance capacity and communication in order to serve our nations, international community and even humankind. In that respect, as the TCA, we try to contribute to numerous seminars, workshops, and parallel audit activities conducted by EUROSAL in order to promote professional collaboration and mutual support among members and improve the sharing of knowledge and experience in the field of public audit.

¹ Assoc. Prof. Dr. Recai Akyel, President of the Turkish Court of Accounts

Presented at the 8th EUROSAL/OLACEFS Joint Conference in Quito, Ecuador on 24-26 June 2015.

In this scope, I would like to share brief information with you about the TCA's relations with EUROSAL.

1. Our institution was selected as the EUROSAL auditor at the 1st Congress of EUROSAL in 1990, and continued this task until 1999 as a result of the 2nd and 3rd Congresses held in Stockholm and Prague.

2. The TCA was selected as a member of the Governing Board for 6-year term at the 7th Congress of EUROSAL held in 2008 in Krakow, Poland. It was assigned with the task of the 2nd Vice-Presidency of EUROSAL at the 8th Congress of EUROSAL held in 2011 in Lisbon. At the 9th Congress held in 2014 in the Netherlands, it was decided that the TCA will host the next Congress, and since that day the TCA performs the task of the Vice-Presidency of EUROSAL.

3. The TCA hosted 39th Governing Board Meeting of EUROSAL in Ankara, in 28 May 2012.

4. Within the scope of EUROSAL Working Group on Environmental Audit, the TCA attended the international parallel audit on "Preventing and Dealing with Pollution from Ships at Sea and in Ports". The national report, which was written by the TCA as a result of this audit, was published in 2002.

5. The TCA participated in the parallel audit on "Protection of the Black Sea against Pollution", which was conducted under the coordination of EUROSAL Working Group on Environmental Audit and Working Group on the Audit of Funds Allocated to Disasters and Catastrophes. The joint report was published in 2011.

6. Our institution participated in the Joint Audit on "Programmed/Measures Aimed at Increasing the Employment of Disabled Persons", which was held between 2006 and 2009.

7. Our institution contributes to the activities conducted by Working Group on Environmental Audit, Working Group on the Audit of Funds Allocated to Disasters and Catastrophes, and Task Force on Audit and Ethics within the scope of EUROSAL. It is a member of Goal Teams One, Two and Four, which were formed within the scope of Strategic Plan for 2011-2017.

In addition, the TCA hosted the 1st ASOSAL-EUROSAL Joint Conference in 2011. This conference was held in Istanbul, where the continents of Asia and Europe met, with the participation of member SAs of ASOSAL and EUROSAL, and its main theme was "Challenges for Ensuring Transparency and Accountability of the Public Financial Management".

I would like to provide some information on the upcoming EUROSAL Congress, which will be held in 2017 in Ankara, Turkey. The theme of the Congress has been identified as "Implementing ISSAs: Challenges and Solutions". I believe this Congress will provide us a new opportunity to learn from each other.

EUROSAL has contributed significantly to the creation of ISSAs. Through the upcoming Congress, we want to explore how the implementation of the standards is proceeding, by

identifying the challenges in implementation and the solutions to face these challenges. We believe the member portfolio of EUROSAI provides an excellent platform to discuss these issues. We aim to learn from the practices of SAIs, which have a long standing tradition of audit implementation, as well as from SAIs, which are relatively new but have a different perspective and experience in auditing.

The Congress in 2017 will hopefully provide us a new opportunity to learn from each other further. To achieve this, we will contact the relevant SAIs in the close future and ask for support. Therefore, I invite EUROSAI members to actively contribute to this event so that we can utilize the momentum created by ISSAIs to improve our audit practices.

Inspired by the INTOSAI motto "Mutual experience benefits all", the TCA is always ready to work together with other SAIs. With a history dating back more than 150 years, the TCA has a broad perspective and a vast amount of experience and knowledge.

The TCA will take over the Presidency of the EUROSAI from the Netherlands at the 10th Congress of EUROSAI to be held in 2017, and I would like to state that the TCA will make the maximum effort towards the realization of EUROSAI's foundation objectives, like all the previous EUROSAI Presidents and members.

Parliament-SAI Relations as One of the Priorities of Long-Term Development of State Audit*



PARLIAMENT-SAI RELATIONS AS ONE OF THE PRIORITIES OF LONG-TERM DEVELOPMENT OF STATE AUDIT

DR. RECAI AKYEL
PRESIDENT

* Presented by Assoc. Prof. Dr. Recai Akyel, President of the TCA, within the scope of World Bank Project at the international conference on "The Matters of Enhancement of Supreme State Audit Institutions' Activity and the System of Interaction with Parliament" organized by the Kyrgyzstan SAI in Issyk-Kul oblast, Kyrgyzstan on 19-21 May 2011 and

at the International Scientific-Practical Conference devoted to 15th Anniversary of the Accounts Committee for Control over Execution of the Republican Budget with the theme of «State financial control – instrument for economic stabilization» in Astana, Kazakhstan on 23 June 2011.

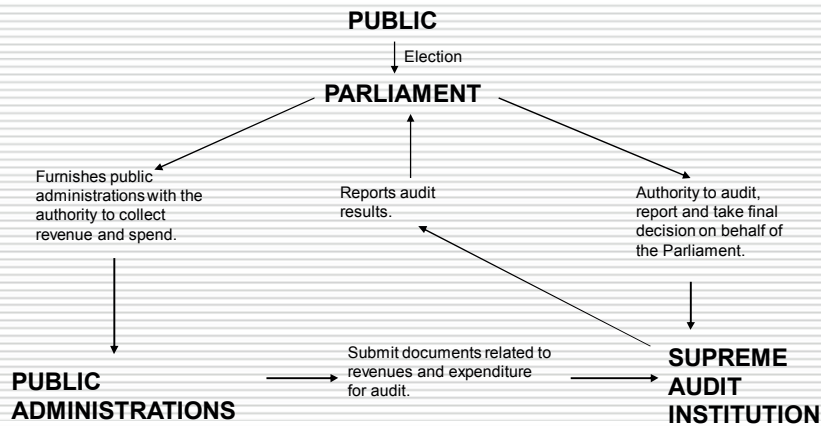
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 - General overview of Parliament – SAI Relations
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Importance of Parliament – SAI Relations

- There are certain priorities in the long-term development of state audit.
 - The most significant priority is the nature of the relation between parliament and SAI.
 - Parliamentary support is needed in ensuring and sustaining progress in the operations of supreme audit.
-

General Overview of Parliament – SAI Relations



General Overview of Parliament – SAI Relations

- Basic foundations of Parliament – SAI relations are as follows:
 - Oversight over the power of the purse
 - Enhancing accountability in public management

General Overview of Parliament – SAI Relations

- The results that parliaments desire to obtain through the agency of SAIs are primarily as follows:
 - Whether public administrations' budgets are used as intended;
 - Whether expected outcome is achieved;
 - What needs to be done to achieve objectives.
 - The primary function of SAIs is to prepare and submit parliaments **objective reports with appropriate quality** in line with such expectations.
-

General Overview of Parliament – SAI Relations

- Parliaments essentially exercise **political oversight** over budget. SAIs, on the other hand, perform **professional, impartial and independent** audit to supplement this role.
-

General Overview of Parliament – SAI Relations

- Parliament is the main addressee of SAI audit reports, though SAI has some other stakeholders. Therefore, the relation between parliaments and SAIs should be based on this understanding.
 - Administrative and budgetary operations are more effectively performed when parliaments support and follow the implementation of actions, which are stated in SAI audit reports and required to be performed by public administrations.
-

General Overview of Parliament – SAI Relations

- There is a direct relationship between the effectiveness of SAI audit reports and the interest shown by the Parliament.
 - Another indication of Parliament's interest in SAI reports is that it has established the structure for follow-up process and follows it consistently.
-

History of TGNA-TCA Relations

- ❑ TCA, the supreme audit institution of Turkey, was established in 1862.
 - ❑ Until 1876, it submitted results of its examinations to the Ministry of Finance.
 - ❑ In 1876, it gained a constitutional status and entrusted with the duty to submit results of its examinations to the Parliament.
-

History of TGNA-TCA Relations

- ❑ Below-mentioned functions of TCA are preserved in the Constitutions of 1876, 1924, 1961 and 1982 :
 - ❑ **Auditing on behalf of the Parliament;**
 - ❑ **Reporting to the Parliament;**
 - ❑ **Taking final decision.**
-

TGNA-TCA Relations at present

- Followings are the legal documents of significance in terms of TGNA-TCA relations:
 - The Constitution of the Turkish Republic (1982)
 - Public Financial Management and Control Law No.5018 (2003)
 - TCA Law No.6085 (2010)
-

TGNA-TCA Relations at present

- TGNA authorizes public administrations to acquire revenue and make expenditure through the Budget Law it approves and the TCA to audit whether this power is used appropriately in accordance with the rules and procedures stipulated in the Constitution and the laws No. 5018 and 6085. TCA submits the results of such audits in the form of various reports.
-

Powers of TGNA

- According to Article 87 of the Constitution, among the functions and powers of TGNA are **the enactment, amendment, and repeal of laws, debating and approving the draft budget and the draft final accounts law and making decisions on the printing of currency.**
 - As per Article 5 of the Law No.5018, **public financial management is conducted in line with the budget appropriated by TGNA.**
-

Power of the Purse

- Article 34 of the Law No.6085 lists the functions of TCA as follows:
 - Submitting reliable and sufficient information to the TGNA and the public concerning the activity results of public administrations, as required by the power of the purse;
 - Executing public financial management in line with laws, and protecting public resources;
 - Evaluating the performance of public administrations;
 - Establishing and generalizing accountability and fiscal transparency.
-

TCA

- As per the Article 160 of the Constitution, the TCA is charged with auditing, on behalf of the TGNA, all the revenues, expenditures and properties of the State, with taking final decisions on the accounts and transactions of those responsible, and with exercising the functions required of it by law in matters of examining, auditing and taking final decision.
 - The Law No. 5018 recognizes the TCA, which is entrusted with the duties stipulated in the Constitution, as ex-post external auditor. (Article 68)
 - The Law No. 6085 stresses on the functional and institutional independence of the TCA, which performs external audit function on behalf of the TGNA. (Article 3)
-

Final Accounts – Statement of General Conformity

- According to the Article 161 of the Constitution; the preparation, implementation and control of central government budget is governed by laws.
-

Final Accounts – Statement of General Conformity

- According to the Constitution, draft final accounts is submitted to the TGNA by the Council of Ministers. The TCA submits its statement of general conformity to the TGNA within seventy-five days of the submission of the draft final accounts in question.
 - The draft final accounts is placed on the agenda of the Budget Committee together with the Draft Budget Act for the new fiscal year. The Budget Committee submits the draft Budget Act to the Plenary Assembly in conjunction with the draft final accounts; the Plenary Assembly considers and decide on the draft final accounts in conjunction with the draft Budget Act for the new fiscal year. (Article 164)
-

Final Accounts – Statement of General Conformity

- Pursuant to the Law No.5018, the TGNA exercises its power of approving the implementation results of the Central Government Budget Law through the Final Accounts Law.
 - Upon prepared by the Ministry of Finance, the Draft Final Accounts Law is submitted to TGNA and the TCA. (Article 42)
-

Final Accounts – Statement of General Conformity

- Pursuant to Article 43 of the Law No.5018 and Article 41 of the Law No.6085; the TCA submits the Statement of General Conformity, which it prepares for the public administrations within the scope of central government, to the TGNA at latest in seventy-five days after the submission of the Draft Final Accounts Law.
-

Final Accounts – Statement of General Conformity

- The TCA prepares the Statement of General Conformity by taking into account the implementation results of the budget law stated in the draft Final Accounts Law, external audit reports, the administration accountability reports and the general accountability report. The TCA, in this statement, gives its opinion on whether the charts and documents in the draft Final Accounts Law conform to those given in the public administrations' accounts and submits it to the TGNA.
-

Auditing of State Economic Enterprises (SEEs)

- The principles governing the auditing, by the TGNA of the accounts of public establishments and partnerships in which more than half of the capital directly or indirectly belongs to the State, is regulated by law. (the Constitution, Article 165)
- SEEs, which were previously subject to the audit of Prime Ministry High Auditing Board as per the Law No. 72, are now within the audit scope of the TCA as required by the Law No.6085.
- Annual audit reports pertaining to audited organizations are submitted to the TGNA by the President of the TCA to be discussed by the relevant committee, as stipulated in the Law No.6085. (Article 43)

President of TCA

- Article 160 of the Constitution states that the security of tenure of the President and members of the TCA is governed by law. Within this context, there are various arrangements made in the Law No.6085.
- As per Articles 13-16 of the Law No. 6085, the TCA President and members are elected by the General Plenary of the TGNA.
- The Law No. 6085 stipulates the duties of the President as follows:
 - **The President informs the TGNA Plan and Budget Committee at least twice a year and where necessary, related Committees with regard to the activities of the TCA.**
 - **The President or the deputy president assigned by the President is present during the discussions on the reports of the TCA in the TGNA.** (Article 21)

Functions of TCA

- Functions of the TCA are specified in the Law No.6085 as such:
 - To audit the activities, decisions and transactions of public administrations within the framework of accountability and to submit accurate, sufficient, timely information and reports to the TGNA on the results of these audits;
 - To submit the Statement of General Conformity to the TGNA. (Article, 5).

Those Responsible and Cases of Responsibility

- With respect to those responsible and cases of responsibility, the Law No.6085 stipulates as follows:
 - "Those assigned duties and vested with authorities for the acquisition and utilization of all types of public resources shall be responsible for their effective, economic and efficient acquisition, utilization, accounting and reporting as well as for taking necessary measures to prevent misuse of these resources. Whether this responsibility shall have been fulfilled shall be stated in the reports of Turkish Court of Accounts to be submitted to the Turkish Grand National Assembly." (Article 7)

TCA Reports to be Submitted to TGNA

- According to the Law No. 6085, followings are the reports to be prepared by TCA following the audits and submitted to the TGNA:
 - External Audit General Evaluation Report, (Article 38)
 - Accountability General Evaluation Report, (Article 39)
 - Financial Statistics Evaluation Report , (Article 40)
 - Statement of General Conformity, (Article 41)
 - Reports on SEEs, (Article 43)
 - Reports on issues that the TCA considers to be worth sending to the TGNA after its audit and examination, (Article 42)
 - Reports related to audit demands from the TGNA (Article 45)
-

External Audit General Evaluation Report

- Article 68 of the Law No.5018 envisages that the external audit general evaluation report to be prepared by the TCA shall be submitted to the TGNA.
 - Article 38 of the Law No.6085 states that the external audit general evaluation report is prepared through consolidating the reports prepared by heads of audit groups as a result of regularity and performance audit of public administrations and sent by the President of the TCA to the TGNA together with the Statement of General Conformity. Moreover, results of external audit may also be submitted to the TGNA as separate reports arranged in terms of administrations or topics.
-

Accountability Reports

- The Law No.5018 envisages that the accountability reports prepared by public administrations are submitted to the TGNA in a report upon examination by the TCA. (Article 41)
- As per the Law No.6085, the accountability general evaluation report to be prepared as a result of examinations performed by heads of audit groups on accountability reports is sent to the TGNA and to relevant administrations by the Presidency of the TCA. (Article 39)

Financial Statistics Evaluation Report

- According to the Law No. 5018, the yearly financial statistics are evaluated by the TCA in March of the following year in terms of **preparation, publication, accuracy, reliability and conformity to the predetermined standards**. The evaluation report prepared for this purpose by the TCA is submitted to the TGNA and the Ministry of Finance. (m. 54)
- Article 40 of the Law No. 6085 covers the same provisions as mentioned above; however, this article reads additionally as "The Minister of Finance shall take the necessary measures in accordance with the assessments stated in this report."

Other Reports

- Pursuant to Article 42 of the Law No. 6085;
 - These are the reports prepared as a result of audits and examinations other than the reports stipulated in other articles of this Law. The President of the TCA submits these reports to the TGNA or forward to relevant public administrations.
-

Audit Demands from the Turkish Grand National Assembly

- The Law No. 6085 stipulates that the audit demands by the Presidency of the TGNA are fulfilled by the TCA regardless of whether they are subject to audit, and results of such audits are reported to the TGNA. (Article 45)
-

Other Provisions

- Other provisions with respect to relations with the TGNA are as follows:
 - Accounting services of the TCA are executed by the accounting officer appointed by the Speaker of the TGNA. (6085/Article 62)
 - The TCA is audited by a commission designated by the TGNA. (6085/Article 79)
 - The TGNA is audited by a commission appointed by the TCA. (The Law on the Establishment of TGNA General Secretariat, Article 14)
-

Considerations

- There are certain priorities in the long-term development of state audit.
 - The most significant priority is the nature of the relation between the Parliament and SAI.
 - Parliamentary support is needed in ensuring and sustaining progress in the operations of supreme audit.
-

Considerations

- Given its such powers as the enactment, amendment, and repeal of laws; debating and setting the rules for drafting, approval, implementation and control of the budget; parliament is the most powerful organ of a country. Besides, supreme audit institutions perform audits and prepare reports on behalf of parliaments. Therefore, there needs to be a positive, reliable and strong relations between the SAI and the Parliament.
-

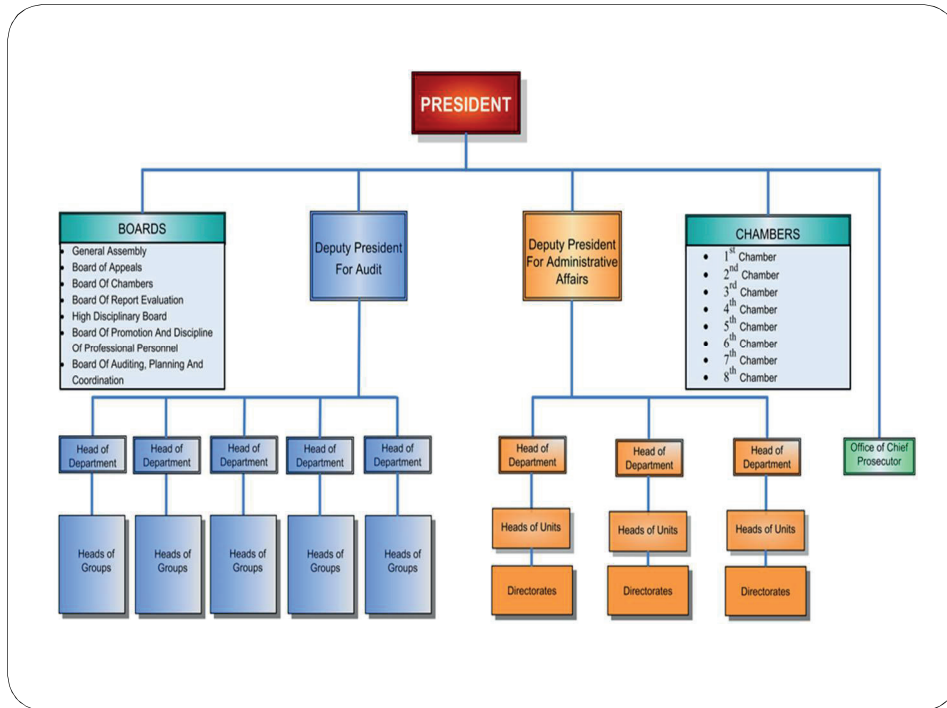
Judicial Function of the Turkish Court of Accounts*

TURKISH COURT OF ACCOUNTS



Assoc. Prof. Dr. Recai AKYEL
President of Turkish Court of Accounts

* Presented by Assoc. Prof. Dr. Recai Akyel, President of the TCA, at the Meeting of the Forum of Jurisdictional SAIs/Network of General Prosecutor within the INTOSAI WG on Value and Benefits of SAIs in Paris, France on 12-13 November 2015.



CONSTITUTIONAL STATUS

TCA

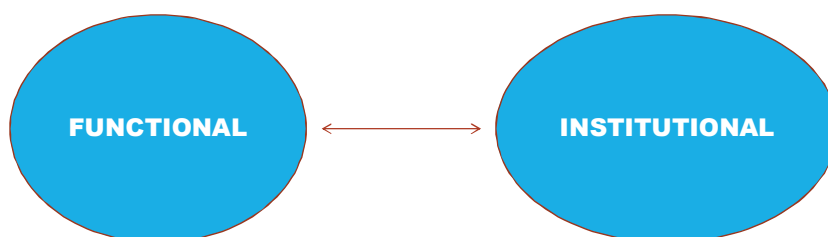
- ❑ Classified in the part of “Judicial Power” of the Constitution (article 160,164,165)
- ❑ Emphasized both audit and judicial functions.
- ❑ The duties of examination, auditing and taking final decision prescribed by laws.

A RECENT DECISION OF THE CONSTITUTIONAL COURT

...in terms of taking final decision on the accounts and transactions of responsible, Court of Accounts performs a judicial action and in this context, decisions given by the Court have the nature of judicial decision; and for the reason of taking final decision, it is out taking any decision by either administrative or judicial authority in the manner that makes its final decisions ineffective and neutral...

TCA Law/25: «The chambers are account courts»

INDEPENDENCE



TCA Law/3: «Turkish Court of Accounts shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws.»

INDEPENDENCE

President, members, auditors and prosecutors have security of tenure

TCA

- prepares and manages its own budget
- decides audit programmes without any interference
- determines to the content and timing of reports
- has authority to access all kinds of documents and information which are related the audit and judicial activities.

Rights of the personnel of TCA

TCA Law/ 63:

In terms of salary, allowances, financial and social rights, retirement and other rights and security of tenure;

- The President, chairmen of chambers and members of Turkish Court of Accounts shall be subject to the same provisions as the first President, chairmen of chambers and members of Supreme Court of Appeals respectively.
- Professional personnel other than those mentioned above shall be subject to the same provisions as the judges and prosecutors

TCA Law/ 70:

- The President, chairmen of chambers and members of Turkish Court of Accounts **cannot be dismissed, and they cannot be retired before the age of 65**, unless they desire so.

The Functions of TCA

As a Supreme Audit Institution

- Audits (on behalf of the Parliament)
- Reports (to the Parliament)
- Submits the statement of general conformity (to the Parliament)
- Helps to The Constitutional Court (in auditing of political parties)
- Gives opinions on financial regulations

As the Account Court

- Takes final decision on matters related to public loss
- Identifies of the financial responsibilities of the officials

JUDICIAL PROCESS-1

ACCOUNTS/INSTITUTIONS



AUDITOR



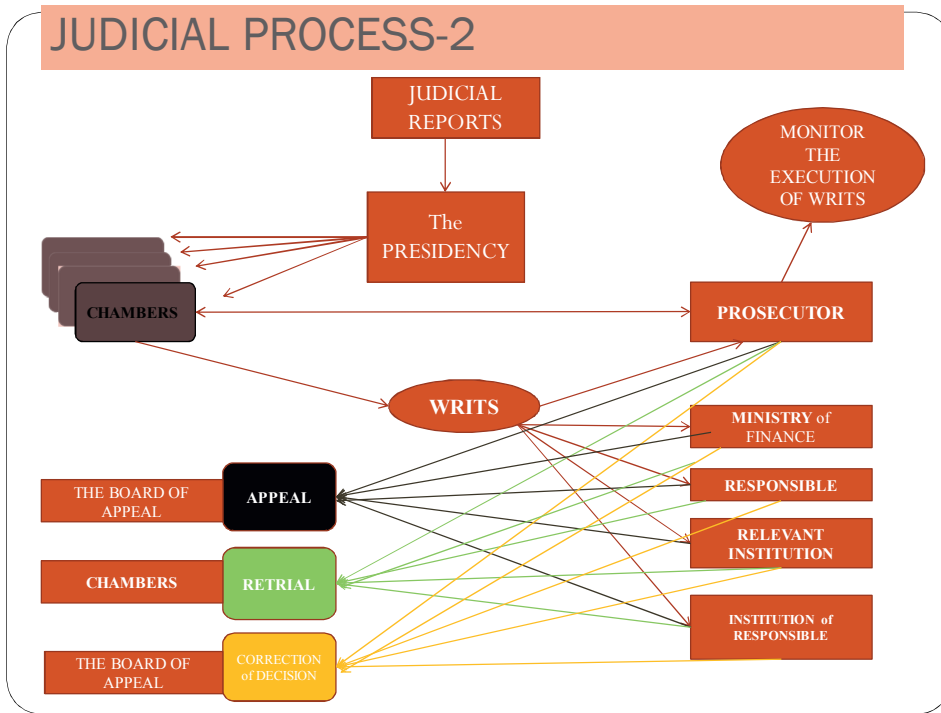
INQUIRY



DEFENCE STATEMENT



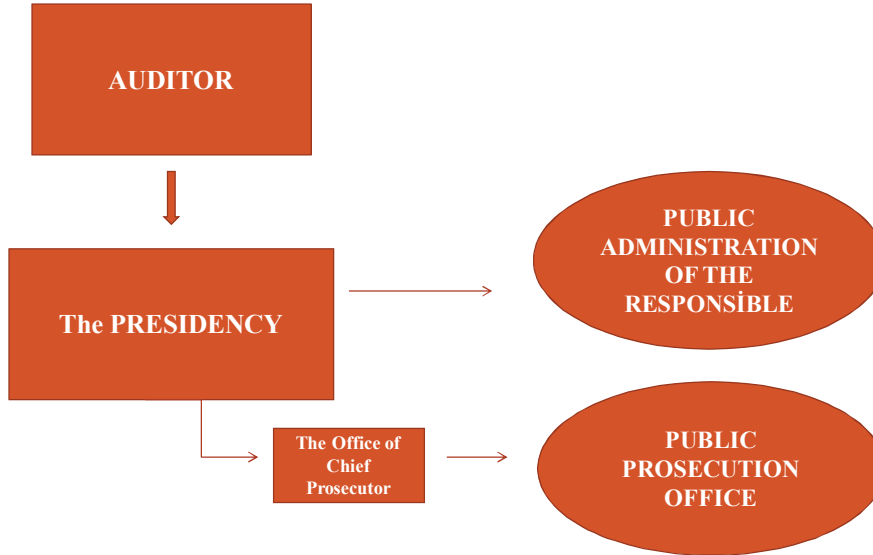
JUDICIAL REPORTS
(forwarded to the Presidency)



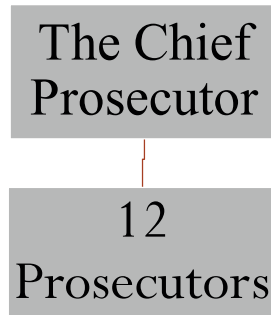
EXECUTION OF WRITS

Writs of TCA are executed within ninety days after they become final. Heads of public administrations are responsible for the implementation of the writs.

ACTS INVOLVING GUILT



The OFFICE of the CHIEF PROSECUTOR



TCA Law/33:

The Chief Prosecutor

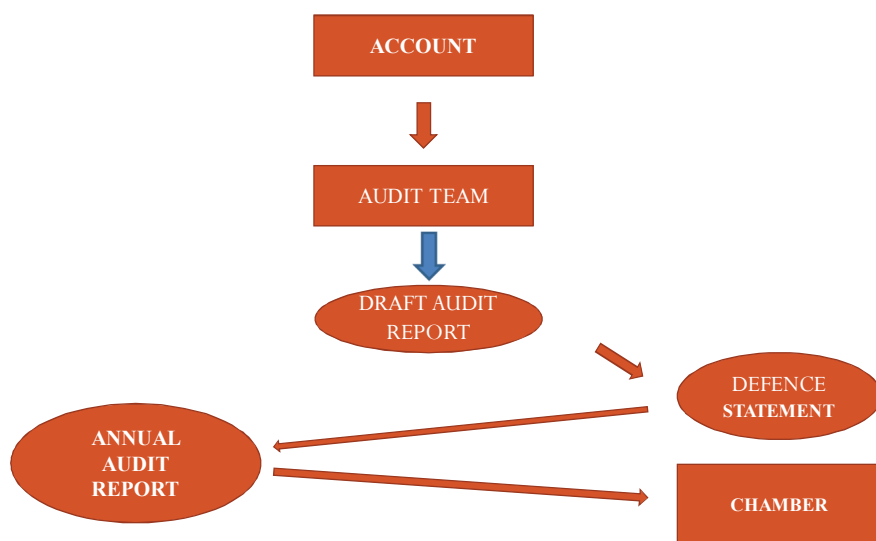


- Executes appeal request by auditors
- Monitor the execution of writs
- Follows the accounts not submitted within the given time

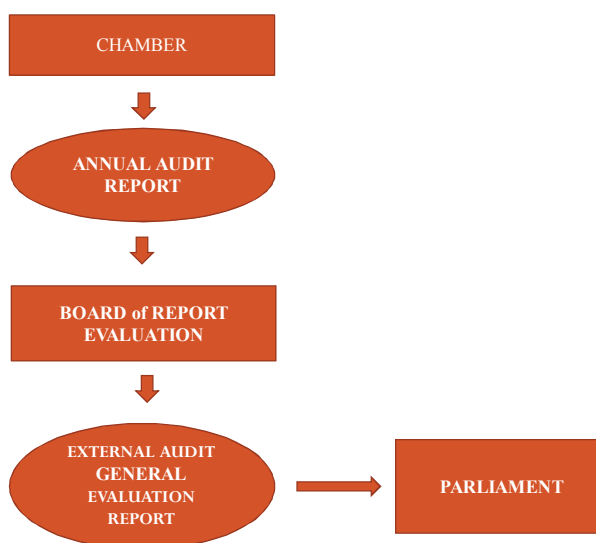
Prosecutor



- Examines judicials reports, files of appeal and gives opinion
- Participates in the trial (no right to vote)

REPORTING PROCESS

REPORTING PROCESS-2



RESPONSABILITIES of PUBLIC ADMINISTRATIONS and PUBLIC OFFICIALS

Responsible and other relevant persons must submit the information, records and documents requested by the auditor, and present the actual and physical condition regarding the transactions, activities and assets without delay

ANNOUNCEMENT of the REPORTS TO PUBLIC

Audit reports of TCA, except for the cases forbidden to be announced by laws, are announced to the public within fifteen days as of the submission of reports to the Parliament and related public administrations.

The judicial reports are not been published.

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Recai AKYEL

Assoc. Prof.; Governor; President of the Turkish Court of Accounts (TCA)

Education:

- University: Ankara University, Public Administration Department of Political Sciences Faculty, 1987.

- Master's Programme: Gazi University, Public Administration Department of the Social Science Institute, 2002.

- Doctorate: Çukurova University, Business Management of the Social Sciences Institute, 2007.

- Training program: One year in the UK within the framework of a training program focusing on foreign language and professional knowledge.

- Academic Achievement: Associate Professor of Strategic Management in the field of Business Management since 2012.

Profession:

- District Governor in various districts of Turkey, (1989-2007),

- Governor of Tokat Province, (April 2007 - June 2009),

- Elected as the President of the Turkish Court of Accounts (TCA) at the 110th Session of the General Assembly of the TGNA in 25 June 2009 for a 7-year term,

- First Vice-President of EUROSAI, Governing Board Member of ASOSAI and President of ECOSAI,

- Head of the Public Officers Arbitration Board in Turkey (2012-2017 for 3 Terms)

- Published several articles in national and international journals and books on various subjects,

- Gave conferences at various platforms,

- Giving lectures on doctorate level at universities.

Awards:

- "Governor of the Year", 2008.

- "World Efficiency Sciences Academy Honor Award", 2010.

- "Strategic Vision Award" of Turkish Asian Center for Strategic Studies (TASAM), 2011.

- "Ethical Behaviors Promotion Award" from Social Ethics Association, 2012.

- Decorated with a State Honor by Mr. Bujar NISHANI, the President of Albania on 30 April 2013.

- Received an honorary PhD from the Polytechnic University of Tiran, Albania on 04 June 2013.

- Best Article Award of ASOSAI Journal: "The New Approach to the Audit Management System", (April 2014 issue of ASOSAI Journal)



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