

Institution: Ministry of Finance

PUBLIC INTERNAL CONTROL STANDARDS CIRCULAR

As is known, the "internal control system" is regulated in the Fifth Section of the Public Financial Management and Control Law No. 5018 dated 10/12/2003. This section addresses the following issues related to the internal control system: the definition and purpose of internal control, the structure and operation of control, preliminary financial control, the financial services unit, accounting services and the authority and responsibilities of the accounting officer, the qualifications and appointment of the accounting officer, internal audit, the duties of the internal auditor, the qualifications and appointment of internal auditors, the internal audit coordination board, and the duties of the internal audit coordination board. Article

55 of Law No. 5018 defines internal control as "the entirety of financial and other controls, including internal audit, established by the administration to ensure that activities are carried out effectively, economically, and efficiently in accordance with the administration's objectives, established policies, and legislation; to protect assets and resources; to ensure that accounting records are kept accurately and completely; and to ensure that financial and management information is produced in a timely and reliable manner, through the organization, methods, and processes established by the administration."

Article 56 of the law defines the objectives of internal control

as follows: • To ensure the effective, economical, and efficient management of public revenues, expenditures, assets, and liabilities; • To ensure that public administrations operate in accordance with laws and other regulations;

• To prevent irregularities and corruption in all financial decisions and transactions; • To obtain regular, timely, and reliable reports and information for decision-making and monitoring; • To prevent misuse and waste of assets and to protect against losses.

Article 57 of the law states that the financial management and control systems of public administrations consist of expenditure units, accounting and financial services, preliminary financial control, and internal audit. To establish an adequate and effective control system, it is stipulated that the following measures must be taken by the senior managers and other managers of the relevant

administrations, taking into account their duties, powers, and responsibilities: • Adherence to

professional values and an understanding of honest

management; • The assignment of financial

authority and responsibility to knowledgeable and competent managers and personnel; • Ensuring compliance

with established standards; • Preventing activities contrary to legislation; • Ensuring a comprehensive management approach, a suitable working environment, and transparency.

Article 11 of the law stipulates that senior executives are responsible for overseeing and monitoring the functioning of the financial management and control system and for fulfilling the duties and responsibilities specified in the law, and that they shall fulfill these responsibilities through spending authorities, the financial services unit, and internal auditors.

Accordingly, senior managers are responsible for establishing and overseeing the internal control system, creating written procedures and instructions as required by the internal control system, and spending authorities are responsible for ensuring the functioning of internal control in relation to administrative and financial decisions and transactions within their areas of responsibility and authority.

Articles 60, 61, 63, and 64 of the law outline the duties and responsibilities of financial services units, accounting officers, and internal auditors in the field of internal control. Accordingly, financial services units are responsible for establishing, implementing, and improving the administration's internal control system and conducting preliminary financial control activities; accounting officers are responsible for controlling payment order documents and their attachments; accounting transactions are responsible for recording, reporting, maintaining, and preparing for auditing them in accordance with established standards and procedures; and internal auditors are responsible for auditing the administrations' internal control systems and making recommendations for their improvement.

The second paragraph of Article 55 of the Law states that "Within the scope of their duties and powers, standards and methods relating to financial management and internal control processes are determined, developed and harmonized by the Ministry of Finance, and standards and methods relating to internal audit are determined, developed and harmonized by the Internal Audit Coordination Board. They also ensure the coordination of systems and provide guidance services to public administrations." Accordingly, Public Internal Audit Standards were determined by the decision of the Internal Audit Coordination Board dated 20.11.2006 and numbered (12). Public Internal Control Standards were determined by the Ministry of Finance within the framework of the COSO model, the INTOSAI Public Sector Internal Control Standards Guide and the European Union Internal Control Standards.

As is known, Article 5, titled "Internal Control Standards," of the Procedures and Principles Regarding Internal Control and Preliminary Financial Control, published in the Official Gazette dated 31.12.2005 and numbered 26040 (3rd supplement), states that internal control standards shall be determined and published by the Ministry of Finance within the framework of its central harmonization duty; that public administrations are obliged to comply with and implement these standards in all their financial and non-financial transactions; and that, provided they do not contradict the Law and internal control standards, administrations may determine standards for all kinds of methods, processes, and specific transactions within their areas of responsibility.

In this context, detailed standards that may be determined by public administrations regarding all kinds of methods, processes, and specific operations within their areas of responsibility must comply with Law No. 5018, other relevant legislation, and Public Internal Control Standards, and must relate to specific processes unique to the administration. Detailed Internal Control Standards for each administration, which may be prepared if deemed necessary, will be determined using participatory methods, taking into account the unique conditions of each administration, such as their legal and administrative structures, personnel, and financial situations, and will be sent to the Ministry of Finance within 10 business days following approval by the senior management.

Public administrations are required to identify the necessary work to ensure the compliance of their internal control systems with the Public Internal Control Standards; to create an action plan for this work; to prepare the necessary procedures and relevant regulations; and to complete this work no later than December 31, 2008. The senior management of these administrations will take the necessary measures to ensure that these efforts are carried out effectively and on time.

On the other hand, in accordance with the transition schedule determined by the Regulation on Procedures and Principles Regarding Strategic Planning in Public Administrations, published in the Official Gazette dated May 26, 2006, and numbered 26179, administrations that will prepare strategic plans and performance programs in 2008 and subsequent years will also take into account the relevant standards in their preparation work. Public administrations that will not prepare strategic plans and performance programs will comply with matters other than the preparation of these plans and programs.

This is hereby announced.

PUBLIC INTERNAL CONTROL STANDARDS The

Public Internal Control Standards outline the fundamental management principles that administrations should consider in establishing, monitoring, and evaluating their internal control systems, and aim to establish and implement a consistent, comprehensive, and standardized control system in all public administrations.

Public Internal Control Standards have been designed to ensure that internal control, based on international standards and best practices, is applicable in all public administrations, taking into account the components of control environment, risk assessment, control activities, information and communication, and monitoring.

1. CONTROL ENVIRONMENT STANDARDS The

control environment is a general framework that forms the basis for other elements of internal control and encompasses aspects such as personal and professional integrity, ethical values of management and personnel, supportive attitudes towards internal control, professional competence, organizational structure, human resources policies and practices, and management philosophy and business style.

Standard: 1. Ethical Values and Integrity :

Employees must be aware of the rules governing their conduct.

General requirements for this standard: 1.1.

The internal control system and its operation must be owned and supported by managers and personnel. 1.2. The administration's managers must set an example for personnel in the implementation of the internal control system.

1.3. Ethical principles must be known and adhered to in all activities.

1.4. Honesty, transparency, and accountability must be ensured in all activities. 1.5. The

administration must treat its personnel and those it serves fairly and equally. 1.6. All

information and documents relating to the administration's activities must be accurate, complete, and reliable.

Standard: 2. Mission, organizational structure and duties. The mission of the administrations and the job descriptions of the units and personnel should be determined in writing, communicated to the personnel, and an appropriate organizational structure should be established within the administration.

General requirements for this standard: 2.1. The administration's mission must be defined in writing, communicated, and ensured to be embraced by the personnel.
2.2. The tasks to be carried out by administrative units and subunits to ensure the fulfillment of the mission must be defined and announced in writing. 2.3. A task assignment chart covering the duties of personnel in administrative units and their related authority and responsibilities must be created and communicated to the personnel. 2.4. The administration and its units must have an organizational chart, and a functional task distribution must be determined accordingly. 2.5. The organizational structure of the administration and its units must show the basic distribution of authority and responsibility, accountability, and appropriate reporting relationships. 2.6. The managers of the administration must define procedures for sensitive tasks in the execution of activities and communicate them to the personnel.

2.7. Managers at all levels should establish mechanisms for monitoring the results of assigned tasks.
Standard: 3. Staff competence and performance. Administrations should ensure the compatibility between staff competence and their duties, and take measures to evaluate and improve performance.
General requirements for this standard: 3.1. Human resources management should aim to achieve the goals and objectives of the administration. 3.2. The administration's managers and personnel should possess the knowledge, experience, and ability to perform their duties effectively and efficiently.
3.3. Professional competence should be prioritized, and the most suitable personnel should be selected for each task.
3.4. The principle of merit should be followed in the recruitment, promotion, and advancement of personnel, and individual performance should be taken into consideration.
3.5. The training needs for each task should be determined, and training activities to meet these needs should be planned and implemented annually, and updated as necessary.
3.6. The competence and performance of personnel should be evaluated by their manager at least once a year, and the evaluation results should be discussed with the personnel.
3.7. Measures should be taken to improve the performance of personnel whose performance is deemed insufficient according to the performance evaluation, and reward mechanisms should be developed for personnel who demonstrate high performance.
3.8. Important matters related to human resources management, such as personnel recruitment, transfers, promotions, training, performance evaluations, and personnel rights, must be determined in writing and communicated to the personnel.

Standard: 4. Delegation of Authority
In administrations, powers and the limits of delegation of authority must be clearly defined and communicated in writing. Delegation of authority should be carried out taking into account the importance and risk of the delegated power.
General requirements for this standard: 4.1. Signature and approval authorities in workflow processes must be determined and communicated to personnel.
4.2. Delegations of authority must be determined in writing by the senior manager, clearly indicating the limits of the delegated authority, and communicated to the relevant parties.

4.3. Delegation of authority must be commensurate with the importance of the authority being delegated.
4.4. Personnel to whom authority is delegated must possess the knowledge, experience, and skills required for the task.
4.5. Personnel to whom authority has been delegated must periodically inform the delegator about the use of their authority, and the delegator must seek this information.
2. RISK ASSESSMENT STANDARDS Risk assessment is the process of identifying and analyzing risks that may hinder the achievement of the administration's objectives, and determining the necessary measures to mitigate them.

Standard: 5. Planning and Programming
Administrations must create and announce their plans and programs, which include their activities, aims, objectives and indicators, and the resources they need to achieve them, and ensure that their activities are in accordance with these plans and programs.
General requirements for this standard: 5.1. Administrations must prepare strategic plans using participatory methods to establish their mission and vision, determine strategic objectives and measurable targets, and measure, monitor, and evaluate their performance. 5.2. Administrations must prepare performance programs that include the programs, activities, and projects they will carry out, their resource needs, and performance targets and indicators. 5.3. Administrations must prepare their budgets in accordance with their strategic plans and performance programs.
5.4. Managers must ensure that activities are consistent with the aims and objectives defined in the relevant legislation, strategic plan, and performance program.
5.5. Managers should set specific goals within their areas of responsibility that are consistent with the administration's objectives and communicate them to their personnel. 5.6. The objectives of the administration and its units should be specific, measurable, achievable, relevant, and time-bound.

Standard: 6. Identification and assessment of risks. Administrations should systematically analyze and identify internal and external risks that may hinder the achievement of their aims and objectives, assess them, and determine the necessary measures to be taken.

General requirements for this standard: 6.1. Administrations must systematically identify the risks to their aims and objectives each year.
6.2. The probability of risks occurring and their potential impact should be analyzed at least once a year.
6.3. Measures to be taken against risks should be identified and action plans should be created.
3. CONTROL ACTIVITIES STANDARDS Control activities are policies and procedures established to ensure the achievement of the administration's objectives and to manage identified risks.

Standard: 7. Control strategies and methods. Administrations should identify and implement control strategies and methods that are appropriate to achieving their objectives and addressing risks.
General requirements for this standard: 7.1. Appropriate control strategies and methods (regular review, sampling control, comparison, verification, reporting, coordination, verification, analysis, authorization, supervision, inspection, monitoring, etc.) must be identified and implemented for each activity and its risks.
7.2. Controls should include pre-process control, process control and post-process control, where necessary.
7.3. Control activities should include periodic inspection of assets and ensuring their security.
7.4. The cost of the chosen control method should not exceed the expected benefit.

Standard: 8. Establishment and Documentation of Procedures Administrations shall prepare, update, and make accessible to relevant personnel the necessary written procedures and regulations for their activities and financial decisions and transactions. should present.

General requirements for this standard: 8.1. Administrations must establish written procedures regarding their activities and financial decisions and transactions.
8.2. Procedures and related documents should cover the initiation, implementation, and completion phases of an activity or financial decision and transaction.
8.3. Procedures and related documents must be current, comprehensive, compliant with legislation, and understandable and accessible to relevant personnel.

Standard: 9. Separation of duties. To reduce the risk of errors, omissions, inaccuracies, irregularities, and corruption, the tasks of approving, implementing, recording, and controlling activities and financial decisions and transactions should be shared among personnel.

General requirements for this standard: 9.1. The tasks of approving, implementing, recording, and controlling each activity or financial decision and transaction should be assigned to different individuals.
9.2. Managers of administrations where the principle of separation of duties cannot be fully implemented due to insufficient personnel numbers should be aware of the risks and take the necessary precautions.

Standard: 10. Hierarchical controls. Managers must systematically check that work and processes comply with procedures.
General requirements for this standard: 10.1. Managers must carry out the necessary checks to ensure that procedures are implemented effectively and consistently.

10.2. Managers should monitor and approve the work and procedures of personnel, and give necessary instructions to correct errors and irregularities.

Standard: 11. Continuity of operations.

Administrations should take the necessary measures to ensure the continuity of operations.

General requirements for this standard: 11.1.

Necessary measures must be taken against reasons affecting the continuity of operations, such as staff shortages, temporary or permanent absences, transitions to new information systems, changes in methods or legislation, and extraordinary circumstances.

11.2. Substitute personnel should be appointed when necessary, in accordance with proper procedures.

11.3. The manager must ensure that personnel leaving their positions prepare a report detailing the status of their work or procedures and providing this report to the assigned personnel.

Standard: 12. Information systems controls .

Administrations should develop the necessary control mechanisms to ensure the continuity and reliability of information systems.

General requirements for this standard: 12.1.

Controls to ensure the continuity and reliability of information systems must be defined and implemented in writing.

12.2. Authorizations should be established for data and information entry into the information system and for access to it, and mechanisms should be created to prevent, detect, and correct errors and irregularities. 12.3. Administrations should develop mechanisms to ensure information governance.

4. INFORMATION AND COMMUNICATION STANDARDS

Information and communication encompasses an information, communication, and record-keeping system that ensures necessary information is transmitted to those who need it—personnel and managers—in a specific format and within a timeframe that allows stakeholders to fulfill their internal controls and other responsibilities.

Standard: 13. Information and

Communication Administrations must have an appropriate information and communication system to monitor the performance of their units and employees, ensure sound decision-making processes, and achieve efficiency and satisfaction in service delivery.

General requirements for this standard: 13.1.

Administrative bodies must have an effective and continuous information and communication system encompassing both internal and external communication, both horizontally and vertically.

13.2. Managers and staff should have timely access to the necessary and sufficient information to perform their duties.

13.3. The information must be accurate, reliable, complete, useful, and understandable.

13.4. Managers and relevant personnel should have timely access to information regarding the implementation of the performance program and budget, as well as other information related to resource utilization.

13.5. The management information system should be designed to generate the necessary information and reports required by management and to provide the ability to perform analysis.

13.6. Managers should communicate their expectations to personnel within the scope of the administration's mission, vision, and objectives, and within the scope of their duties and responsibilities.

13.7. The administration's horizontal and vertical communication system should enable personnel to convey their evaluations, suggestions, and problems.

Standard: 14. Reporting The

administration's objectives, goals, indicators, activities, and results should be reported in accordance with the principles of transparency and accountability.

General requirements for this standard: 14.1.

Administrations must disclose their aims, objectives, strategies, assets, liabilities, and performance programs to the public annually. 14.2. Administrations must disclose to the public the results of the first six months of their budget implementation, expectations and targets for the second six months, and their activities.

14.3. Activity results and evaluations should be shown and announced in the administration's activity report.

14.4. In order to monitor activities, a horizontal and vertical reporting network should be established in writing within the administration, and units and personnel should be informed about the reports that need to be prepared regarding their duties and activities.

Standard: 15. Record keeping and filing system.

Administrations must have a comprehensive and up-to-date system in place for recording, classifying, and filing all business and transactions, including incoming and outgoing documents.

General requirements for this standard: 15.1. The

record-keeping and filing system must cover incoming and outgoing documents, including those in electronic format, as well as internal administrative communication.

15.2. The record-keeping and filing system must be comprehensive and up-to-date, and accessible and traceable by managers and staff.

15.3. The record-keeping and filing system must ensure the security and protection of personal data.

15.4. The record-keeping and filing system must conform to established standards.

15.5. Incoming and outgoing documents must be recorded in a timely manner, classified according to standards, and preserved in accordance with the archival system. 15.6. An archival and documentation system conforming to established standards must be created, encompassing the recording, classification, preservation, and access to the administration's operations and transactions.

Standard: 16. Reporting of errors, irregularities, and corruption. Administrations

should establish methods to ensure that errors, irregularities, and corruption are reported in a defined manner.

General requirements for this standard: 16.1.

Methods for reporting errors, irregularities, and corruption must be defined and announced.

16.2. Managers must conduct adequate investigations into reported errors, irregularities, and corruption.

16.3. Personnel who report errors, irregularities, and corruption should not be subjected to unfair or discriminatory treatment. **5. MONITORING**

STANDARDS Monitoring encompasses

all monitoring activities conducted to assess the quality of the internal control system.

Standard: 17. Evaluation of internal control. Administrations

should evaluate their internal control system at least once a year.

General requirements for this standard:

17.1. The internal control system must be evaluated through continuous monitoring, a specific assessment, or a combination of both. 17.2. A process

and method should be established for identifying, reporting, and taking necessary corrective measures regarding deficiencies in internal control and inappropriate control methods. 17.3. The participation of

the administration's units in the evaluation of internal control should be ensured. 17.4. In the

evaluation of internal control, the opinions of managers, requests and complaints from individuals and/or administrations, and reports prepared as a result of internal and external audits should be taken into consideration.

17.5. Measures to be taken as a result of the internal control evaluation should be determined and implemented within the framework of an action plan.

Standard 18: Internal Audit.

Administrations should ensure a functionally independent internal audit activity.

General requirements for this standard: 18.1.

Internal audit activities must be conducted in accordance with the standards determined by the Internal Audit Coordination Board. 18.2. An action plan containing the measures deemed necessary by the administration as a result of the internal audit must be prepared, implemented, and monitored.