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From the Ministry of Finance: COMMUNIQUÉ ON PUBLIC INTERNAL CONTROL STANDARDS

As is known, the "internal control system" is regulated in the Fifth Part of the Public Financial Management and Control Law No. 5018 dated 10/12/2003. In this part, regarding the internal control system; definition and purpose of internal control, structure and operation of control, prior financial control, financial services unit, accounting service and powers and responsibilities of the accounting officer, qualifications and appointment of the accounting officer, internal audit, duties of the internal auditor, qualifications and appointment of internal auditors, internal audit coordination board, and the duties of the internal audit coordination board are included.

In Article 55 of Law No. 5018, internal control is defined as "the whole of financial and other controls, including the organization, methods, and processes established by the administration, and internal audit, in order to ensure that activities are carried out effectively, economically, and efficiently in compliance with the objectives of the administration, determined policies, and legislation, assets and resources are protected, accounting records are kept accurately and completely, and financial information and management information are produced in a timely and reliable manner.

In Article 56 of the Law, the objectives of internal control are determined as:

- Ensuring the effective, economical, and efficient management of public revenues, expenditures, assets, and liabilities,
- Ensuring that public administrations operate in compliance with laws and other regulations,
- Preventing irregularities and corruption in all kinds of financial decisions and transactions,
 - Obtaining regular, timely, and reliable reports and information to create and monitor decisions,
- Preventing the misuse and waste of assets and protecting them against losses.

In Article 57 of the Law, it is stated that the financial management and control systems of public administrations consist of spending units, accounting and financial services, prior financial control, and internal audit, and for the establishment of a sufficient and effective control system;

- Possessing professional values and an honest management approach,
- Entrusting financial powers and responsibilities to knowledgeable and competent managers and personnel,
- Ensuring compliance with established standards,
- Preventing activities contrary to legislation,

- Ensuring a suitable working environment and transparency with a comprehensive management approach, it is foreseen that necessary measures shall be taken by the top managers and other managers of the relevant administrations, taking into account duties, powers, and responsibilities.

In Article 11 of the Law, it is bound by provision that top managers are responsible for supervising and monitoring the operation of the financial management and control system and fulfilling the duties and responsibilities specified in the Law, and that they shall fulfill the requirements of this responsibility through spending units, the financial services unit, and internal auditors.

Accordingly, top managers have been given the responsibility of establishing and supervising the internal control system and making all kinds of regulations such as establishing written procedures and instructions as a requirement of the internal control system, while spending units have been given the responsibility of ensuring the operation of internal control regarding administrative and financial decisions and transactions within the framework of their duties and areas of authority.

In Articles 60, 61, 63, and 64 of the Law, the duties and responsibilities of financial services units, accounting officers, and internal auditors in the field of internal control are included. Accordingly, financial services units are responsible for conducting studies on the establishment, implementation, and development of the administration's internal control system, its standards, and carrying out the prior financial control activity; accounting officers are responsible for the control of the payment order document and its annexes, recording accounting transactions in accordance with determined standards and procedures, reporting, safeguarding, and keeping them ready for audit; whereas internal auditors are responsible for auditing the internal control systems of administrations and making recommendations for their development.

In the second paragraph of Article 55 of the Law, the provision is included: "Within the framework of their duties and powers, standards and methods regarding financial management and internal control processes are determined, developed, and harmonized by the Ministry of Finance, and standards and methods regarding 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 Control Standards have been determined by the Internal Audit Coordination Board's decision no. (12) dated 20.11.2006. Public Internal Control Standards have been determined by the Ministry of Finance within the framework of the COSO model, INTOSAI Public Sector Internal Control Standards Guide, and European Union Internal Control Standards.

As is known, in Article 5 titled "Internal control standards" of the Procedures and Principles on Internal Control and Prior Financial Control published in the Official Gazette dated 31.12.2005 and numbered 26040 (3rd duplicate), it is stated that internal control standards shall be determined and published by the Ministry of Finance within the framework of the central harmonization duty, that public administrations are obliged to comply with these standards and fulfill their requirements in all their financial and non-financial transactions, and that, provided that they do not contradict the Law and internal control standards, standards regarding all kinds of methods, processes, and special transactions can be determined by administrations within the framework of their fields of duty.

Within this framework, detailed standards that can be determined by public administrations regarding all kinds of methods, processes, and special transactions within their fields of duty must comply with Law No. 5018, other relevant legislation, and Public Internal Control Standards, and must relate to specific processes unique to the administration. Administration Detailed Internal Control Standards that may be prepared if deemed necessary by the administrations shall be determined through participatory methods, taking into account the unique conditions of each administration such as their legal and administrative structures, personnel, and financial situations, and shall be sent to the Ministry of Finance within 10 working days following the approval of the top manager.

Public administrations are required to carry out the studies of determining the works to be done, creating an action plan for these works, preparing necessary procedures and related regulations in order to ensure the compliance of their internal control systems with Public Internal Control Standards, and to complete these studies by 31.12.2008 at the latest. Necessary measures shall be taken by the top managers of the administrations to ensure that said studies are carried out effectively and in a timely manner.

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 26.5.2006 and numbered 26179, administrations that will prepare a strategic plan and performance program in 2008 and subsequent years shall also take into account the standards regarding these in their preparatory studies. Public administrations that will not prepare a strategic plan and performance program shall comply with the matters other than the preparation of these plans and programs.

It is announced.

PUBLIC INTERNAL CONTROL STANDARDS

Public Internal Control Standards show the basic management rules that administrations must take into account in the establishment, monitoring, and evaluation of their internal control systems, and aim to establish and implement a consistent, comprehensive, and standard control system in all public administrations.

Public Internal Control Standards have been regulated in a general nature to ensure that internal control is applicable in all public administrations, based on the components of control environment, risk assessment, control activities, information and communication, and monitoring, within the framework of international standards and good practice examples.

1. *CONTROL ENVIRONMENT STANDARDS*

The control environment is a general framework that forms the basis for other elements of internal control and covers issues related to personal and professional integrity, ethical values of management and personnel, supportive attitude towards internal control, professional competence, organizational structure, human resources policies and practices, and management philosophy and operating style.

Standard: 1. Ethical Values and Integrity

The rules determining personnel behaviors should be known by the personnel.

General conditions required for this standard:

- 1.1. The internal control system and its operation should be owned and supported by management and personnel.
- 1.2. The managers of the administration should set an example for the personnel in the implementation of the internal control system.
- 1.3. Ethical rules should be known and complied with in all activities.
- 1.4. Honesty, transparency, and accountability should be ensured in activities.
- 1.5. Fair and equal treatment should be accorded to the personnel of the administration and those served.
- 1.6. All information and documents regarding the activities of the administration should be accurate, complete, and reliable.

Standard: 2. Mission, organizational structure, and duties

The mission of the administrations and the job descriptions of units and personnel should be determined in writing, announced to the personnel, and a suitable organizational structure should be established in the administration.

General conditions required for this standard:

- 2.1. The mission of the administration should be determined in writing, announced, and adopted by the personnel.
- 2.2. Duties to be carried out by the administration units and sub-units to achieve the mission should be defined in writing and announced.
- 2.3. A duty distribution chart covering the duties of the personnel and their powers and responsibilities regarding these duties should be created in administration units and notified to the personnel.
- 2.4. The organization chart of the administration and its units should exist, and functional duty distribution should be determined accordingly.
- 2.5. The organizational structure and basic power and responsibility distribution of the administration and its units should be in a way to show accountability and appropriate reporting relationships.
- 2.6. Managers of the administration should determine procedures regarding sensitive tasks in the execution of activities and announce them to the personnel.
- 2.7. Managers at every level should establish mechanisms to monitor the results of assigned duties.

Standard: 3. Competence and performance of personnel

Administrations should ensure harmony between the competence and duties of personnel, and take measures for the evaluation and development of performance.

General conditions required for this standard:

3.1. Human resources management should be aimed at ensuring the realization of the objectives and targets of the administration.

3.2. Management and personnel of the administration should have the knowledge, experience, and ability to carry out their duties effectively and efficiently.

3.3. Professional competence should be given importance and the most suitable personnel should be selected for each task.

3.4. The principle of merit should be complied with in the recruitment of personnel and their progression and promotion in duty, and individual performance should be taken into consideration.

3.5. Training needs required for each task should be determined, training activities to meet this need should be planned and carried out every year, and updated when necessary.

3.6. The competence and performance of personnel should be evaluated by their superior manager at least once a year, and evaluation results should be discussed with the personnel.

3.7. Measures should be taken to improve the performance of personnel whose performance is found inadequate according to performance evaluation, and reward mechanisms should be developed for high-performing personnel.

3.8. Important issues regarding human resources management such as personnel employment, reassignment, appointment to higher positions, training, performance evaluation, and personal rights should be determined in writing and announced to the personnel.

Standard: 4. Delegation of Authority

Powers and the limits of delegation of authority in administrations should be clearly determined and reported in writing. Delegation of authority should be made by taking into account the importance and risk of the delegated power.

General conditions required for this standard:

4.1. Signature and approval authorities in workflow processes should be determined and announced to the personnel.

4.2. Delegations of authority should be determined in writing within the framework of principles set by the top manager, showing the limits of the delegated power, and notified to the concerned parties.

4.3. Delegation of authority should be compatible with the importance of the delegated power.

4.4. Personnel to whom authority is delegated should have the knowledge, experience, and skill required by the duty.

4.5. Personnel to whom authority is delegated should inform the delegator at certain periods regarding the use of authority, and the delegator should seek this information.

2.RISK ASSESSMENT STANDARDS

Risk assessment is the process of identifying, analyzing risks that will prevent the realization of the administration's objectives, and determining necessary measures.

Standard: 5. Planning and Programming

Administrations should create and announce their plans and programs containing their activities, purpose, target, and indicators and the resources they need to realize them, and ensure the compliance of their activities with plans and programs.

General conditions required for this standard:

5.1. Administrations should prepare a strategic plan through participatory methods in order to establish their mission and vision, set strategic objectives and measurable targets, and measure, monitor, and evaluate their performance.

5.2. Administrations should prepare a performance program containing their programs, activities, and projects to be carried out, their resource needs, and performance targets and indicators.

5.3. Administrations should prepare their budgets in accordance with their strategic plans and performance programs.

5.4. Managers should ensure the compliance of activities with the purposes and targets determined by the relevant legislation, strategic plan, and performance program.

5.5. Managers should determine special targets appropriate to the administration's targets within the framework of their fields of duty and announce them to their personnel.

5.6. The targets of the administration and its units should be specific, measurable, achievable, relevant, and time-bound.

Standard: 6. Identification and evaluation of risks

Administrations should identify and evaluate internal and external risks that may prevent the realization of their purposes and targets by conducting systematic analyses, and determine measures to be taken.

General conditions required for this standard:

6.1. Administrations should systematically identify risks towards their purposes and targets every year.

6.2. The probability of occurrence and potential impacts of risks should be analyzed at least once a year.
6.3. Measures to be taken against risks should be determined and action plans should be created.

3.CONTROL ACTIVITIES STANDARDS

Control activities are policies and procedures established to ensure the realization of the administration's targets and to manage determined risks.

Standard: 7. Control strategies and methods

Administrations should determine and apply control strategies and methods suitable for achieving their targets and meeting risks.

General conditions required for this standard:

7.1. Appropriate control strategies and methods (regular review, sample-based control, reporting, coordination, verification, analysis, authorization, supervision, examination, monitoring, etc.) should be determined and applied for each activity and its risks.

7.2. Controls should also cover pre-transaction control, process control, and post-transaction controls when necessary.

7.3. Control activities should cover periodic control and security assurance of assets.

7.4. The cost of the determined control method should not exceed the expected benefit.

Standard: 8. Determination and documentation of procedures

Administrations should prepare, update, and make accessible to relevant personnel the written procedures and related regulations required for their activities and financial decisions and transactions.

General conditions required for this standard:

8.1. Administrations should determine written procedures regarding their activities and financial decisions and transactions.

8.2. Procedures and related documents should cover the stages of commencement, implementation, and conclusion of the activity or financial decision and transaction.

8.3. Procedures and related documents should be up-to-date, comprehensive, compliant with legislation, and understandable and accessible by the relevant personnel.

Standard: 9. Segregation of duties

To reduce the risks of error, deficiency, inaccuracy, irregularity, and corruption, the duties of approving, implementing, recording, and controlling activities and financial decisions and transactions should be distributed among personnel.

General conditions required for this standard:

9.1. The duties of approving, implementing, recording, and controlling each activity or financial decision and transaction should be given to different persons.

General conditions required for this standard:

10.1. Managers should perform necessary controls for the effective and continuous implementation of procedures.

10.2. Managers should monitor and approve the work and transactions of personnel, and give necessary instructions for the elimination of errors and irregularities.

Standard: 11. Continuity of activities

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

General conditions required for this standard:

11.1. Necessary measures should be taken against reasons affecting the continuity of activities such as personnel inadequacy, temporary or permanent leaving of duty, transition to new information systems, method or legislation changes, and extraordinary situations.

11.2. Substitute personnel should be assigned in accordance with procedures when necessary.

11.3. It should be ensured by the manager that the personnel leaving their duty prepares a report including the status of their work or transactions and necessary documents, and gives this report to the assigned personnel.

Standard: 12. Information systems controls

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

General conditions required for this standard:

12.1. Controls ensuring the continuity and reliability of information systems should be determined in writing and applied.

12.2. Authorizations regarding data and information entry into information systems and access to them should be made, and mechanisms should be established to prevent, detect, and correct errors and irregularities.

12.3. Administrations should develop mechanisms to ensure IT governance.

4. INFORMATION AND COMMUNICATION STANDARDS

Information and communication cover the information, communication, and recording system that will ensure that necessary information is transmitted to the person, personnel, and manager in need in a certain format and within a time frame that will allow them to fulfill their internal control and other responsibilities.

Standard: 13. Information and communication

Administrations should have an appropriate information and communication system in order to monitor the performance of their units and employees, ensure the healthy operation of decision-making processes, and provide effectiveness and satisfaction in service delivery.

General conditions required for this standard:

13.1. There should be an effective and continuous information and communication system in administrations covering horizontal and vertical internal communication and external communication.

13.2. Managers and personnel should be able to access necessary and sufficient information on time to fulfill their duties.

13.3. Information should be accurate, reliable, complete, useful, and understandable.

13.4. Managers and relevant personnel should be able to access other information regarding resource utilization and the implementation of the performance program and budget in a timely manner.

13.5. The management information system should be designed to produce necessary information and reports needed by management and to provide analysis capability.

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

13.7. The horizontal and vertical communication system of the administration should enable personnel to transmit their evaluations, suggestions, and problems.

Standard: 14. Reporting

The administration's targets, objectives, indicators, and activities along with their results should be reported in line with the principles of transparency and accountability.

General conditions required for this standard:

14.1. Administrations should announce their objectives, targets, strategies, assets, liabilities, and performance programs to the public every year.

14.2. Administrations should announce the first six-month implementation results of their budgets, expectations and targets for the second six months, and their activities to the public.

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

14.4. A horizontal and vertical reporting network for the supervision of activities should be determined 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. Registration and filing system

Administrations should have a comprehensive and up-to-date system where all kinds of incoming and outgoing documents, including work and transactions, are recorded, classified, and filed.

General conditions required for this standard:

15.1. The registration and filing system should cover incoming and outgoing documents, including those in electronic media, and intra-administration communication.

15.2. The registration and filing system should be comprehensive and up-to-date, accessible, and traceable by management and personnel.

15.3. The registration and filing system should ensure the security and protection of personal data.

15.4. The registration and filing system should comply with established standards.

15.5. Incoming and outgoing documents should be recorded on time, classified in accordance with standards, and preserved in accordance with the archiving system.

15.6. An archive and documentation system complying with determined standards, which also covers the recording, classification, protection, and access of the administration's work and transactions, should be established.

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

Administrations should establish methods to ensure that errors, irregularities, and corruption are reported within a determined order.

General conditions required for this standard:

16.1. Reporting methods for errors, irregularities, and corruption should be determined and announced.

16.2. Managers should conduct sufficient examination regarding reported errors, irregularities, and corruption.

16.3. Unfair and discriminatory treatment should not be applied to personnel who report errors, irregularities, and corruption.

5.MONITORING STANDARDS

Monitoring covers all monitoring activities carried out to evaluate the quality of the internal control system.

Standard: 17. Evaluation of internal control

Administrations should evaluate the internal control system at least once a year.

General conditions required for this standard:

17.1. The internal control system should be evaluated by continuous monitoring or conducting a special evaluation, or using these two methods together.

17.2. A process and method should be determined for identifying, reporting, and taking necessary measures regarding missing aspects of internal control and inappropriate control methods.

17.3. The participation of the units of the administration in the evaluation of internal control should be ensured.

17.4. In the evaluation of internal control, managers' opinions, demands, and complaints of individuals and/or administrations, and reports issued as a result of internal and external audits should be taken into account.

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

Standard: 18. Internal audit

Administrations should provide a functionally independent internal audit activity.

General conditions required for this standard:

18.1. Internal audit activity should be carried out in accordance with standards determined by the Internal Audit Coordination Board.

18.2. An action plan containing the measures deemed necessary to be taken by the administration as a result of internal audit should be prepared, implemented, and monitored.