

## **ACHIEVING SUCCESS IN ASSIMILATION AND IMPLEMENTATION OF THE ISSAIs**

**Recai Akyel\***

**Berna ERKAN\*\***

### **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.

### **ISSAI’LERİN ÖZÜMSENMESİ VE UYGULANMASINDA BAŞARININ SAĞLANMASI**

### **ÖZET**

Yüksek Denetim Kurumları (YDK’lar), etkin ve kaliteli denetimler aracılığıyla iyi yönetime yaptıkları katkıdan dolayı kamu mali yönetim sisteminde önemli bir rol oynamaktadır. Denetimlerde kalitenin artırılması ve YDK’ların hesap verebilirlik ve güvenilirliklerinin güçlendirilmesinde, uluslararası kabul görmüş standartlara uygun denetim yapılması prensibi öncelikli bir husustur. Bu bağlamda “Uluslararası Yüksek Denetim Kurumları Standartları (ISSAI’ler)” nin oluşturulması ve geliştirilmesi, beraberinde getirdiği çeşitli fayda ve zorluklar ile tüm dünya YDK’ları için büyük önem arz etmektedir. Bu makale genel olarak ISSAI çerçevesinin ortaya çıkışını ve bu çerçevenin kabul edilmesi ve uygulanmasında gerek Türk Sayıştay gerekse diğer YDK’ların bakış açısını ortaya koymaktadır. Her bir YDK’nın ulusal mevzuatı, yetki

---

\*Doç. Dr. Recai AKYEL, T.C. Sayıştay Başkanlığı ANKARA, recaiakyel@hotmail.com

\*\*Berna ERKAN, T.C. Sayıştay Başkanlığı ANKARA, bernadurusu@sayistay.gov.tr

alanı, kurumsal yapısı ve kaynakları gibi farklı etkenlerden dolayı söz konusu süreç çok da kolay olmadığından, makalede ISSAI'lerin doğru şekilde anlaşılması ve uygulanmasını teşvik etmek için hem uluslararası hem de ulusal düzeyde kararlı işbirliği ve destekleyici girişimlerin başlatılması gereğine vurgu yapılmıştır.

**Anahtar kelimeler:** Yüksek Denetim Kurumları (YDK'lar), Uluslararası Yüksek Denetim Kurumları Standartları (ISSAI'ler), Sayıştay, INTOSAI Mesleki Standartlar Komitesi, denetim.

## 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 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 Declaration<sup>1</sup> 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

---

<sup>1</sup> 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)

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 (Özveren, 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.

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 SAI's and public sector auditing<sup>2</sup>.

## **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 following<sup>3</sup>:

### **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**

---

<sup>2</sup> Retrieved from <http://www.ifac.org/sites/default/files/meetings/files/4800.pdf>

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

- 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 binding<sup>4</sup> 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**

---

<sup>4</sup> 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>

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).

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 SAIs 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 SAIs 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 SAIs 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 SAIs 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 SAIs (INTOSAI, 2011, p.1). The model consists of three stages which are designed to be harmonized with the special

characteristics of the SAIs in different INTOSAI regions and can be stated as follows (INTOSAI, 201 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 standards<sup>5</sup>. 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 standards<sup>6</sup>.

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 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

---

<sup>5</sup> See Article 68 titled “External audit” of Public Financial Management and Control Law No.5018

<sup>6</sup> See Article 35 titled “General principles of auditing” of Law on Turkish Court of Accounts No. 6085

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 article<sup>7</sup>, 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, 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

---

<sup>7</sup> See Article 3 titled “Independence” of Law on Turkish Court of Accounts No. 6085

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”<sup>8</sup>. 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.

### **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 (Özveren, 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

---

<sup>8</sup> See for further details

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

opinion and other audit organizations so that enhance the confidence in the audit outputs (Özveren, 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 cooperation<sup>9</sup>. Auditing standards also integrate the generally accepted solutions in the audit methodology that are filtered from the audits so that they are of vital importance for improving the audit implementation (Özveren, 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 standards<sup>10</sup>. 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

---

<sup>9</sup> Retrieved from SAI Cyprus’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>

<sup>10</sup> 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](http://www.innovations-report.com/html/reports/economy_finances/african_auditors_advocating_international_auditing_191569.html)

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 staff<sup>11</sup> (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 implementation phase. 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 process<sup>12</sup>. 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<sup>13</sup> developed by INTOSAI is of vital importance for effective

---

<sup>11</sup> 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>

<sup>12</sup> Retrieved from SAI Cyprus’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>

<sup>13</sup> 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)

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 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.

## **REFERENCES**

**Burns, J. and Fogarty, J. (2010)**, “Approaches to auditing standards and their possible impact on auditor behavior”, *International Journal of Disclosure and Governance* , Vol. 7,4, 310–319, Macmillan Publishers, 2010.

**Blegvad, K. (2007)**, “Developing International Standards and Guidelines for SAIs”, *International Journal of Auditing*, July 2007, INTOSAI Professional Standards Committee, <http://www.intosaijournal.org/editorials/editorialsjul07.html> (Access date: 23.08.2012)

**EUROSAI (2010)**, “A new era in Financial Auditing – challenge and opportunity for EUROSAI”, *EUROSAI Magazine*, No.16, INTOSAI Financial Audit Subcommittee (FAS) Secretariat, Swedish National Audit Office, p.126-128, 2010.

**EUROSAI (2011)**, “Applying International Audit Standards in the National Audit Office of Lithuania: Experience and challenges”, *EUROSAI Magazine*, No.17, National Audit Office of Lithuania, p. 160-161, 2011.

**INTOSAI (1977)**, “The Lima Declaration” (ISSAI 1), INTOSAI PSC Secretariat, Vienna, Austria.

**INTOSAI (1998)**, “Code of Ethics” (ISSAI 30), INTOSAI PSC Secretariat, Vienna, Austria.

**INTOSAI (2007)**, “Analysis of the PSC Survey”, INTOSAI Professional Standards Committee, 2007.

**INTOSAI (2010a)**, “Hand-out to accompany an introduction to the INTOSAI Financial Audit Guidelines”, INTOSAI The FAS Secretariat, 2010.

**INTOSAI (2010b)**, “South Africa Declaration on the International Standards of Supreme Audit Institutions”, [http://www.issai.org/media\(1054,1033\)/South\\_Africa\\_Declaration.pdf](http://www.issai.org/media(1054,1033)/South_Africa_Declaration.pdf) (Access date: 14.08.2012)

**INTOSAI (2010c)**, “Public and Private Sector Collaboration in Developing International Financial Audit Standards”, *International Journal of Government Auditing*, January 2010, p. 11-15.

**INTOSAI (2010d)**, “PSC Strategy For ISSAI Awareness Raising 2011-2013”, INTOSAI Professional Standards Committee, 2010.  
INTOSAI (2010e), Strategic Plan (2011-2016).

**INTOSAI (2011)**, “ISSAI roll out model”, INTOSAI Professional Standards Committee, 2011.

**Köse, H. Ö. (2007a)**, “Dünyada ve Türkiye’de Yüksek Denetim”, T.C. Sayıştay Başkanlığı 145. Kuruluş Yıldönümü Yayınları, Mayıs 2007.

**Köse, H. Ö. (2007b)**, “Yüksek Denetimde Çağdaş Gelişmeler ve Sayıştayın Konumu”, Sayıştay Dergisi, Nisan-Haziran 2007, Sayı : 65 (145. Yıl Özel Sayısı).

**Köse, H. Ö. (2008)**, “Yeni Çerçevesi İle Yüksek Denetimin Uluslararası Standartları”, Sayıştay Dergisi, Ekim-Aralık 2008, Sayı : 71.

**Özveren, Baran (2004)**, *Avrupa Birliği’ne Yeni Üye Olanve Aday Ülke Sayıştaylarının Ürettiği Denetim Standartlarına ve El Kitaplarına Kısa Bakış*, Sayıştay Bilgi Notları, Ankara.

**Pineno, Charles, J. and Gelikanova, Evgenia, V. (2010)**, “Obstacles to the Implementation of International Auditing Standards”, Proceedings of ASBBS, Vol.17,1, ASBBS Annual Conference, Las Vegas, February 2010.

**TCA (2007)**, Presentation Note within the Twinning Project titled “Progress in the Field of External Audit”.

**TCA (2008)**, Stratejik Plan (2009-2013).