

## **INTERNAL AUDIT FUNCTION IN I.S.E. COMPANIES – AN ASSESSMENT**

Gökhan SUNGUN\*  
Aslı Yüksel MERMOD\*\*

### **Abstract**

There are about eight hundred thousand companies in Turkey; however, there are only a very limited number of companies who have internal audit departments established in their organizations. Whether the activities performed under the internal audit name in these organizations are consistent with the vast body of knowledge and best practices in the field of internal audit or not is the subject matter of this study. With the exception of banks and public offices in Turkey, organization, structure, scope and content of internal audit activities in Turkish organizations seem different than in western organizations.

The objective of this paper is to explore in depth the internal audit function in Istanbul Stock Exchange Top 100 Index Companies from all relevant perspectives. There are only a few studies about internal audit in Turkey and most of these are focused on banks and public sector and the rest are related to the internal audit topic in general. By analyzing and outlining the As-is situation, this study aims to contribute to increase the awareness level; thus, motivate decision makers of Turkish organizations to interrogate and challenge what they should be expecting from internal audit function.

**Keywords:** Internal audit, operational audit, financial audit, risk based audit, independence, process audit, audit in Turkey, internal audit in Turkish companies

### **1. Introduction**

As defined by the Institute of Internal Auditors (IIA), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

As aforementioned, by analyzing and outlining the situation in top companies in Turkey, this study aims to contribute to increase the awareness level; thus, motivate decision makers of Turkish organizations to interrogate and challenge what they should be expecting from internal audit function.

---

\*Marmara Üniversitesi, Sosyal Bilimler Enstitüsü, Muhasebe ve Finansman Bölümü, İşletme Anabilim Dalı, gokhan.sungun@yahoo.com.tr

\*\*Prof.Dr., Marmara University, Department of English Business Administration

The remainder of the paper is organized as follows. In the second section, a summary of how internal auditing evolved in Turkey is made. In the third section, a literature review is provided. Then, the research study is described and the results of the research are presented. Following that, conclusive remarks are made with a managerial insight onto the forward assessments.

## **2. Internal Auditing in Turkey**

The concept of internal auditing dates back to the late period of the Ottoman Empire. During 19th century, Duyun-u Umamiye (the Ottoman Public Debt Administration) was a European-controlled organization that was established in 1881 to collect the payments which the Ottoman Empire owed to European creditors.

After 1923, in the Republican Era, internal auditing was mentioned in the Code of Commerce in 1957. The Banking Law number 3182, dated 22 July 1983 is the first regulation for internal audit in Turkey. This law required that each bank should employ an “adequate” number of internal auditors to conduct audits on all banking activities to ensure that they are in compliance with the outstanding rules and regulations.

Modern internal audit concept has been introduced to Turkish agenda in the year 1994 by private sector (Okur Y., 2010, p.577) (Kurnaz, 2006, p.1) Public sector followed this with the law number 5018 (Public Finance and Control Law). Banking sector regulation was only issued in the year 2001. (İç Denetim Dergisi, 2002, p.15).

One of the important milestones in the development of internal auditing in Turkey is the establishment of the local chapter of IIA: the Institute of Internal Auditing-Turkey (TIDE) (Aşçıoğlu Ö., 2012). TIDE was established by 47 founder members on 19 September 1995. Subsequently, the IIA Standards were translated into Turkish in 1996 and since 1997 the Annual Internal Auditing Conference has been arranged in Turkey. Since 2000, IIA certification exams were organized. In 2000, there were only 6 auditors who were registered as CIA (Certified Internal Auditor). Currently, there is a very positive trend in terms of the number of certified internal auditors in Turkey compared to the figures in 2000. According to the 2011 figures in the Annual Report of TIDE, the numbers of certified internal auditors in Turkey are: CIA 436, CCSA 42, (Certification in Control Self Assessment) CFSA 69, (Certified Financial Services Auditor), CGAP 38 (Certified Government Auditing Professional).

As Aşçıoğlu (2012) indicates:

At the beginning of 1990s, a majority of private banks were owned by financial holdings in Turkey. After the economical and political turmoil in Turkey in 1999, most of those types of banks did not fulfill their obligations and they were taken over by the Savings Deposit Insurance Fund which is a public institution. Within the context of the new economy policies lead by the International Monetary Fund, a new Banking Law was issued and a new

banking supervisory authority, the Banking Regulation and Supervision Agency (BRSA), was set up in 2000. In parallel to these developments, regulations of the internal auditing in banking, investment, insurance, pension and other financial sectors have been revised to be in line with the IIA standards and best practices. For instance, the internal audit function should report to the Board of Directors via the Audit Committee which means that the independency principle is secured by the regulation. Furthermore, the outstanding BRSA regulation regarding internal audit which is called “Regulation on the Internal Systems of Banks”, which was issued in November 2006, can be considered as the reflection of modern internal auditing philosophy. With this regulation, the new concept “internal systems” has been introduced which consists of the internal audit, internal control and risk management functions that should report to the Board of Directors via the Audit Committee.

The regulations implemented in Turkey have been also revised, taking into consideration the lessons learned from the recent global crisis. In the financial sector, the new regulation regarding the “Management Declaration”, which is a kind of Sarbanes-Oxley Act, was issued by the BRSA in 2010. Basel II standards have also been in effect for banks in Turkey recently. The latest development is the new Code of Commerce, which became effective as of 1st of July 2012 and brings very radical changes to the business environment and emphasizes the importance of internal auditing and orders each company to employ internal auditors.

The legal regulations in Turkey about internal audit are included in the following governing documents:

- Law Number 5018 (Public Finance Management and Control Law)
- By-Law about Internal Auditors’ Working Rules and Principles
- Public Internal Audit Circular
- Public Internal Audit Standards and Guide
- By-Law about Banks’ Internal Systems
- Serie V, Number 68 Communique about Internal Audit Systems in Capital Market Intermediary Institutions
- By-Law about Internal Systems of Insurance, Reassurance and Pension Funds Companies
- Law number 6102, Turkish Commercial Code
- Serie X, Number 22 Communique about Independent Auditing Standards in Capital Market

### **3. Literature Search**

There are not many studies that outline the situation of modern internal auditing in Turkish companies.

The early studies on modern internal auditing with risk concept being incorporated date back to 1999 with Levent Karabeyli's 'Risk Denetimi (Risk Auditing)' which focuses on audit of government institutions and in 2000 with Baran Özveren's 'İç Denetim, Standartları ve Mesleğin Yeni Açılımı (Internal Audit, Standards and Profession's Outlook)' which covered risk based audit planning concept in detail. (Kishalı Y., Pehlivanlı D., 2006, p.76)

Also in 2000, Nahit Akarkarasu's 'Halka Açık Şirketlerde İç Denetim ve Denetim Kurullarının Etkinleştirilmesi için Öneriler (Recommendations for effective Internal Audit and Audit Committees in Public Firms)' can be considered as the first extensive applied research on the topic. The major findings in this study can be summarized as follows: (Kishalı Y., Pehlivanlı D., 2006, p.76,85)

- 61% of İMKB 100 companies do not have an internal audit department
- Out of the 39% that do have internal audit department, 16% of the companies established internal audit department only to meet the legal requirement.

In 2004, Mehmet Tahir Özsoy's 'Risk Odaklı Denetim ABD Uygulaması ve Türkiye Açısından Değerlendirilmesi (Risk Based Auditing in the USA and Its Assessment for Turkey)' focused on risk based auditing specifically in the banking industry. (Kishalı Y., Pehlivanlı D., 2006, p.76)

In 2006, Yunus Kishalı and Davut Pehlivanlı published 'Risk Odaklı İç Denetim ve İMKB Uygulaması (Risk Based Internal Auditing and its Implementation in Turkish Stock Exchange)'. In this study, a survey is conducted to the ISE 100 Index Companies in order to assess the situation of internal audit. With a 0,36 response rate, the findings of the applied research are summarized as follows: (Kishalı Y., Pehlivanlı D., 2006, p.85-86)

- 17% of İMKB 100 companies do not have an internal audit department. 42% of the companies that have an internal audit department has only 1-2 auditors employed.
- 41% of the respondents indicated that internal audit effort is not devoted to IT processes at all.
- 28% of the respondents indicated that internal audit effort is not derived from any risk assessment process.
- 63% of the respondents indicated that internal audit devotes 10% of their time and resources to risk assessment at most.

In another study of Davut Pehlivanlı, this time with Ednan Ayvaz, ERM based internal auditing in Turkey is analyzed. The result of this study indicated that ERM based internal auditing in Turkey has started and that internal audit units are giving assurance and consultancy services for this purpose but there are significant lacks of practices compared to international ones. (Ayvaz E., Pehlivanlı D., 2009, p.20)

According to an analysis of academic studies on internal auditing in Turkey for the period of 1985 – 2010 (IIA Turkey, 2010), the number of academic theses on ‘internal auditing’ has reached a total number of 155. Of those papers, 27 have been submitted for doctorate, and 128 for master degrees. By subject matter, 83% of this total number of theses is about internal control and auditing in general, 16% about corporate governance and 1% about risk management. Also 35% of the total number of theses is only about banking and public sectors.

Out of the 27 doctorate thesis, only 2 covers to a certain extend the role of internal audit in Turkey. These theses are as follows: The Role of Internal Auditing in the Realization of Management Functions: ‘A Field Investigation on Large Enterprises in Turkey’ by Mehmet Ünsal Memiş in 2006 and ‘Risk-focused Internal Auditing Along the Lines of Corporate Governance: A Risk Focused Internal Audit Application Analysis at Largest 500 Industrial Enterprises in Turkey’ by Niyazi Kurnaz in 2007. (IIA Turkey, 2010)

In Memiş M.Ü.’s study in 2006, a survey is conducted to the Istanbul Chamber of Industry (Istanbul Sanayi Odası) Top 500 Companies (for the operations 2005-2006 period) in order to assess the situation of internal audit. Internal audit activity existed in 300 firms out of 500. The findings of the applied research are summarized as follows:

- 43.1% of the respondents indicated that there is no audit committee in their organizations (the ones who have this committee are public firms).
- 45.7% of the respondents indicated that internal audit reports to the Board of Directors.
- 25% of the respondents indicated that internal audit function is not independent.
- 51% of the respondents indicated that internal audit function is not institutionalized and governance is satisfactory.
- 40.5% of the respondents indicated that internal audit is not supported adequately by top management in their companies.

In Kurnaz N.’s study in 2007, a survey is conducted again to the Istanbul Chamber of Industry Top 500 Companies (for the operations 2006-2007 periods) in order to assess the situation of risk-based internal audit. This study revealed that only 24% of the

internal audit departments report to the board of directors and only 14% of the CAEs think that their function is independent.

TUSIAD made the most comprehensive research ever made up to now on the position of internal audit in large industrial establishments in Turkey. TUSIAD presented its report titled “Internal Audit Practices in Real Sector: Determination and Recommendations” to public opinion at a meeting organized in the Marmara Hotel on May 27, 2010 Thursday.

The study prepared under the coordination of TUSIAD Internal Audit Sub-working Group and written by Associate Professor Saban Uzay addresses the subject of compliance of the internal audit practices of companies included in the Capital 500 list with Internal Audit Standards. Determinations on the existing practices of internal audit and forward assessments are included in the report. In brief, the following findings are included in the report:

In Turkey, internal audit is legally compulsory in financial sector, particularly banking and public institutions under the Public Financial Management and Audit Law No. 5018. Although the Turkish Commercial Code (TCC) No. 6762 includes regulations with respect to audit in joint stock companies under the title of “auditing” for real sector, those are quite irrelevant of the contemporary audit concept of today.

However, internal audit will make material contributions in compliance with corporate management principles addressed by the TCC New Law which has become effective as of July 2012. Following the significant financial scandals (such as Enron, WorldCom, etc.) encountered in developed countries during early 2000s, reinforcement of internal audit system in companies is in the first place of measures taken by regulatory authorities. It is strongly recommended for particularly publicly held companies to form an internal audit unit in developed countries.

There is no direct regulation about internal audit in real sector in Turkey. This study is performed in order to determine the existing status of real sector’s internal audit practices and make forward assessments. In the study, similar to the research made on Fortune 500 by IIA, a survey-based research is performed on the companies included in Capital 500 in Turkey. Thus, the application level of internal audit in real sector is determined within the scope of Capital 500 and some recommendations and assessments are provided for making the internal audit function more effective at the end of the study.

According to the results of the research, the level of internal audit practices in real sector is summarized below:

The sector-based distribution and diversity of 108 companies which participated in the survey represents Capital 500 which constitutes the main body. 98% of the companies

included in the survey are joint stock companies and nearly half of those companies have multiple affiliates. Large scale companies with respect to number of employees and average annual sales are contacted. 45% of the companies that participated in the survey are publicly held and 63% of them have life spans longer than 25 years.

There is a strong correlation between companies which have long economic lives, are publicly held and have foreign affiliates and forming an internal audit unit in their organizational chart. An audit committee exists in 57% of the companies. The percentage of companies with an internal audit unit within its organizational structure is 72%. 5% of the companies outsource internal audit services.

In 57% of the companies, their internal audit units have been operating for minimum 10 years. 79% of the companies have established internal audit regulations and 62% of them have internal audit guides. Internal audit units functionally report to the board of directors and auditing committee in the organizational charts with a percentage of 60%. Internal audit reports are addressed to the general managers with a percentage of 80%. Internal audit units administratively report to general managers with a percentage of 39%, to board of directors and auditing committees with 32% in the organizational chart. Performance assessments of internal audit units are performed by board of directors and auditing committees with 53%. In 61% of companies, information systems audits are conducted. Information systems audit is outsourced by 40% of the said companies. The largest group in terms of number of employees working within internal audit units is those internal audit units with a number of employees from 1 to 3 with a percentage of 49%. Average age of internal audit teams is 25 to 35 with a percentage of 75%. With regard to distribution of work load, internal auditors spend 57% of their time for assurance services. 40% of companies use office applications such as Excel or Access in their auditing activities.

The percentage of companies without internal audit units within their organizational charts is 27% and 21% of them considers establishing an internal auditing unit in near future.

TUSIAD concluded in its press release that the lack of a legal regulation requiring internal audit in real sector, the fact that companies are generally family companies and the insufficient level of awareness on internal auditing among senior managers and company owners are the major factors preventing development of internal audit throughout Turkey.

When these findings are compared to the results of the IIA research, the following is noted: (Cömert N., 2010)

a) While in Turkey, internal auditing units functionally report to the board of directors and auditing committees with a percentage of 60%, this percentage is 92% in the research of IIA.

b) Certificates most commonly held by internal auditors are the same in both researches; however, auditors with CIA certification are much higher in developed countries.

c) When internal auditors are compared in terms of their work loads, internal auditors in Turkey spend 57% of their time for assurance services while this percentage is 75% in the research of IIA.

d) Annual performance of audit planning is with a percentage of 72% in Turkey while it is 96% in the research of IIA.

#### **4. Research**

In order to explore in depth the internal audit function in Turkish public firms (Istanbul Stock Exchange Top 100 Index Companies) and to update the earlier similar researches' findings, a new research study is made. With the objective of exploring the existence and characteristics of internal audit function in Turkish public companies, an extensive survey and a series of interviews are conducted. Interviews with opinion leaders (e.g. Turkish Internal Auditors Institute), managers and auditors from private companies and audit firms who act as consultants and/or outsourced internal auditors are conducted in order to interpret and complement the research findings with their experiences, observations and insights.

The questionnaire is developed in parallel to the earlier research and studies about this subject matter (IIA CBOK, 2006; TUSIAD, 2010). The questionnaire form is tested by two different high level executives in researched companies and by an audit partner working in a Big-Four consultancy company before being finalized.

The questionnaire includes multiple-choice and a number of open-ended questions to extract information related with internal audit function. It is composed of four parts. First part is to gather general information as to the existence of the internal audit function, how it is structured, sized and organized within the company. The second part is to gather information as to measure how close the internal auditors are to the best practice counterparts. Here the respondents are asked to give answers to specific questions with multiple-choice and also to rate on a scale of 5 (completely agree:5, Totally disagree:1) to what level they are close to the best practice implementation assertions as expected by the IIA (The International Professional Practices Framework outlined by the Institute of Internal Auditors) . The third part is to gather information as to measure how close the internal audit department implementations are to the best practices. The respondents are asked again to rate on a scale of 5 (completely agree:5, Totally disagree:1) to what level they are close to the best practice implementation assertions as expected by the IIA (The International Professional Practices Framework outlined by the Institute of Internal Auditors). The fourth part is to gather information regarding tools and systems that are used by the internal auditors. The questionnaire



was prepared in web environment and the survey was conducted on a web-based environment.

The objective with the survey is to take a picture, snapshot of the current internal audit practice in Turkish İMKB Top 100 Companies in comparison with the best practice implementations. There is no need for a control group test as all the questions are designed as such that the best-practice implementation is rated as five on a scale of one to five. So the actual rating results show how much the current situation is in line with the ideal case.

Data collected through questionnaire returns are processed and analyzed in a statistical package, SPSS (Statistical Packages for Social Sciences) software.

The survey is conducted online based on voluntary participation. The survey audience are the Chief Audit Executives (the heads of the internal audit departments in the related organizations) and/or Chief Financial Officers (if there is no audit department established in the company) of İMKB Top 100 companies. Contact person details to which questionnaires are asked to be completed are determined by telephone conversations with the public companies.

The sectoral distribution of the İMKB Top 100 companies is as follows:

- Production %38
- Finance %37
- Retail & Wholesale Trade 8%
- Education / Health / Sports 4%
- Transportation / Communication 4%
- Electricity / Gas / Water 3%
- Construction 2%
- Technology 2%
- Mining 2%

Out of the 100 companies, 29 of them declared that they do not have an internal audit department. 18 of them completed the survey. In total, it can be said that the participation rate (the coverage rate of the research) is 47%. The existence of an internal audit department in İMKB Top 100 companies by sector is as follows:

- Production %66
- Finance %84
- All Others 60%
- Total 71%

Out of the ones that completed the survey (n=18), the sectoral distribution is as follows:

- Production %33
- Finance %39
- Retail & Wholesale Trade 11%
- Electricity / Gas / Water 11%
- Construction 6%

The following results are noted as a result of this analysis:

- 78% of the companies are in the business for more than 15 years and 94% of them have employees more than 500.
- 56% of the companies have 8 or less internal auditors employed. All internal auditors have at least a university degree. In 61% of the companies, none of the internal auditors is a CIA (Certified Internal Auditor) certified.
- 63% of the companies' Chief Audit Executives report to the Board of Directors while 38% report to the executive level managers such as CEO or Deputy General Manager.
- In 30% of the companies, the selection/recruitment/appointment of the internal auditors is made by the executive level managers such as CEO or Deputy General Manager.
- 44% of the companies do not use any software program specific to internal auditing. 11% use only Microsoft Office products. 33% use only paper and pen.
- In 27% of the companies, the executive management dictates the internal audit plan as opposed to the Board of Directors.
- In 11% of the companies, there is no risk oriented approach towards internal audit planning.
- In audited areas, only 30% of the audit time is devoted to the audit of the operational processes while 26% of the time is devoted to the audit of financials and another 18% to the compliance audits which focus on mainly financials too which makes up the total financial auditing time to 44%. The remaining time (26%) is spent on IT/IS auditing, fraud investigations and other types of audits.
- 31% of the companies indicated that internal audit function is mainly involved with financial controlling.

- 78% of the companies indicated that the internal auditors are independent while 22% indicated that independence is at question.
- 28% of the companies indicated that internal audit is not involved with auditing whether the company is reaching its objectives or not.
- Only 61% of the companies indicated that internal audit is involved with consultancy.
- Only 39% of the companies indicated that the internal audit function is totally independent and that it reports to the Board of Directors as such.
- Only 61% of the companies indicated that internal auditors do not hold operational responsibilities in other functions of the company during their term in internal audit.
- Only 38% of the companies indicated that the internal audit updates itself as to the developments in modern auditing and the use of best practices on a regular basis and informs the Board of Directors about major implementations, shifts and developments. 7% indicated that the follow up does not exist at all and 24% indicated an insufficient level of follow up. The rest indicated an average level of follow up.
- Only 55% of the companies indicated that the internal audit sets up and runs an audit follow up mechanism where progress on audit issue action plans are monitored and reported to the Board of Directors and top management. 7% indicated that there is no such system established and 13% indicated that the current system is not sufficient.
- 7% of the companies indicated that important issues that come across during the audit and need to be investigated and audited further is not communicated at all to the Board of Directors. 13% indicated that this information sharing is insufficient.

Out of the İMKB Top 100 companies, only 71% of the companies have internal audit departments established. This finding is in line with the earlier research (TUSIAD, 2010; Kışalı, 2006). It is alone enough to conclude that internal audit function is not appreciated enough even by the biggest and most reputable public firms in Turkey. Out of the 71% that do have an internal audit department, the alignment with best practice implementations is also weak. If this is the situation for the top performing and regulated big companies in Turkey, then it would not be difficult to conclude that best practice internal audit function in Turkish companies in general is almost not-existing. The TUSIAD research (2010) on the CAPITAL 500 firms in Turkey shows that internal audit department exist in only 36% of the CAPITAL 500 companies and only 62% of these companies have internal audit charters and guidelines established and only in 60%

of these companies, the head of internal audit reports to the Board of Directors functionally.

With the exception of banks and public offices in Turkey (who are heavily regulated that requires the implementation of universally accepted principles), organization, structure, scope and content of internal audit activities in Turkish organizations are quite different than in western organizations.

The internal audit activities are generally limited to the verification of financial statements and audit activities similar to external financial audit and some compliance audits are mainly performed. Risk based operational audits and process audits are not the major focus and not dominating the audit efforts as they should. The internal audit functions are not reporting to the Board of Directors as they should.

Further in-depth analysis is conducted on selected companies either through the company officials' contacts about the survey and/or through complementary interviews with selected company senior officials and managers. Almost all of the key opinion leaders interviewed think that some companies established internal audit functions just to comply with regulations already in place or for those that will be in place or just simply to be noted as following the trend, but not for the real purpose. It is difficult to talk about good auditing practices being in place in such companies. In this line, one should suspect that survey responses coming from such companies are not accurate (risk of false responses given on purpose). Furthermore, they think that some majority shareholders of family companies established internal audit function in order to help prevent fraud and/or to give hard time to managers that they do not like or trust. These statements need to be verified with further research. But for this research purposes, it may be appropriate to consider a discount factor to be applied to survey replies to cater for these risks. Also there may be other factors that may distort any research about this subject such as the real competency of the internal auditors, the company culture, actual compliance with universal code of ethics and the pressure and/or influence on internal auditors by the company management and/or majority shareholders of family companies.

## **5. Concluding Remarks**

There are about eight hundred thousand companies in Turkey; however, there are only a very limited number of companies in Turkey who have internal audit departments established in their organizations and the activities performed under the internal audit name in these organizations are not fully consistent with the vast body of knowledge and best practices in the field of internal audit. The same concern is valid for those who perform such activities, namely internal auditors. There are only around 500 certified internal auditors in Turkey (according to the 2011 figures in the Annual Report of

TIDE, the numbers of certified internal auditors in Turkey as CIA are 436). As indicated, the internal audit activities in these companies are generally limited to the verification of financial statements and audit activities similar to external financial audit and some compliance audits. Risk based operational audits and process audits are not the dominating the audit effort adequately as it does in the Western World. As the research presents, even in big Turkish public firms (as Istanbul Stock Exchange listed Top 100 Index Companies were researched in this study) the internal audit practice is behind their western counterparts.

The role of internal auditing will become more apparent in a period where institutionalization and going public are encouraged. Internal auditing plays an important role in compliance with corporate management principles as it is important in establishment of an effective risk management and internal control systems in companies. It also plays a significant role in exercising code of business conduct.

The increasing complexity of business transactions, more dynamic regulatory environment, efforts to reduce unrecorded economy and significant advances in information technology are developments that have resulted in opportunities and challenges for internal audit. In the next periods the scope of internal auditing will be extended and current regulations will be restructured in accordance with international standards. In this line, the expectations of stakeholders towards the internal audit function are increasing. Although the internal audit function plays a vital role in the financial and real sectors, particularly in terms of corporate governance, risk management, fraud prevention and detection and cost containment processes, the internal audit practice and framework in Turkey should be improved. Considering the IIA standards and best practices worldwide, the number of certified internal auditors needs to improve further in order to fully implement the forthcoming regulations.

It is crucial that the function of internal audit as it is practiced by international standards and the added value that it brings to the organizations needs to be marketed to wider audiences in Turkish business community. This study aims to contribute to increase the awareness level; thus, motivate decision makers of Turkish organizations to interrogate and challenge what they should be expecting from internal audit function.

In this context, some suggestions and foresights are listed below:

As indicated by opinion leaders, further complementary research need to be conducted on in order to assess how much of the activities mentioned as being done is actually being done and that internal audit is not established just to meet legal requirement in public and finance sector companies. Also other factors that may distort earlier researches such as the real competency of the internal auditors, the company culture, and actual compliance with universal code of ethics and the pressure and/or influence on internal auditors by the company management and/or by the majority shareholders of family companies need to be researched.

With the current regulations stipulated by Banking Regulation & Supervision Agency (BDDK), Capital Market Board (SPK), under secretariat of Treasury and Public Finance & Control Law number 5018, internal audit function has to be present and functioning in accordance with regulations in all public sectors and finance sector companies. For private companies, the New Turkish Commercial Code is an opportunity for the improvement and effectiveness of internal auditing as it suggests that an internal audit department should be established and that internal audit function is referred to in many articles as an important function.

More importance should be attached to the education and training of auditors with focus on continuous professional development and in-service training programs.

A “Quality Assurance System” should be established.

Outsourcing the internal auditing function will also increase (especially in Small and Medium Size Establishments) with cost and effort analysis results suggesting it for particular companies.

## **References**

Ascioglu Ö. (2012). Internal Auditing in Turkey. Internal-Auditing.com Articles, available online at <http://www.internal-auditing.com/art.asp?n=283>

Ayvaz E., Pehlivanlı D. (2009). Enterprise Risk Management Based Internal Auditing and Turkey Practice, Serbian Journal of Management Vol.5 2010 pp.1-20

Cömert N. (2010). Reel Sektörde İç Denetim Uygulamaları: Tespit ve Öneriler Üzerine bir Değerlendirme, TUSIAD Toplantısı, May 27, 2010, Istanbul

İç Denetim Dergisi (2002). Reel Sektör ve İç Denetim, Aysberg, İç Denetim Dergisi Yaz 2002 sayısı, pp.6-17

Kışalı Y., Pehlivanlı D. (2006). Risk Based Internal Auditing and ISE Application, Muhasebe ve Finansman Dergisi, Sayı 30, Nisan 2006: pp. 75-87

Kurnaz N. (2007). Kurumsal Yönetim Ekseninde Risk Odaklı İç Denetim: Türkiye'nin 500 Büyük Sanayi İşletmesinde Risk Odaklı İç Denetim Uygulama Analizi, Doktora Tezi, Dumlupınar Üniversitesi, Sosyal Bilimler Enstitüsü, İşletme Anabilim Dalı

Memiş M. Ü. (2006). İç Denetimin Yönetim Fonksiyonlarının Yerine Getirilmesindeki Rolü: Türkiye'deki Büyük İşletmeler Üzerine Bir Saha Araştırması, Doktora Tezi, Çukurova Üniversitesi, Sosyal Bilimler Enstitüsü, İşletme Anabilim Dalı

Okur Y. (2010). Türkiye'de Teftiş ve İç Denetim: Kavramlar, Beklentiler ve Hayatla Yüzleşme, Maliye Dergisi, Sayı 158, pp.570-586

The Institute of Internal Auditing- Turkey (IIA Turkey) Publication Number 1 (December, 2010). An Analysis of Academic Studies on Internal Auditing in Turkey 1985-2010, Türkiye İç Denetim Enstitüsü

Uzay Ş. (March 2007). 10 Years of Research on Auditing in Turkey: A Literature Review, The Balkan Countries' 1st International Conference on Accounting and Auditing, Edirne, Turkey

[www.tide.org.tr](http://www.tide.org.tr) (resources)

