

ALTINBAŞ UNIVERSITY
DIRECTIVE ON INTERNAL AUDIT
PART I

Purpose, Scope, Legal Basis and Definitions

Purpose

ARTICLE 1 – (1) The purpose of this Directive is to ensure that all activities and operations carried out by Altınbaş University are in full accordance with applicable laws and regulations as well as Altınbaş University bylaws, procedures, and the University’s strategy, policies, principles and objectives. Guiding and instructing are two natural functions of audit and control mechanisms. Protecting Altınbaş University’s material and nonmaterial interests is one of the core responsibilities of the internal audit unit.

Scope

ARTICLE 2 – (1) This Directive outlines the roles, responsibilities and powers of Altınbaş University Internal Audit Unit and its staff as well as the purpose and the scope of internal audit function. This Directive sets forth the administrative structure of Internal Audit Unit as well as the roles and responsibilities of the Internal Audit Unit personnel and internal auditors, and the Internal Audit Unit’s operations.

Legal Basis

ARTICLE 3 – (1) This Directive has been drawn up on the basis of Turkish Higher Education Act No. 2547 of November 4th, 1981, Additional Article 104 of Act No. 2809 on Organizational Structure of Higher Education Institutions of March 28th, 1983, and Bylaws of Altınbaş University published on Official Gazette Issue No. 27949 of May 30th, 2011.

Definitions

ARTICLE 4 – (1) For the purposes of this Directive, the following terms shall have the following meanings:

- a) Chair: Chair of Altınbaş University Board of Trustees,
- b) Board of Trustees: Altınbaş University Board of Trustees,
- c) University: Altınbaş University.

PART II

Administrative Structure of Internal Audit Unit

Internal Audit Unit

ARTICLE 5 – (1) Internal Audit Unit carries out its operations under supervision of the Chair on behalf of Board of Trustees.

(2) Internal Audit Unit employs a sufficient number of internal auditors (minimum one internal auditor). If deemed necessary, the University can purchase external audit services for a temporary or permanent period instead of hiring internal auditors. In the event that the University purchases external audit services, the University and the external auditor or the organization providing external audit services shall sign an agreement outlining the scope and the duration of the service, rights and obligations of the parties, confidentiality and external audit fees.

(3) The scope of internal audit covers all administrative and academic functions, units and processes of the University. Internal audit shall be conducted in accordance with an internal audit plan approved by the Chair.

(4) The internal Audit Unit is led by Head of Internal Audit. Head of Internal Audit must have at least 5 years of professional internal auditing experience. In case that Internal Audit Unit consists of a single auditor, internal auditor shall serve as Head of Internal Audit as well. In the event that the internal

auditor has less than 5 years' seniority, s/he shall be appointed as proxy to act on behalf of the Head of Internal Audit.

Roles and responsibilities of internal audit unit

ARTICLE 6 – (1) The internal audit unit shall be responsible for ensuring that all activities and operations carried out by Altınbaş University are in full accordance with applicable laws and regulations as well as Altınbaş University bylaws, procedures, decisions and instructions issued by the Board of Trustees and its Chair, and the University's strategies, policies, principles and objectives.

(2) The internal audit unit and the internal auditor shall be authorized to carry out the following duties:

a) Review all records (including electronic records) of the University relevant to the audit, including paper works, correspondence, communications, and other files and documents,

b) Ask for written opinion from administrative and academic staff regarding workflow, procedures when deemed necessary,

c) As required by the Chair, conduct an investigation concerning all operations and activities allegedly violating Turkish laws and regulations, Altınbaş University bylaws, policies and procedures as well as decisions issued by the Board of Trustees.

(3) Academic and administrative departments/offices and staff of the University must keep all records (including electronic records) of the University relevant to the audit, including paper works, correspondence, communications, and other files and documents ready at all times in case they are required by the internal audit unit and the internal auditor.

Internal Auditor

ARTICLE 7 – (1) Team of Internal Auditors consists of an assistant auditor, an authorized assistant auditor and auditors.

(2) Assistant auditor must have at least two years of professional internal auditing experience.

(3) Authorized assistant auditor must have at least two years of professional internal auditing experience.

(4) In order to be appointed as an auditor, the candidates must have at least three years of professional internal auditing experience and be eligible to receive CIA certification

(5) Internal auditors must hold a four-year bachelor's degree in law, economics, finance, business management, business administration, international relations, public administration, computer engineering, industrial engineering, civil engineering, or mathematical engineering from a higher education institution offering formal education or from an international educational institution whose equivalency is recognized by Turkish Council of Higher Education.

(6) Internal auditors are required to have proficiency in at least one foreign language (English).

(7) The University's recruitment and hiring policy shall apply when hiring internal auditors.

(8) In case the University's internal audit services are fully outsourced to an independent auditing firm, the sub-articles (1) and (6) of this article shall apply.

PART III

Internal Audit Activities

Internal audit plan

ARTICLE 8 – (1) The internal audit activities shall be carried out in accordance with an internal audit plan prepared as part of an audit program approved by the Chair. Internal audit program shall be prepared on academic year basis and shall comprise units, departments, internal audit focus areas, designated auditors and an internal audit schedule.

(2) Internal audit plan shall be prepared by the designated internal auditor. The plan shall take effect upon approval by the Chair. Internal audit plan comprises the purpose of and focus areas the audit, important and high-risk matters concerning the focus areas, audit techniques to be used, audit sampling method and an audit schedule.

(3) Internal audit process is expected to minimize the elements of risk and identify whether the statements represent an error or fraud. To this end, auditors are expected to use minimum resources possible. When preparing an internal audit plan, it is essential to review the units or functions' activities, which are subject to auditing, based on their priority and risk levels. Activities and procedures that are subject to auditing shall be included in audit plan in accordance with their levels of importance, priority, and risk as well as the auditing time spent and scarce resources available.

(4) A work plan involving all major legal and monetary risks shall be prepared in order for an auditor can minimize the elements of risks – also defined as the possibility of failure to spot key problems – and use minimum resources and minimum amount of time possible to carry out audit tasks. Accordingly, the auditor may use a smaller number of audit techniques and sampling methods in areas facing fewer elements of risks. The auditor shall dedicate more time to control and review poorly controlled risk-intensive areas that may be more vulnerable to the possibility of misconduct/corruption/fraud.

(5) The auditor shall observe and check the areas that need controls by examining the workflows. S/he may increase the number of sampling methods for risky, yet poorly controlled areas.

Types of audit

ARTICLE 9 – (1) Statutory Compliance Audit: Auditor examines whether the activities/operations/transactions of the University or its designated units fully or partially comply with applicable laws, regulations, bylaws, directives etc.

(2) Financial Audit: The auditor examines to establish whether the financial statements of the University (financial transactions, accounting and reports) are stated in accordance with internal and external regulations as well as international financial reporting standards; in financial audit, auditor also verifies the sustainability of the University's financial structure.

(3) Procedural Audit: The auditor conducts an evaluation of internal controls, accounting policies, and other procedures of the University.

(4) Unit/Function Audit: The auditor examines whether all tasks and transactions performed by a specific unit or function of the University are carried out in compliance with all applicable internal and external regulations.

(5) Process Audit: The auditor examines to establish whether the processes and workflows concerning all transactions performed by the University units and functions are carried out in accordance with specified criteria of efficiency, finance and internal controls.

(6) Investigative Auditing: The auditor conducts an investigation in the event of fraud, embezzlement or mismanagement of financial and operational activity, or illegal uses of funds or other resources by an employee is detected in the University.

Audit techniques

ARTICLE 10 – (1) Auditors use the following methods of collecting evidence:

a) Physical Examination: Physical examination requires verification and confirmation of the physical existence of tangible assets as appears in the balance sheet such as cash in hand, valuable papers and records, stocks and bonds etc.

b) Confirmation: It is a technique used by auditors to verify the information available with the University's records or with the persons mostly from outside the University through an inquiry.

c) Inspection (Documents): The auditor also examines the supporting documents to confirm the authenticity of the transaction and to ensure whether the transactions and the supporting documents are appropriate, authorized/approved and whether the classification of the transaction is done properly.

d) Inspection (Records): The auditor verifies the records and documents thoroughly in case he encounters any unusual transactions in the records.

e) Computation: The auditor makes necessary calculations to verify the accuracy of the records.

f) Observation: The auditor observes a specific procedure being performed by the University to evaluate the efficiency and/or effectiveness of the system adopted by the University.

g) Scanning: By scanning books of accounts and records, an auditor can identify entries that would require his/her attention such as transactions that do not conform to the University's policies and

procedures, such as unusually large increase or unusual decline in inventory; large, unusual fluctuations in accounts, poorly controlled workflows etc.

h) Inquiry: The auditor collects in-depth information about any transaction by seeking written or verbal information from University members or persons from outside the University.

i) Reconciliation: The auditor uses the reconciliation technique to establish a rational relationship between accounts, such as relationship between average credit balance and interest on loans or relationship between average balance on a deposit account and interest on a deposit account. In the event that the auditor detects irregularities in such relationships, s/he may increase the number of sampling methods to find out the reason underlying deviations/irregularities.

j) Analysis: The auditor uses analytical procedures to establish rational relationships between the existing data in records and miscellaneous or missing data to verify whether or not the expectations are met.

Audit outcomes

ARTICLE 11 – (1) At the completion of the internal audit process, the internal auditor writes a report detailing the findings of the audit, audit proceedings, an annotation or a fact sheet, and an investigation report.

a) At the completion of the audit, the auditor presents an audit opinion, in the form of a written report, to the Chair. The heads of the units that have undergone an audit shall respond to audit findings and include their own opinions in the report. When drawing up an audit report, the auditor shall consider essential facts and usefulness/effectiveness to be a priority while avoiding wordiness and redundancy, but trying to evaluate similar matters in relevant categories.

b) Audit proceedings are drawn up to record, reveal or sometimes to prove or authenticate a particular matter during the audit process. Such documents include date, signatures of the relevant persons and/or their unique traits. Proceedings particularly involving personal statements, comments, allegations, explanations and/or pleas must be handwritten by those concerned.

c) An annotation or a fact sheet represents an informative and/or communicative note prepared during or outside the audit about a specific matter.

d) An investigation report is the final report drawn up at the completion of the investigation. When drawing up an investigation report, the auditor shall consider essential facts and usefulness/effectiveness to be a priority while avoiding wordiness and redundancy, but trying to evaluate similar matters in relevant categories.

Audit execution

ARTICLE 12 – (1) It is essential for the auditor to carry out the audit at the main campus of the University or in other campuses when deemed necessary. Any audit-related records, documents or books shall not be removed out of spaces that are subject to audit except for extraordinary circumstances.

(2) Auditors shall not be allowed to make any changes and/or corrections to documents, records, papers, books or files they have reviewed.

(3) Auditors shall be extra careful not to hinder daily tasks of the audited units and internal/external customer relations during the audit.

(4) Auditors may ask for help from the unit personnel when comparing records, documents etc. with each other or regarding document drawing up or typewriting issues in order to facilitate the audit and/or ensure its pre-scheduled completion. Confidential reports and letters shall be personally written by the auditor.

(5) Work papers assembled by the auditor shall be filed away, stored and kept ready for the next audit by taking into consideration various details including subject, unit, task, transaction and dates.

(6) Guidelines, procedures, and controlling lists to be used in the audit shall be prepared the internal audit unit and take effect upon approval by the Chair of Board of Trustees.

Audit findings and responses

ARTICLE 13 – (1) At the completion of the unit audit, the auditor shall hold a closing meeting with the head of the unit that has been audited. Closing meeting shall cover flaws, shortages or

deficiencies detected during the audit. The auditor shall go through the details once again jointly by the unit head and ask the unit head to provide a written opinion on flaws detected during the audit.

(2) The response to the audit report shall be conclusive and final.

(3) The audit report shall be written by taking into account the findings in work papers and the written responses. The auditor is authorized to provide a final opinion on written responses and offer suggestions about the findings in his/her report.

(4) If a finding detected during the audit does not correspond to the audited unit or concerns another unit which was not subject to audit, the auditor may ask for a response form the concerned unit about the finding included in the audit report.

PART IV Miscellaneous and Final Provisions

Effective Date

ARTICLE 14 – This Directive shall take effect upon its adoption by the Board of Trustees.

Execution

ARTICLE 15 – The provisions of this Directive shall be executed by the Chair of Altınbaş University Board of Trustees.

Legal Bases of this Directive			
Relevant Board/Committee	Date of Decision	Decision No.	Decision Article
Board of Trustees	09/08/2017	2017/07	Decision 12