

Theoretical Framework of the Public Audit

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Abstract

Audit, which is a confirmation activity with regard to the conformity of the decisions with the purposes and goals determined, is a matter of demand. The determinant of the aforementioned demand is the section to which audit appeals. At this point, audit is a matter of political demand in the public economy and provides assurance for the citizens when it comes to the exercise of the public power of attorney by the representatives through the delegation of authority. Audit, a matter of economic demand within the private economy perspective, enables stakeholders to observe their stipulated capitals, crediting establishments to follow up the outcome of their funds and the company administrators to effectively plan the future in light of the previous implementations. Additionally, audit is a complementary method in terms of both the public economy and the private economy. Referred with different names such as inspection, review, revision, control and supervision in the literature, audit has become a discipline and profession today, which has its own propositions. The meaning carried by audit especially in the sense of public financial audit obligates revealing the theoretical framework of this new discipline. The purpose of this study is - exactly at this point - to draw up the theoretical framework of the classic public sector audit. In the study, the historical development of audit was explained with its main lines first of all, and then respectively, the conceptual framework of audit, the relation between state audit and private audit, constituents of audit, auditing principles, methods and types were presented theoretically. In fact, it is aimed that this study, which is a preintroduction for the new beginners of audit, constitutes a source guiding the academicians who will deal with state audit and the auditors at the beginning level.

Keywords: supreme audit, state audit, private audit, control, SAI, corruption.

Jel Codes: H83, M4, M42.

Introduction

In our era, which includes a continuous movement in economic and social lives, many actions and decisions are taken at any moment, various views and claims are set forth and their accuracy and reliability are discussed. The necessity lies at the bottom of these discussions for the accuracy, reliability and validity of the benefitted information while making decisions in state and business administrations, because accurate, reliable and valid information enables efficient utilization of the scarce sources while directly affecting the success level of the decisions made. However, the inaccuracy, unreliability and invalidity of the produced information impel the decision makers to take diverse precautions. The foremost precautions are the audit and confirmation of the aforesaid information by independent people or institutions, because the information, accuracy and impartiality of which is affirmed through auditing, is considered as reliable information for the decision process (Güredin, 1994).

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At this point, the importance of audit stands out for the existence and continuity of the individuals, businesses, society and state while moving from the smallest structure to the biggest one within the individual and social relation and interaction.

Audit, which is a balancing function in case and as a result of a counteraction, is an obligatory situation in all the structures, including big or small ones, and the presence of audit can be mentioned in all the areas and situations where movement occurs (Atay, 1997). Because the continuity and harmony of the communal living will be possible by auditing the communal environment in this sense, audit will maintain its presence as long as individual-society and administrator-administered relationships exist. Communal living requires a labor division, collaboration and organization within the society, in this way, some internal balances arise and a differentiation occurs between the administrators and administered people. In the public administration, this differentiation results in the state, which is a political organization establishing and maintaining the social order (Kelsen, 1948). That is, no separation is made between the state and the legal system or the state and society, and the state is considered as a community which is based on the joint benefit of its citizens or founded to practice the joint benefit of its citizens (Aral, 1978; Kelsen, 1978). By saying "*Humans invented the state not to be obliged to follow humans*", a French jurist depicted that humans preferred abiding by a permanent and abstract existence above and beyond their own physical presence rather than chiefs or rulers (Kapani, 2007). Undoubtedly, state materializes the idea of a democratic state of law secured by human rights through its administrative and political audits.

State - a product of the social audit, maintains its presence thanks to its audit over the administered people, can direct them in line with certain purposes through various legal and tangible means and restrict them within various frameworks. It is a fact that the auditing authority of this organized power, which is called state, has certain boundaries and it has its own laws for the administrator-administered relationship. Such an audit can maintain its presence as long as it complies with the general interests and values of the administered people in various areas (Atay, 1997). In this sense, it is possible to evaluate audit as a process which directs the people and institutions in accordance with predetermined goals, shapes the personal and social relationships between the state and individuals so that they comply with legal norms and provides economic and social harmony. It is significant to determine the theoretical framework of the state audit during the audit in the general public administration and public fiscal management. In this respect, it is necessary to glance through the progress of the state audit within the historical course, its cognate concepts and meanings in different disciplines, the factors that necessitate it, its relation with private audit, its aspects consisting of topic+purpose+assumption and audit authority+auditor and its principles, methods and types, and to outline them while determining the theoretical framework.

1. Historical Development Of Audit

The understanding of public fiscal management, which prioritizes the principle of transparency, accountability and efficiency, has commanded the whole world in the 20th century, which is dominated by the state of law principle based on pluralism, the main theory of the modern state. Especially the transformation experienced in public fiscal managements over the last fifty years has shown that audit is a dynamic process and it has become a fact as a result of this transformation that contemporary needs cannot be fulfilled with classic doctrines and audit cannot be left at the disposal of only one person or group. In light of the aforementioned processes, it would be correct to consider the period until the 20th century as "*birth and development period of audit*" and the period after the 20th century as "*transformation period of audit*".

1.1. Birth and Development Period of Audit

Although audit and auditing occupation wouldn't be seen as an officially recognized profession before the industrial revolution, historical sources show that auditors had also been taken into account to provide the reliability of the financial data in earlier periods. Thus, it is seen that auditors were taken into consideration to make the public officials hold on their responsibilities against the king and administrators and to prevent bad implementations in the civilizations of the ancient times such as Egypt, Greece and Rome. For example, administrators in Ancient Egypt benefitted from clerks working independently from each other to inspect the financial records and they conducted the audit of the agricultural products for determining the taxes that would be collected (Guy-Alderman-Winters, 1990; Flesher-Previts- Samson, 2005; Gürbüz, 1982). Control and audits were implemented in the administration to decrease the calculation mistakes and corruption made by incapable or dishonest officials in terms of the recognition of incomes and expenses and collection of the taxes in ancient civilizations in the Near East dating back to 4000s BC.

Hence, the governmental accounting system of the Zhao Dynasty, which reigned in China between 1122 and 256 BC, incorporated both a detailed budget process and the audit of all the state institutions. Again, in the 15th century, popular assembly used to control the incomes and expenses related to public funds in Athens and the financial records kept by the state officials, whose terms of office ended, would be inspected by public auditors (O'Reilly-McDonnell-Winograd et. al., 1998). Meanwhile, there was also an auditing body of the public finance in Athens in the 4th century BC (Gürbüz, 1982). In the Roman Republic, the public finance, which was under the control of the Senate, was virtually inspected by Controllers and Kesters. The public accounts used to be audited by an auditor staff supervised by the Treasurer. In this period, segregation of duties was adopted - regarding the assigned personnel - for the collection of public incomes and incurrence of the expenses and a detailed system was established in relation to control and reaction (O'Reilly-McDonnell-Winograd et. al., 1998; Gürbüz, 1982).

The past of the audit sources and old accounting entries date back to 1130 AD in the United Kingdom, which made a contribution to the development of today's modern auditing philosophy. Meanwhile, annual audit records are also encountered in Italy and France during the 13th century regarding the accounting entries related to audit and auditors in movables management. When the importance of audit was noticed in England at the beginning of the 14th century, auditors ranked among selected officials and municipality accounts and private land ownership and craft guilds began to be audited regularly (O'Reilly-McDonnell-Winograd et. al., 1998). In Europe of the 16th century, auditors were employed by commercial companies, which discovered the new world, for the inspection of financial records. "*Collegio Dei Raxonati*" was established as the first professional auditing organization, which had a great reputation and also very difficult membership conditions in Venice in 1581, and then another similar organization called "*Academia Del Regionieri*" was founded in Milan in 1658. During the 17th century, the main purpose of the audits especially in the western world was to increase the quality of the accounts and provide the accountability of the funds given to official and private employees. At the end of the 17th century, a new concept was introduced to the western world as "*independency of the auditor*" with a new law enacted in Scotland. The economic transformation and industrial revolution that occurred in 1600s and 1800s became a milestone for audit and auditing profession and the main purpose of auditing was revised as the detection of corruptions and the evaluation of the administrators' responsibility against shareholders. Within this context, audit got free of the logic of evaluation through listening to those concerned in 18 and 19th centuries, and evolved as the deep inspection of the written records and measurement of the supportive evidence. Despite all these developments, professional auditors couldn't become an important part of the business life until the 19th century. In 1813, a school was established in Bologna, main purpose of which was to train accounting auditors, and this school became an academy in 1858 (Guy-Alderman-Winters, 1990; O'Reilly-McDonnell-Winograd et. al., 1998; Gürbüz, 1982).

1.2. Transformation Period of Audit

While companies expanded their facilities and formed complicated organizational structures with new production methods, many innovations occurred in the private sector auditing during the 19th century, which witnessed a lot of innovations that gave a chance to the industrial revolution and the efforts of the imperialist powers for world domination. Hence, these innovations inspired the understanding of the modern state audit in the 20th century. These development and transformation stages caused a great increase in the demand for audit with the effect of variables such as prejudgments and motivation. Another remarkable event for audit and auditing profession was the adoption of the Companies Act dated 1862, which imposed the obligation of using an independent auditor for the establishments or joint companies in England (Guy-Alderman-Winters, 1990). The following basic matters were included in between the 83rd and 94th articles of the law about auditing, which were related to audit, with regard to the appointment of the auditors, their connection with the companies and their duties in conclusion:

"The accuracy of the companies' account and balance sheets will be inspected by one or more than one auditors every year. It's stated that auditors will demand and inspect all the balance sheets and accounts of the companies within the scope of audits and write a detailed report including their own views. During these inspections, accounting units and other employees will help the auditors (Companies Act, 1982)"

These statements point at the rule about the independent access of the auditors to any kind of information and documents during the audits conducted by the supreme audit institutions and submission of the audit findings to legislative and executive organs together with the prepared reports.

Auditing technique and understanding were affected by the social, political, technical and legal transformation in the 20th century. The understanding of state audit inspired by the private sector was restructured to be supported with many national and international standards and criteria. Meanwhile, the escalation in money and capital markets increased the demand for audit at the beginning of 1900s and this demand increase triggered reform and amendment attempts in public fiscal managements, because the global capital flow had become quicker. Together with both the increase in the general public expenses during the economic depression in 1929, the Second World War and afterwards, and the birth and development of main determinants of modern fiscal management like accountability, transparency and source utilization in the public sector, the need for an operationally efficient program and structuring increased in the public sector. Because the sources became scarcer due to the heterogeneous needs, institutions became more complicated and bigger and sizes of the institutions relied on personal observations as of the second half of the 20th century, auditors were encouraged to expand their inspections for using the scarce sources in a more efficient way. One of these encouragements was the audit of the institutions in terms of not only regularity, but also performance. Changes also emerged in the auditing technique together with the technological developments like electronic information processing systems towards the end of the second half of the 20th century (Ricchiute, 1982; Guy-Alderman-Winters, 1990; Dittenhofer, 2001).

2. Idiomatic And Conceptual Characteristic Of Audit

Investigation of the etymological origins of the audit concept, history of which dates back to beyond thousands of years, will be beneficial to understand why nations needed such a concept and structure and what this concept meant for them while presenting the meaning of this deep-rooted term in many languages, because audit is mentioned in every language and finds a place in the communal life for itself no matter at what level countries and languages develop. Meanwhile, the meaning indicated by this concept is mostly similar although it differs from language to language. For instance, despite different wordings in Indo-European Western languages, the "control" term generally corresponds to the concept of audit (Atay, 1997). "*Murakabe (Review)*", which originates from "*rakb*" and "*rükub*" - old version and equivalent of the audit in Turkish - and has meanings like have a look or keep under supervision, is used -also as a term that includes audit, revision, inspection and control concepts - to specify the comparison process between the present situation and what should exist.

Other synonyms often used for audit are revision, inspection and control. "*Revision*", which originates from the Latin root "*revidere*" and used for examinations related accounting in practice, means revising what has been done, in other words, examination of the problems about the structure and activities of an organization. "*Inspection-Teftiş*", which originates from the Arabic root "*fetsh*" and derived from the Latin term "*Inspicere*" and used as the equivalent of "*inspect*" in Turkish, means to determine whether the operations are carried out in compliance with laws, commands and instructions with an occasional revision. Inspection embodies an authority and this authority takes its source from laws, regulations and senior management. The term "*Control*", which consists of the Latin words "*contra* (opposite, counter)" and "*rotulus* (list, notebook, paper)" and was admitted into Turkish with its English and French equivalent, means the method and behavior that enable domination over a person, an organization or a matter and direct it in the intended way (Gürbüz, 1982; Altuğ, 2000).

There is a wrong opinion today about the meanings of control and audit concepts, which are often used in public fiscal management and private sector, similar to each other at the first glance. Interchangeable use of these two concepts in daily life has caused the emergence of this opinion. However, there are some basic arguments that separate and prevent the substitution of both concepts with each other. In this respect, control is conducted, continued and can automatically be made with informatic means when operations are carried out and records are kept by people who have connections with the establishment. However, audit means the post-revision of the operations, their records and accounts. Meanwhile, audit is a mental process that needs a human mostly for once and conducted by independent people out of establishments (Gürbüz, 1982).

As understood from the analysis of the words that are used in substitution for audit, the audit concept is used in two meanings. These are Broad (Strong) Sense, which contains meanings like power, pressure, authority and superiority, and Narrow (Weak) Sense that includes meanings such as inspection, research and trial. In the *broad sense*, people and operations are motivated, restricted and shaped according to the predefined purposes and standards in the audit. However, audit is conducted as a secondary function within the framework of the boundaries and principles determined by the authority in the *narrow sense*. Consideration and implementation of audit in these two senses are related to implementation levels and efficiency areas as well as political structural differences.

England and USA, which actually brought the audit concept a political content, gave an intentional meaning to audit covering the whole society and central administration. This indicates audit in broad sense in the Anglo-Saxon tradition. But audit relies upon audit in narrow sense that points at an understanding related to public institutions and establishments, not the whole society, while it is considered in the administrative sense in the countries of Continental Europe (Atay, 1997).

When the audit concept is considered in general and corporate sense, it will be observed that audit is present in many social, political, financial and administrative areas, the audit relations are not unilateral and those administered and auditees are in the auditor position most of the time (Atay, 1997). Thus, we find it useful to draw attention to multilateral structure of the audit concept after taking a gander at it on the idiomatic basis, because the concept called audit isn't only valid for public administration in the communal living, and it has a place as a multilateral value in many social sciences and doctrines such as business administration, politics and management science. In this context, it will be useful to evaluate the audit concept with both the meaning it indicates in the public administration and the meaning it bears in some other doctrines.

Socio-psychologically, audit occurs when a person, cluster or organization determines or influences what another person, cluster or organization will do. Audit is considered as an administrative function in the *business administration*. In this sense, audit is applied to everything, businesses, actions, people and stuff. In a company, audit means to investigate whether everything complies with the accepted programs, principles and the orders given (Atay, 1997). Again in terms of business administration, audit is related to the performance assessment in an organization and the audit period consists of those steps: protection of the standards, comparison of the results, which are obtained from the implementation, with these measurements and taking precautions to correct the deviations (Kazmier, 1979).

In terms of *enterprise audit*, foundation of audit is based on business comparisons that will be made according to a purpose. These comparisons can be made between the present situation and the situation that should exist or the time and business to business situation. In this context, audit function is defined as an administration activity which researches and discovers what, how and at what level other functions succeed in the business (Pekiner, 1977). In terms of *accounting*, audit is "a systematic process that impartially collects evidence and evaluates this evidence to research the compliance degree of the claims related to economic activities and events with the predefined standards and inform those interested about the results (Güredin, 1994)". In another accounting audit definition, audit is the "evidence collection and evaluation process carried out by an independent expert in order to determine the compliance degree of the information that belongs to a certain economic unit or period with the predefined criteria and to submit a report in this matter (Gürbüz, 1982)".

According to another approach, audit is the "comparison between the planned and executed tasks and the operation of determining the compliance degree of the executed task with the planned as a result of this comparison and the deviations in practice (Atay, 1997)". As understood from this definition, audit constitutes the last stage of an active process. In other words, audit can be considered as a comparison between what exists and what should exist and the comparison process of the meaningful result, which is obtained as a consequence of the previous comparison, with the beginning. Audit is the process of collection and impartial evaluation of the evidence related to the information about the economic activities and events of an organization and the submission of the result as a report to the information users for the purpose of determining and reporting the compliance degree of the information explained with regard to those activities and events with the predefined criteria (Kepekçi, 2000).

Audit is a kind of affirmation way. Then, what does affirmation mean? In broad terms, affirmation is considered as the conclusion of an expert about the reliability of a claim or statement which belongs to someone else. American Institute of Certified Public Accountants (AICPA) evaluates the affirmation in narrow terms as written communication that enables coming to a conclusion about the reliability of a written statement which is under another institution's responsibility (Konrath, 2002). The American Accounting Committee on Basic Auditing Concepts (ASOBAC) defines audit as follows: Audit is a systematic process consisting of impartially obtaining and evaluating the evidence related to the statements about economic activities and events and the transmission of the results to the concerned people in order to determine the compliance degree between the statements about those economic activities and events and the predefined criteria (O'Reilly-McDonnell-Winograd et. al., 1998).

In the light of the information above, it is possible to define the audit as the process of evidence collection about the economic units, activities and events by experts, independent and impartial people or institutions, comparison of the collected evidence with the predefined criteria and submission of the results to the relevant places as a report.

3. Factors That Necessitate Audit

Audit is generally based on cause and consequence relation. If the operations and actions that will be executed are considered as a cause, audit and the demand for an audit, which will be carried out in relation to these operations and actions, can be seen as a consequence. In this way, audit demand is the consequence of four fundamental factors. These are complexity, distance, motivation and prejudgment of the supplier and results.

3.1. Complexity

In the establishments, the volume and complexity of the economic activities complicate keeping accurate records mostly with regard to the distribution operations and costs and the income appropriation. It cannot always be expected from the decision makers to collect financial data and have technical information for understanding these financial data. While the complexity of the reliable records and the difficulty in the decisions related to accounting procedures necessitate the presence of professional accounting units, the presence of an audit activity is essential in terms of reporting the meaning of these records and the accuracy and reliability of the records to the decision makers (Guy-Alderman-Winters, 1990).

3.2. Remoteness

Today, decision makers and information users are usually spatially-disconnected from establishments. For instance, a person who is the shareholder of a big company can never see the company or its facilities and bodily take part in the fiscal management of the contracting party when it comes to using the credit allocated by an international financial establishment, which will provide credit for the country. Therefore, decision makers cannot get information about the establishment and its activities at first hand and don't bear any relation with the accounting records of the establishment due to reasons such as difficulty in access to the records or their expert requirement. While this remoteness increases misleading information purposefully or unintentionally, it brings forward the demand for an independent party to inspect the financial reports, that is, audit (Guy-Alderman-Winters, 1990).

3.3. Motivation and Prejudgment of the Suppliers

A conflict of interests is always possible between the people who provide financial information and the people who use this information. Depending on this conflict of interests, the person who provides information may act with prejudgments purposefully or unintentionally. For example, administration will naturally have a more optimistic attitude about the future and the business when compared to others. In return for this optimistic attitude of the administration, it is possible for the information users to act with prejudgments against the administration regarding the collection and interpretation of the financial information. From this aspect, prejudgments and conflicts of interest create a demand for the presence of an independent unit and activity to audit the financial statements for ensuring the cogency of the financial data of the establishments (Guy-Alderman-Winters, 1990).

3.4. Consequences

Under today's economic circumstances, economic decisions mostly require huge expenditures and these expenditures deeply influence a lot of people and economic structures. The effect presented by the aforementioned decisions from micro setting till macro setting with negative and positive exogeneity shapes the nature of the future projections. Thus, useful and reliable financial information is needed while making this kind of decisions, and therefore, audit functions as insurance for the production of this reliable information (Guy-Alderman-Winters, 1990).

4. Relation Between State Audit And Private Audit

An intense interaction was experienced between the state audit and private audit during the preparation of methods, processes and strategies in regard to audit. However, there are profound differences between these two structures in terms of legal basis and binding. State audit is an activity which inspects the public organs and activities independently and objectively and have unlimited authority over the accounts, files and personnel of the inspected public institutions.

The purpose of state audit is to develop the public administration, collect data about the activities of the audited institutions and make comparisons between the collected data and the predefined criteria to enable prevention and correction of the mistakes and negligence (Geist, 1988). Private audit is executed upon the request of the private sector establishments by auditing units within their body or independent audit establishments. The main principle in the private audit is to discover whether the financial statements reflect the reality and truth. In this respect, the subject matter of the state audit is public activities while the subject matter of the business auditing is the business activities (Özer, 1997). Whereas private audit can be executed upon the request of the partners and administration without any legal obligation, keeping the audit scope narrow or broad is determined as per the customer requests. However, the scope of the audit which is under the state supervision is specified with the legislation (Woolf, 1994).

There is a great difference between the state audit and private audit with regard to the responsibility of accountability and basis. In the public sector, legislature, which obtains its authority from citizens transfer this authority to the executive organ and the executive organ, which is provided with the authority of collecting public incomes, making expenses and using the assets, makes use of this authority by observing predefined legal rules and various criteria. Executive is subject to accountability against both the legislation and the citizens in terms of using this authority in accordance with laws and effectively. However, companies are responsible for accounting to the stakeholders and administrators for using the sources. Hence, the audit results are reported to legislature in the state audit and to administrators and stakeholders in the private audit within the framework of accountability. This reporting difference results from the legal basis and structural differences of the both auditing types (Özer, 1997).

There are differences between the private audit and public audit in terms of performance measurement, access to information, and conflicts between policymakers and administrators. When the matter is considered from the perspective of performance measurement, it is seen that the performance indicator is profit-oriented customer satisfaction for the private sector and efficiency, productivity and compliance with budget laws for the public sector. In terms of the access to information, audit findings can sometimes be kept hidden by the companies to protect the commercial secrets in the private sector while audit findings are open to public in the public sector. While the decisions make progress in line with the instructions of both the senior management and shareholders in the private sector, officials, who come to office through election, develop policies and managements apply their procedures according to these policies in the public sector. In this sense, it is possible for the elected people and the bureaucrats to be in conflict, because they have different purposes, goals and functions. Loss of efficiency is probable in the state audit as a result of this conflict (Dittenhofer, 2001).

While public institutions consider the performance audit, which is carried out within the period from the collection till the usage of public funds, as a legitimate right, such an audit can be executed through a specific request or duty in the private sector (Özer, 1997). Meanwhile, there are purpose-related differences between the private audit and state audit in terms of performance audit. Within the performance audits in the private sector, performance audit establishments aim at enabling the firms with customers to conduct their activities in a better way and in accordance with their regulations and increase returns in their investments. However, the main purpose of the performance audits in the public sector is to provide operational developments within the framework of accountability and give recommendations in this direction (Waring-Morgan, 2007).

5. Elements Of Audit

In a sense, audit is a relationship based on mutual interaction between auditors and auditees. Well, what are the basic elements of this relationship based on mutual interaction? It is possible analyze the audit elements that are necessary for the execution of an audit in the intended way under the sub-headings "*subject matter, purpose and assumption of audit*" and "*auditing authority and officer*".

5.1. Subject Matter, Purpose and Assumption of Audit

Today, there are four admitted fundamental subject matters of audit. These are institution, activity, personnel and assets. *All the state institutions* are included in the subject matter of audit no matter whether they have legal entities. Here, holistic audit of an institution is at issue. The action or operation activities executed by the officers, who act on behalf of their institutions, while exercising their authorities by fulfilling their duties is another subject matter of audit.

The *personnel of the institution* mustn't exceed the boundaries in regards to their institution or legal structure and have to act in compliance with the purposes determined. Acting in accordance with predefined rules, principles and purposes may necessitate the imposition of some sanctions on the personnel. In this context, public officials are subject to hierarchical audit regarding the fulfillment of public services. Last subject matter of audit is the *assets* of the institution. Those concerned use moveable and nonmoveable assets, which are suitable for their actions and operations, while executing these actions and operations. The aforementioned assets must be taken care of and protected to be used in accordance with the service delivery. And this can only be possible by auditing whether the assets are kept in the specified status (Atay, 1997).

Audit needs to fulfill four basic purposes in line with its subject matter. The first one is the *compatibility and consistency* of the audit. Accordingly, audit firstly aims at being compatible with the structure and environment which are included within the scope of the audit. Similarly, the purpose behind the consistency of the audit is the presence of stability and consistency in the audit. The second purpose of the audit is the *prevention and restriction* of the auditee's negative progress. If the audited activities lead to the waste of the sources out of purpose, which belong to the institution, and time losses, it means that audit doesn't function. It is necessary to guide the auditee for the prevention of these losses and the achievement of the purposes in the best way. Prevention also means the prevention or minimization of the possible damages to the auditee from the outside. The third purpose of the audit is *correction*. Elimination of some difficulties and problems, which occur on the way to the purpose of the audit, is realized with the correction function of the audit. That is, some mistakes can be made during the operation of an institution or establishment, which is engaged in accomplishment of its purposes, and these mistakes may damage the administrative and financial structure and the environment of the institution and establishment. Imposition of the constituted sanctions on those responsible relying upon the precautions previously determined by administration and audit organs and the prevention of repetition of the mistakes are included in the scope of the correction and prevention function. The forth and last purpose of audit is to cause a change, that is, *reform*. In case of the deviation of the audited institution and establishment from their purpose and occurrence of errors and when these errors become chronic, the institutions and establishments must head for reform. This situation has a political and social characteristic in public administrations and its social effect and financial significance are quite high. If reform is a suggestion made by the auditor and as a result of an extensive audit and inspection, it becomes a function of the audit (Atay, 1997).

There are theoretical principles and assumptions presented for the audit, subject matter and purpose of which is determined. These assumptions are the propositions that must be considered before the audit to execute an efficient audit and are necessary for the elimination of the prejudgments. Within this scope, those can be determined as audit assumptions: verifiable financial statements and information in respect of audit, presence of a satisfactory inner control system, presence of occupational liabilities, which are proportional to the occupational position of the independent auditor, conflict of interest between the administration of the institution, which is under audit, and the auditor, clearance of the financial statements and other information, which are sent for verification, from any kind of hidden agreements and irregularities and future consideration of the correctness of what was considered correct in the past in the audited institutions if there is contrarily no explicit evidence (Mautz-Sharaf, 1986).

5.2. Audit Authority and Officer

Officers, that is, subjects are needed for each audit, who have auditing authority and different duties as per the subject matter of the audit. Before mentioning what officer means, it will be useful firstly to approach the authority and competence concepts within the inductive context. In this sense, authority can be defined as "capacity of an administrative agency to conduct a certain operation in administrative terms. In other words, authority is the capacity of the person or people, who occupy the administrative agency, to conduct legal operations on behalf of a public legal entity (Gözler, 2009)." In the administrative operation, which has a declaration of intent for resulting in a certain legal consequence, the *element of authority* is comprised of the matter as to who will make this declaration of intent. Because an operation, which is conducted without obeying the authority rules in terms of people, subject matter, place or time, will be risky for the element of authority (Gözler, 2009), it will also be inevitable for the unauthorized audit to be risky. Within this framework, auditing authority is needed to impose the sanctions about those concerned, inspect the activities and collect the necessary information from those concerned. Absolute audit competence, in other words, audit competency is needed for the presence of authority in terms of people. Audit competence indicates the competency and capacity of the person who undertakes the auditing duty and it is the first condition for the authority of the auditors.

Because the audit competence requires both information and skill, which are the products of education, and auditing experience, audit competency is sought in the members of the professional organizations (O'Regan, 2004). As described above, a subject, that is, the presence of an audit officer is needed so that the audit function can be effective. Hence, it is required to identify the officer, who is equipped with many powers as per the purpose and type of the audit. While the subject matter of the audit and whether it is internal or external determines the audit officer, whether the audit will be internal or external is specified by the subject matter of the audit. Because the officers, who hierarchically give orders, are naturally in the auditor position in the internal audit, the audit officers are those people themselves (Atay, 1997). The hierarchically conducted internal audit is a service for the administration in a sense and audit officers (auditors) report to the most senior administrator of the institution in the last audit although the purpose is to provide the audit officer with the highest independence. Thus, these people may have a great difficulty in interpreting the audited activities impartially and they may not even make an impartial interpretation. In this context, the field of the internal audit mostly includes the financial audit which is executed by expressing no opinions about the financial information and documents. While the external audit is conducted by audit officers, who don't have any connection with the audited institution, in light of generally accepted audit standards, the audit results are reported to the person who carries out the operation rather than the administration, differently from the internal audit. External audit officers, who are more independent, often make suggestions to the administration together with the results obtained as a consequence of the auditing activities (Khan, 1995).

6. Audit Principles

Auditing principles are needed for researching the material accuracy, legal compliance and performance of the administrative decisions and activities for the purpose of increasing the audit opinion that will be expressed at the end of the auditing activity (Tepe, 1998). Auditing principles are the basic arguments that guide the auditor, are substantially obtained with experiences and constitute the rules for auditing. These principles are not only a simple set of rules with movements in them, but they also have a close relationship with the audit procedures, because audit procedures define the movement manner which ensures the dependence of the auditor on the standards and validates the implementation of the auditing principles (Holmes-Overmyer, 1972). Within this framework, it is possible to discuss the auditing principles as "*principles for auditors*" and "*principles for auditing activity and subject matter of audit*".

6.1. Principles for Auditors

Fulfillment of various minimum requirements by the people and institutions that will execute the auditing activity during the audits will increase both the advantage of the conducted audit and the cogency of the audit findings and reports. In this sense, it is possible to discuss the principles for the auditors under four sub-headings.

6.1.1. Principle of Occupational Competence, Care and Skepticism

Together with this principle, which depends on the person, the auditor is expected to have technical competence in the field of accounting records and auditing. This competence requires technical information competence and a competent professional expertise to make an independent evaluation. Competence doesn't consist of technical information itself, occupational experiences are also needed to make an evaluation. Thus, technical information and occupational experience comprise the *occupational competence* completing each other (Ricchiute, 1982; Cook-Winkle, 1980). Besides the occupational competence, the auditor must inspect all the records related to the audit with great attention and care within the scope of *occupational care*. Auditor must plan the audit in accordance with the rules for the occupational care, inspect the quality and appropriate evidence, carefully prepare the study papers, evaluate the financial statements and attentively prepare the report, which includes his own opinions. Meanwhile, occupational care necessitates the *occupational skepticism* during the collection and assessment of the evidence. From this aspect, auditor mustn't have a definite opinion and approach at the beginning with regard to whether the administrator and employees of the institution are honest. However, occupational skepticism doesn't mean that the auditor will make a perfect judgment in each audit while it requires an investigative mentality and critical evaluation for the audit evidence, because the possibility of fallibility always exists in every audit executed by the auditor. But these mistakes mustn't be at a level which will disrupt the auditing activity (O'Reilly-McDonnell-Winograd et. al., 1998; Cook-Winkle, 1980; Arens, A.A.-Loebbecke, 1997).

6.1.2. Principle of Independency

This is the most controversial of all the basic principles, because whether the auditor is independent from the auditing party, on behalf of whom the audit is executed, is controversial. Because independency is shaped as per the dependency between the auditor and auditee, the auditing type can be used as a method for the solution of the controversion. That is to say that the dependency between the auditor and auditee is explicit in the internal audit whereas independency is an obligation in the external audit. Thanks to this principle, it becomes possible for the auditor to be superior to the auditee and ask questions and demand information and documents relying on this superiority (Atay, 1997). Otherwise, the efficiency of the audit will be decreased because the officers will avoid auditing. Independency will cause deterrence, in other words, responsible behaviors of those concerned. The views, determinations, decisions, judgments and recommendations related to audit must be objective and this objectivity must be seen by the third parties in order to mention about independency in the audit together with this responsibility (United States Government Accountability Office, 2007). Similarly, no personal relationships, liabilities or conflicts of interest must be included in the auditor inspection in order to mention about independency in the audit. Hence, it is not enough when the auditor is technically independent or his decisions aren't influenced by the administrations; he must also avoid situations which will cast doubt on his independency (O'Reilly-McDonnell-Winograd et. al., 1998). In this context, independency may be disrupted in the audit in case of the auditor's relationship with the auditee or auditing operation based on the financial self-interest or presence of personal or familial relationships with the auditee. In addition to these matters related to independency, moral concerns, people, character and honesty have a determinative role in the independency. Because independency is a mental situation that goes deeper than the rules and standards, audit requires technical information, honesty and working skills in accordance with the environment at a high level (O'Regan, 2004).

6.1.3. Principle of Objectivity

Objectivity means the auditor's objective comparison of what happens and what should happen without the effect of his feelings and being under an external influence while auditing. However, this situation is not a mechanical implementation and it mustn't hinder the auditor from using the margin of appreciation at certain levels in each of his assessments within the duty or in line with the well performance of the service. The determination of a criterion to use in the audit is the prerequisite of the audit in terms of objectivity. Accordingly, the criteria that will be used can be legal rules, standards and individual procedures. Because no ideal audit can be mentioned without this kind of criteria, predefined criteria, which are also known by those concerned, are important for the objectivity of the audit (Atay, 1997). Especially in the public sector, reliability of the audit relies on the objectivity of the auditors while they are fulfilling their professional responsibilities. Objectivity requires being independent both virtually and apparently, protecting the objective attitude, being distant from conflicts of interest and having subjective morality during the audit (United States Government Accountability Office, 2007).

6.1.4. Principle of Honesty

Because the honest execution of the audit has a great importance itself, the auditor must be away from personal interests and feelings during the audit. Accordingly, the auditor is expected to have a reliable and honest character and virtues like equity conscience (Atay, 1997). In a state, public trust is protected and strengthened by the auditors who fulfill their professional responsibilities honestly. In light of all this information, honesty represents for the auditors to have an objective, realistic, impartial attitude free of ideological concerns against the audited units and the users of the audit reports. Certainly, the auditor bears the risk of breaking this principle to obtain a personal or corporate acquisition. However, it is important for the auditor to be aware of his responsibilities looking after the public interest (United States Government Accountability Office, 2007).

6.2. Principles for Audit Activity and Subject Matter of Audit

Just like the auditing institutions and people that need to obey various principles, there are some rules which must be observed by both auditors and auditees during the execution of the auditing activity. For instance, at least some principles must be obeyed while planning the audit, compiling evidence and expressing an opinion, because trying to audit an institution, audit of which is not possible, would be a useless effort. It is possible to discuss the principles for the auditing activity and subject matter of the audit under 7 sub-headings.

6.2.1. Principle of Auditability

Auditability, the prerequisite of the audit, means the applicability of the audit procedures. For example, if all the financial data about the institutions have been destroyed irrecoverably, those institutions cannot be audited. In such cases, alternative methods can be managed by the auditors, but it is not so possible for the alternative methods to present a positive idea about the general situation of all the destroyed financial records (O'Regan, 2004).

6.2.2. Principle of Totality

The principle of totality, which means entering all the operations and events in the register, requires entering any kind of financial movements in the register during the period from the collection until the expense of the administrations' public funds. For instance, the presentation of the assets in the assets statement and resources in the debit statement as a whole within the accounting records is the necessity and consequence of this principle (Tepe, 1998).

6.2.3. Principle of Timing and Observation

Principle of timing and observation must be considered while planning the audit. Timing of the auditor appointment for the institution, which will be audited, is significant in audit planning. Hence, early appointment for auditing duty enables the auditors to plan the audit quickly and gain extra time for determining the present accounting problems and internal control deficiency. Observation is a process which manages the work of deputy auditors and discovers whether the audit purposes have been fulfilled (Ricchiute, 1982). Deputy auditors need the observation and support of the managing auditors for the solution of the problems they determine and confusing matters they encounter during the audit. In this respect, while being under observation enables gaining professional competence, it also gives the opportunity to make use of the managing auditors' experiences in the duties conducted by the deputy auditors (Cook – Winkle, 1980).

6.2.4. Principle of Adequacy and Competency of the Collected Evidence

Adequate and competent evidence is the fundamental basis to obtain logical and informative audit results. Determination of the evidence adequacy and competency is up to the professional judgment of the independent auditor. *Adequacy in the evidence* reflects the amount of the evidence obtained and *competency in the evidence* indicates the evidence validity and conformity. 'The higher, the better' conclusion cannot be made for the evidence amount. A reasonable cost is needed for an audit view. Therefore, auditor must evaluate the efficiency of the produced information and the cost of collecting additional evidence (Ricchiute, 1982).

6.2.5. Principle of Legality

The necessity of the legality principle, which reflects the conformity of the auditing activity with the legal system, stands out especially in the state audit in terms of the auditor. For example, authority of the professional members, the rules they must obey, their auditing activities and complementary processes are regulated with the relevant organizational law in the supreme audit. Principle of legality can be provided with the subjection of the auditing activity to hierarchical audit. But the activities of audit institutions such as SAIs, which are unique in their field, aren't audited, because the process of auditor auditing cannot be extended forever. However, it is possible to enable legality of the audit through indirect ways like parliament and press (Atay, 1997; Tepe, 1998).

6.2.6. Principle of Coherency

This principle expresses the real occurrence of the recorded operations within the related period and the correct calculation, assessment and measurement of the operations. Accordingly, the records, which are kept by the administrations, must be entered reflecting the reality. Otherwise, the entry of the records by the administrations, which don't reflect the reality, is equal to the absence of the records (Tepe, 1998). Meanwhile, the coherency in the financial statements shows that accounting principles are applied the same way in both current year and the previous year. If both successive years are not available for coherency, this situation must be stated explicitly in the audit report (Holmes-Overmyer, 1972). Thus, auditors observe the principle of coherency while testing the financial accuracy in the public accounts (O'Regan, 2004).

6.2.7. Principle of Opinion Expression

Auditor reveals his independent opinion about the financial statements of the institution he audits with the reports that will be used for the future decisions to be made by the administration (Ricchiute, 1982). In reports, both positive and negative opinions can be stated regarding the accuracy in the financial statements. Negative opinion results from the inaccurate representation of the financial situation and activity results in financial statements. Both opinion about the financial statements and explanations related to unrevealed opinions are noted in the reports prepared (Cook – Winkle, 1980).

7. Audit Methods

Audit method, which is determined by the factors such as audit timing, nature, audit level in the institution and the development of the audit system, can be described as a strategy or route map for audit. Deciding on an appropriate audit method constitutes a significant part of the audit planning process (O'Regan, 2004). In this context, audit methods can be determined by considering various criteria. In a distinction to be made on the basis of the way audit is executed, audit methods differ as per whether the audit is made in an informed, documental, investigative, and controlled or freeway, and the qualification of the auditing body.

7.1. Informed Audit and Spot Checking

If those concerned are informed about the matters like the time, officers, scope, subject and place of the audit beforehand, this type of audit is called *informed audit*. This audit is a method applied in large-scale administrative organizations, business of which covers a broad area especially geographically and functionally. If such an audit is executed at frequent intervals, those concerned may slack after the audit whereas auditees work productively and efficiently. In contrast to the informed audit, *spot checking* is conducted in an uncertain time or subject without informing those concerned beforehand. It is mostly carried out in the same organization and surrounding of the center or branches can be audited in big and large-scale organizations as in the informed audit. Spot checking enables the organization to progress well in terms of keeping the organization, which is subject to audit, prepared for the audit continuously, but audit intervals shouldn't be too long. Due to the disruption possibility of the normal work pattern of the organization with frequent spot checking, attention must be paid to the nonoccurrence of the aforementioned inconveniences while using this method (Atay, 1997).

7.2. Onsite Audit and Documental Audit

Onsite audit, which is usually used for inspection and investigations, enables the application of the audit subject on its site and gives the opportunity to make a detailed and general evaluation about the subject matter of the audit. The probability of finding out the reality is higher in this way. Such an audit can be instantaneous or informed. In the *documental audit*, auditor doesn't go to the audit site; he has all the documents brought, which are related to the subject matter he wants to audit, and executes the audit. Although it is possible to audit less costly and more quickly in this way, it may hinder accessing the reality and quite accurate results. For instance, most of the audits that are carried out by the SAs are executed onsite and the audit, which is conducted according to the subject matter of the audit, qualification of the institution and perennial auditing structure, can turn into the documental audit after a while (Atay, 1997).

7.3. Questioned Audit and Unquestioned Audit

Questioned audit is conducted by investigating the officers and people who are inquired or can provide information and applying to their information. It is also referred as investigation, because it is also applied in the investigations especially with a criminal scope. While people are provided with the opportunity for self-defense, the possibility of access to reality, multilateral inspection and research of the subject matters of the audit increases as well. *Unquestioned audit* isn't intended for accusation or investigation of the people; it is executed objectively and generally documentally so that a certain situation or matter is clarified. Methods that require investigation such as opinion expression, testimony and explanation aren't applied. Even though this method mandatorily exists in the documental audit, questioned audit must be implemented in onsite audits to obtain healthy results (Atay, 1997).

7.4. Directed Audit and Non-Directive Audit

Directive audit is the initiation of the audit by a senior authority and direction of the auditor and subject matter of audit in terms of scope, method, type and other aspects. In reality, each audit is directed at a certain level and non-directive at a certain proportion while no audits can totally be directed, because audit is a decision-making process and requires discretionary power at the minimum level. Because every audit is directed at the beginning in terms of launching the audit, either an application must be made or the executive authorities must launch the audit so that audit organs can go into action. During the progress of the audit, senior authority can interfere occasionally or upon the request of the auditor without damaging the efficiency and legality of the audit. Directed audit is a method that can be encountered while the center audits the periphery or its branches within the organization. *Non-directive audit* means the impartial, objective and legal execution of the audit, which is also distant from any kind of external influence, from the assignment of the auditor onwards. But audit cannot be completely non-directive. Senior authority may direct the auditor at a certain level especially in questioned and unquestioned audits. Non-directive audit is a method valid in custody audit, judicial audit and political audit. Besides, mostly non-directive audit is valid in the preaudit which is executed at the managerial stage during discipline proceeding and before the trial of officials (Atay, 1997).

7.5. Individual Audit and Audit as a Board

Audit can be separated as individual audit and audit as a board depending on how many people (one or more than one) it is conducted by. Audit is described as *individual audit* if it is executed and concluded by one person at all of its stages. In this sense, individualism is dominant in hierarchical audits. If the auditors and people who evaluate the determinations made during the audit and come to conclusion are the same, and if they consist of more than one person, the audit is absolutely executed *as a board*. The method of audit as a board is especially applied in the audits which are carried out by the SAIs (Atay, 1997).

8. Audit Types

The executed audits differ in accordance with the operability of the audit process, the principles that will be applied in the audit, audit methods and audit types. Accordingly, it is important to know the audit types for the function of audit. In this context, audit types differ from the aspects like time, scope, organization and continuity. Although audit types are discussed under different titles in many sources, it will be useful to prefer a triple division within the framework of the study's main approach. In this sense, it is possible to discuss the audit types under 3 basic headings.

8.1. Audit in Terms of Scope

In terms of scope, audit can be divided into two categories: *internal audit*, which stands for the audit of an organization from the inside and varies according to the size of the organization and *external audit*, which generally means that financial statements and information are audited by independent people and institutions (Ricchiute, 1982). In this respect, the basic difference between the internal and external audits is determined by the organizational position of the auditor against the audited institution (Edds, 1988).

Internal Audit, which is placed on modern bases in the 20th century and has a relative concept, aims at the protection of an institution's assets, enablement of the compliance with legal regulations, inspection of the administrative accounting, assessment of the internal audit and determination of risks and corruption. Internal audit is seen as a key goal extending till the administrative control to provide accountability. Accordingly, it wouldn't be wrong to consider the internal audit as an independent and objective consulting activity, which adds value to the activities of the institution and develops these activities (O'Regan, 2004). Internal audit helps the administrators in the administration with analyses, assessments, recommendations and activities so that they can fulfill their responsibilities. In this scope, internal audit doesn't only research the accuracy or inaccuracy of the activities, but it also provides support and recommendation for the development of the institution and increasing the quality of the operations. In order to enable efficiency in the internal audit, the internal auditor must be independent from the personnel structure and operational activities of the institution. Otherwise, decisions and recommendations of the internal auditor will seem doubtful (Ricchiute, 1982).

Even though internal audit is seen as a necessity within the general proceedings and organizational structures of the institutions in the modern public financial systems, external audit is remembered when audit is considered. The understanding with regard to the fact that audit means the observation of a person or the activities of an institution by another person or institution lies on the basis of this approach (Atay, 1997). *External Audit*, which appeared in England with the foundation of the limited companies that led to the separation of the investors and professional company administrators from each other in the 19th century, is the product of a bicentennial development and change process. External audit, which is necessary to enable the reliability of the financial statements in a developed economic and financial institution, is a technical process related to independent inspection and confirmation of the quality of the financial statements (O'Regan, 2004). Especially in the public fiscal managements, external audit is executed with regularity audit and performance audit that the SAIs carry out within the framework of international standards. In this respect, the citizen, who is interested in whether public fundings is used in compliance with the legal system and performance criteria, wants to get the information from an independent and impartial board (Edds, 1988).

Although internal and external auditors generally use the same audit method, both of these audit types have different purposes. Namely, the purpose of the external audit is to express an opinion about the audited financial data and statements whereas the purpose of the internal audit is generally to help for the interpretation of the activities regarding the administration. Besides, internal and external auditors serve for the needs of different user groups. In this sense, the needs of the external users cannot be met with internal auditing activities and the needs of the internal users cannot be met with the external audit. Despite all these differences between both types of the audit, there is an organic bond between the internal and external audits in terms of using the same database. When the internal audit function is strongly applied to an activity, internal audit function may influence the inspection of the independent external auditor (Ricchiute, 1982). Meanwhile, it isn't possible to reach the detailed audit in the public administration only by means of external audit, which is implemented by the SAIs. Within this scope, it is enabled for the public funding to be used accurately, productively, efficiently and economically while providing support for the external audits, which will be executed by the SAIs, thanks to the internal units that will be formed within the body of public institutions (Geist, 1988).

8.2. Audit in Terms of Time

One of the most obvious differences related to audit is constituted by the audit in terms of time. In terms of time, audit can be subjected to a dual subseparation according to the execution "before (*preventive - a priori audit*) or after (*corrective - a posteriori audit*)" the implementation and as "*continuous or discontinuous*". This separation is important especially for presenting the quality of the external audits, which are carried out by the SAIs.

Preventive (a priori) audit is executed before making a decision about the operations. Preventive audit, which is a method mostly applied in the external audit, is conducted within one fiscal year of the auditee. If the decision made after the audit is found illegal, or inappropriate by the organs authorized for auditing, such a decision isn't put into practice or put into practice on condition that it will be amended by the authorized people. Hierarchical audit and custody audit mostly have this characteristic. The purpose in the *corrective (a posteriori)* audit, which is the complement of the preventive audit, is to execute an audit after the decisions made and implemented with regard to the operations. Because the incidence and legality in the decisions which are made by those concerned are always unknown, corrective audit is an obligation. In this sense, corrective audit exists in most of the audits executed in the public fiscal managements. A clear majority of the audits conducted by the SAIs consist of audits of this type (Atay, 1997; O'Regan, 2004).

Continuous audit is the constant and persistent audit of the organ that is subject to auditing and aims at the audit of the activities which have been performed or are being performed. Even though auditing activity is a long-term activity in the continuous audit, it mustn't be considered as an uninterrupted process, because auditing activity may also cover a short period in the continuous audit (O'Regan, 2004). In other words, because continuous audit doesn't reflect an audit which is executed at any moment or minute, frequent auditing at certain intervals enables continuity in the audit. Discontinuous audit is conducted irregularly and upon request or by the authorized audit organ or upon an incident. The criterion that determines the discontinuity of the audit is its periodical, instantaneous and/or occasional execution (Atay, 1997). Supreme audit of the SAIs, which is a constitutional authority, requires a continuous audit authority. Meanwhile, the audits carried out by the SAIs for specific matters, which are determined by the legislation, can be given as examples for discontinuous audits.

8.3. Audit in Terms of Its Subject Matter

One of the widely accepted distinctions related to audit is the audit in terms of its subject matter, which is the mainframe of the auditing activity, because audit is a superior function as per the structures of the institutions; it should be assessed by the audit units whether the operations are performed in compliance with the legal system, efficiently and productively. In a distinction made with respect to the subject matter within the state audit, generally regularity audit is understood. However, it is seen today that there are new types of audit named as Performance (Economy, Efficiency, Effectiveness), Environment, Equity, Equality, Ethics, Equivalents, electronic auditing process (EAP), Program Evaluation besides the financial and compliance audit in the state audit (Özer, 1997). Even though all these audits constitute the significant sub-headings of the state audit, it will be right to discuss only the classic regularity audit and contemporary performance audit in terms of duty.

In the financial literature, the *Regularity Audit*, which is also referred with names such as "classic audit" and "traditional audit", is one of the oldest audit types implemented in the public sector. Although modern types of audit have been developed today, regularity audit constitutes the first step of the audit that will be implemented in the public sector (Clemente, 1991). From this aspect, regularity audit can be defined as the affirmation of the financial responsibilities including inspection and evaluation of the financial records of the public institutions and opinion expression about the financial statements, affirmation of accountability of the public administration, audit of the financial system and operations including the compliance with the legislation in effect, audit of the internal control and auditing activities and audit of the accuracy and propriety of the administrative decisions which are made in the audited institution (INTOSAI, 2001).

Together with the modernization in the public sector, audit expectations have also changed. While regularity would previously be seen adequate in public expenditures, amendments had to be made in the auditing technique to research whether scarce sources served a purpose in the public service delivery, the sources were wasted, the expenditures influenced the functioning of the general economic structure and benefit-cost relationship was observed in the source usage. These expectations and requirements in the public sector inspired the birth of a modern type of audit referred with names such as "Efficiency Audit", "Value-For-Money Audit" and "3E Audit". This type of audit is the Performance Audit. Essentially, performance audit inspects the adequacy of the administrative and financial regulations, efficiency and quality of the financial information and budget, allowance usage amount, goals set by the public institutions and their compliance (OECD, 1996). Accordingly, implementers of the performance audit research whether the published public policies, projects and organizations are productive, efficient and economical. For this, the performance audit must be conducted by a strong and independent establishment which has a political and democratic significance. In this regard, performance audit has become a type of audit which is used and implemented mostly by the SAIs in the public sector worldwide (Pollitt-Girre-Londsdale et. al. 1999).

Conclusion

Audit, the requirement of which cannot be ignored in terms of both private and public economy in our age, has also started to be considered as a science with theoretical acceptances and propositions. While the need for audit dramatically increased especially after the 20th century, it has become compulsory to eliminate the unknown sides of the theoretical aspect of this new occupation, which requires expertise. Thus, audit, the theoretical aspect of which is built in a healthy way, directly serves for the decisions and expectations of the section it addresses and influences its decisions directly. It wouldn't be that much wrong to say for this aspect that the meaning of the audit presents a difference in terms of the mass it heads for today.

When the matter is considered from the perspective of the private sector, continuously developing and changing audit enables the stakeholders to see how their assets are used, the administrators to establish the corporate functioning and good governance, to follow up the outcome of the funds provided by the credit agencies and withdraw from the risky institutions and sectors. From this aspect, audit has become an early warning today. Bureaucratic state audit, which is inspired by the private economy audit but differs from it in organic sense, enables materialization of the citizen preferences and citizen awareness of the public source usage. Continuously developing state audit directly supports legislative and executive branches for the holistic reformation of the public sector, elimination of the financial risks and regulation of the financial system.

However, the auditing principles must be assimilated by the audit establishments and officials, which are the active side of the audit, and the audited institutions, which are the passive side of the audit, in order to obtain efficient results from auditing. Meanwhile, element, subject, strategy and method balance must logically be formed in the audit to make appropriate decisions regarding the audit results. If the aforementioned logical balance cannot be provided in a planned audit, the obtained results will not be satisfactory. Consequently, it shouldn't be forgotten that audit has become a multidisciplinary phenomenon which has accompanied the humans along with their adventure from the ancient times so far and has its own system and philosophy.

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