



SCREENING CHAPTER 22

REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

AGENDA ITEM VI: FINANCIAL MANAGEMENT AND CONTROL

**Country Session: The Republic of TURKEY
9-10 October 2006**



CONTENT

- I. Financial management and control of EU Funds
- II. Audit Authority
- III. Public Procurements

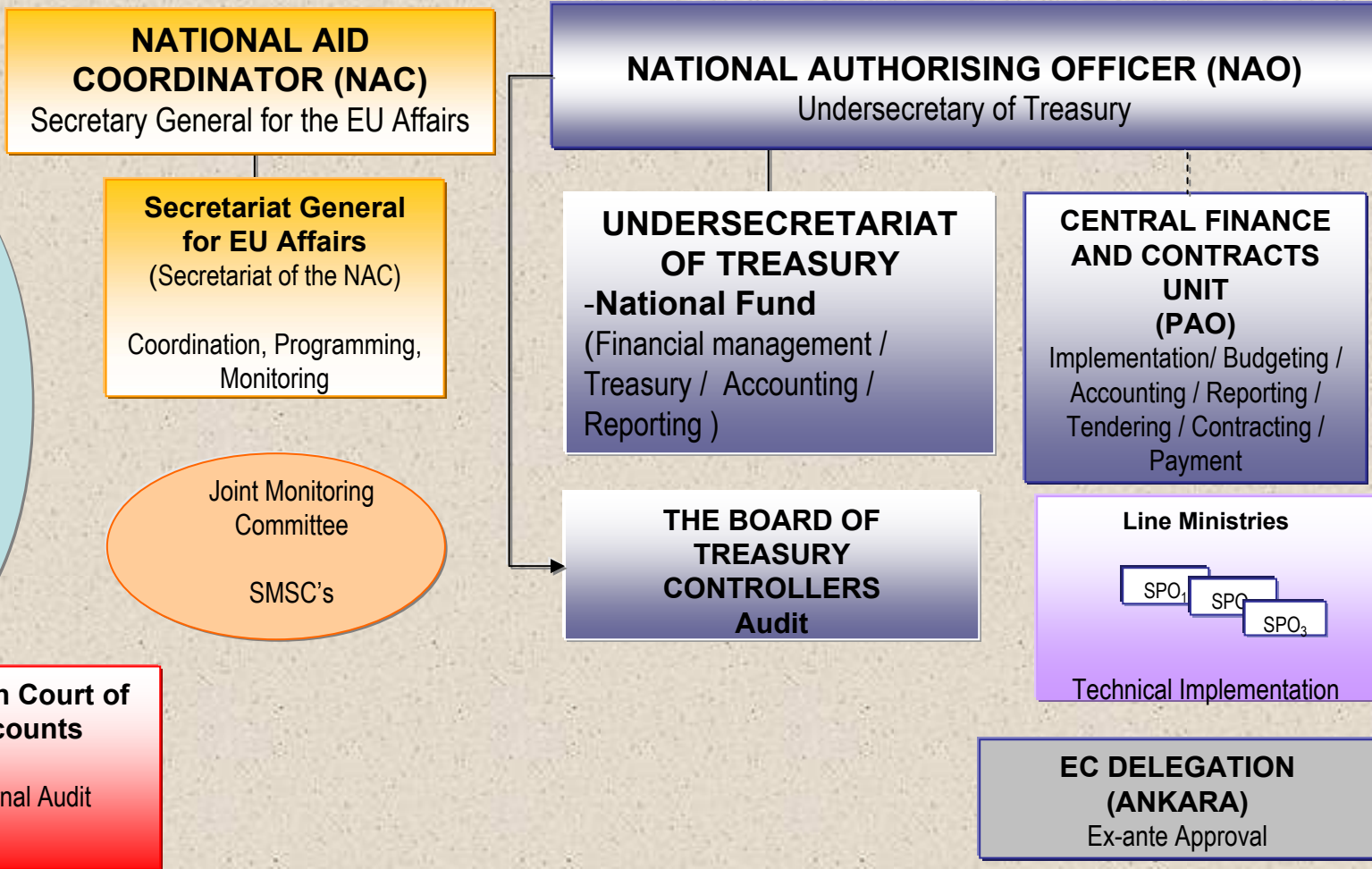


I. FINANCIAL MANAGEMENT AND CONTROL OF EU FUNDS

Legal Framework

- Prime Ministerial Circular, No. 2001/41
- MoU on the Establishment of CFCU and MoU on the Establishment NF, signed on 14 February 2002, adopted Law No. 4802
 - The MoU for NF was amended by Law No. 5167
 - The MoU for CFCU was amended by Law No. 5500
- Framework Agreement adopted by Law No. 5303

DIS System In Turkey





DIS Accreditation

- Application to European Commission on April 2003
- Audit carried out between 5-9 May, 2003
- Accreditation by EC on 8 October, 2003 (Excluding Grant Scheme)

Grant Scheme Accreditation

- Gap Assessment in February, 2004
- Action Plan in March, 2004
- Gap Filling
- Application for accreditation on May 21, 2004
- Accreditation for grant scheme management on June 29, 2004



Responsibilities of the NAO/ National Fund

- Request and manage EU funds
- Ensure flow of national and other co-financing
- Transfer funds to CFCU
- Make payments for community programmes
- Carry out accounting operations
- Update i-Perseus reporting system
- Recover and return non-used funds to EC
- Report to NAC and ECD
- Participate in JMC and sectoral sub-committee meetings



Responsibilities of the NAO / National Fund (Cont'd)

- Personal oversight of PAO/Programme Implementation
- Certify all expenditures
- Oversee measures to prevent, detect and manage irregularities
- Review and respond to Audit Reports
- Make risk assessment and take necessary measures
- Oversee training policies and activities
- Ensure coordination with NAC and other DIS bodies in implementation
- Manage accreditation process



Request of Funds from EC

- Financing Memorandum/Agreement
- Opening-up bank accounts
- Bank Protocol
- Financing Agreement
- RoF
 - 1st instalment 20% pre-financing+100% Community programmes
 - 2nd instalment 30 %; Trigger point of 5%
 - 3rd instalment 30 % ; Trigger point of 35%
 - Final instalment 20 % :Trigger point of 70%



Transfer of Funds to CFCU

- Signing Financing Agreement
- Sending Request to National Fund
- Evaluation of Request
- Transfer to bank sub account



Co-Financing

Process:

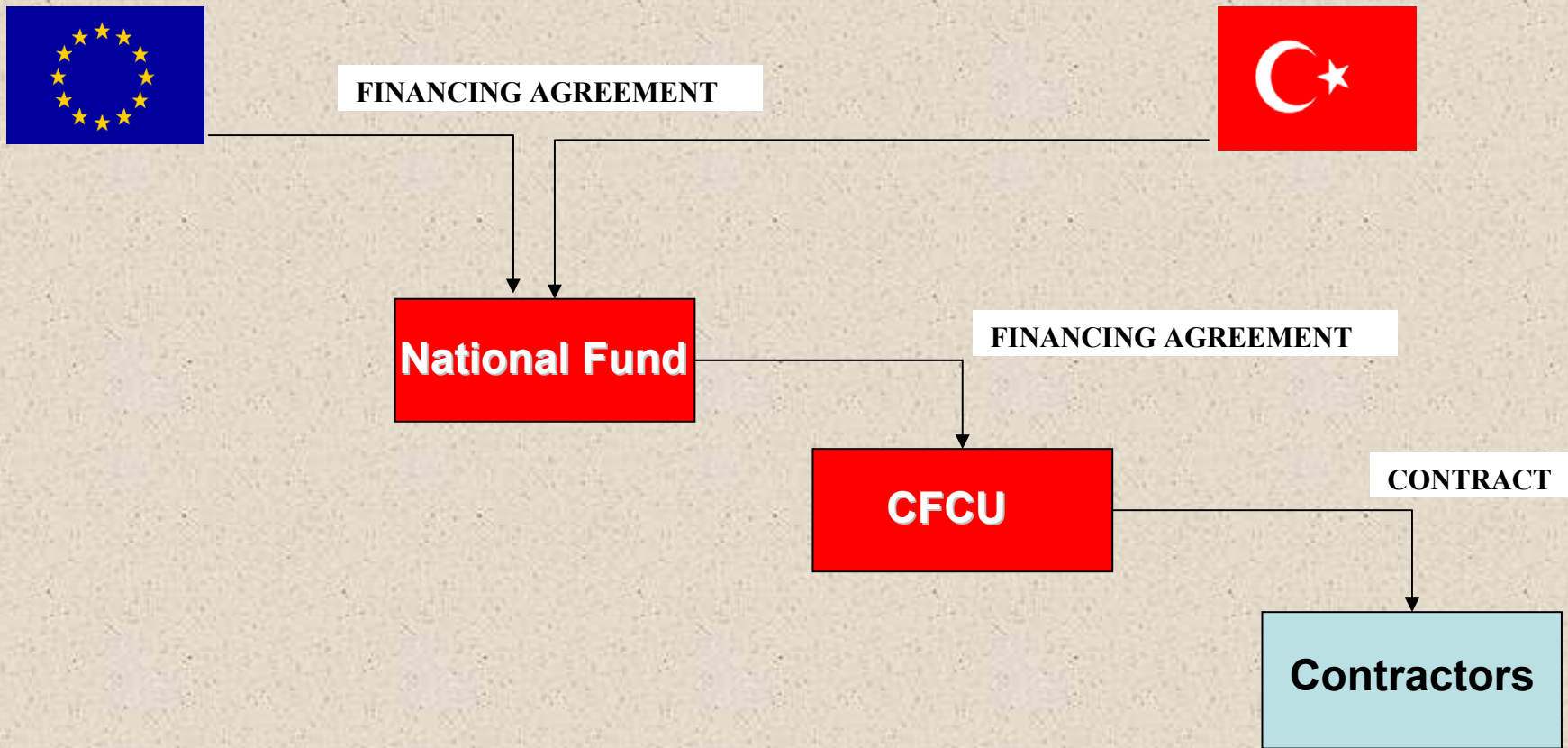
- Set-out in the Budget Law
- Request by State Minister responsible for Treasury
- Financial planning

Provisions:

- Can not be re-allocated for other purposes
- Must be transferred within 30 days upon request
- Extra allocation may be provided by Ministry of Finance from a specific line



Flow of Funds



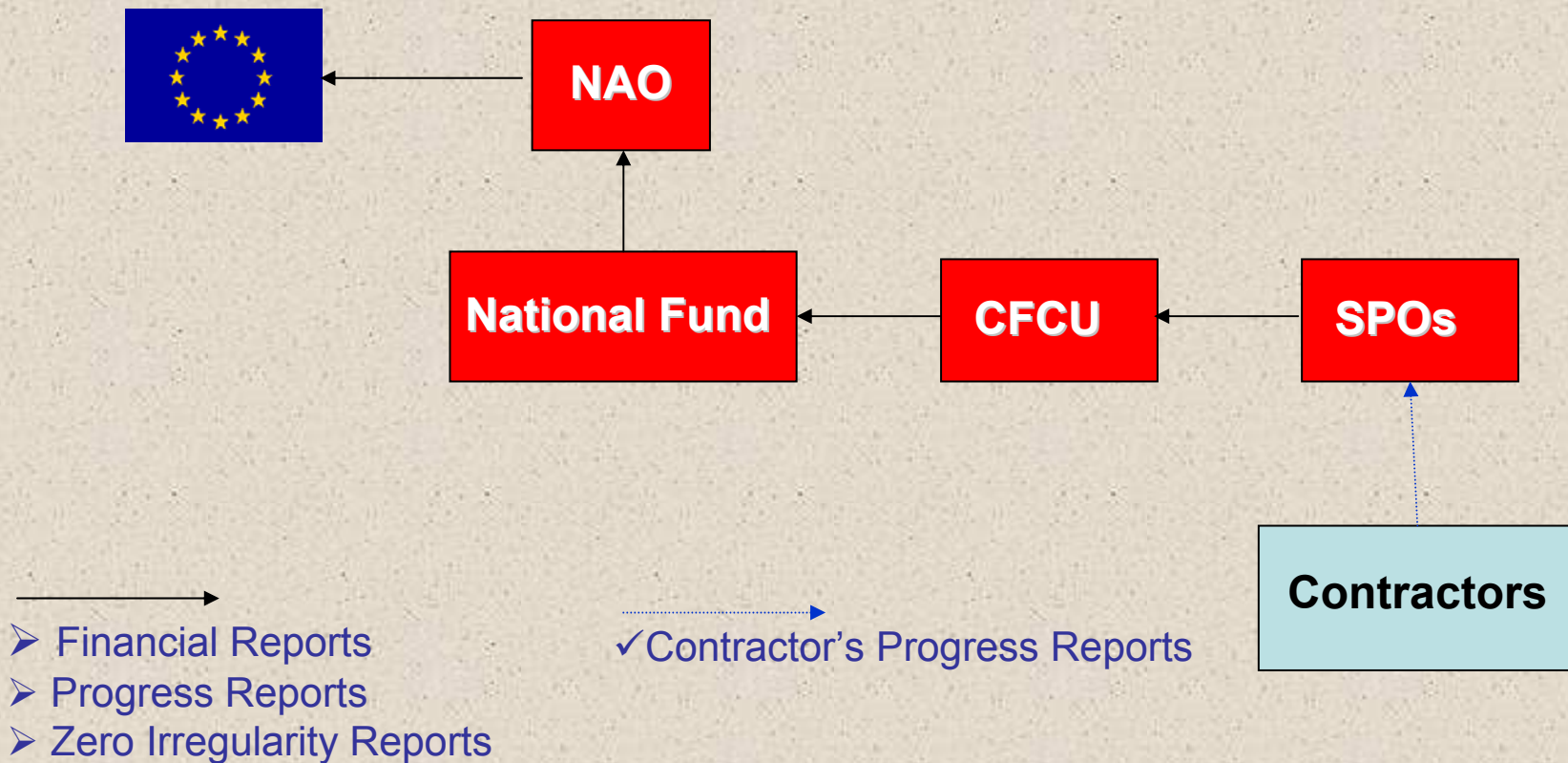


Reporting

- Regular reporting via i-Perseus by CFCU and NF
- Monthly Financial and Progress Reports to ECD and NAC
- Quarterly zero irregularity reports to ECD and NAC
- Irregularity reports, if any, to OLAF and copied to ECD
- Internal audit reports of the Board of Treasury Controllers to ECD
- External audit reports of the Turkish Court of Accounts (SAYISTAY) to ECD
- Follow-up status reports, further to EC Audit Reports

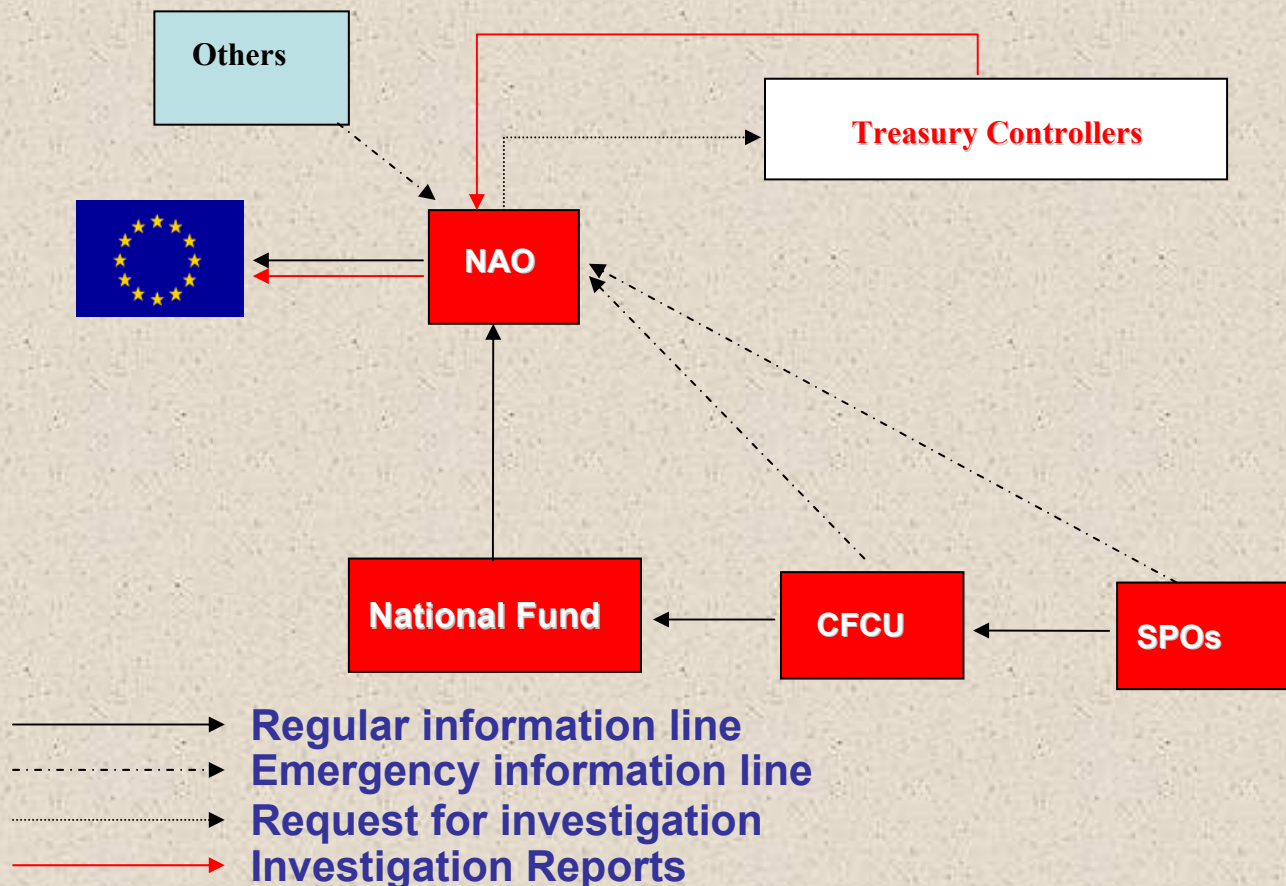


Reporting Cycle





Flow of information related with irregularities





Control Environment

- Ex-ante control by ECD
- Written procedures (check lists, “four eye” principle, cascades of control)
- Financing Agreement between NF and CFCU
- Operational Agreements between CFCU and SPOs
- On the spot checks by PIUs, CFCU and ECD
- Regular internal audits and ad-hoc examinations by the Board of Treasury Controllers
- External audit by Turkish Court of Accounts (SAYISTAY)
- Prime Ministry Inspection Board as counterpart of OLAF



II. AUDIT AUTHORITY (Board of Treasury Controllers)

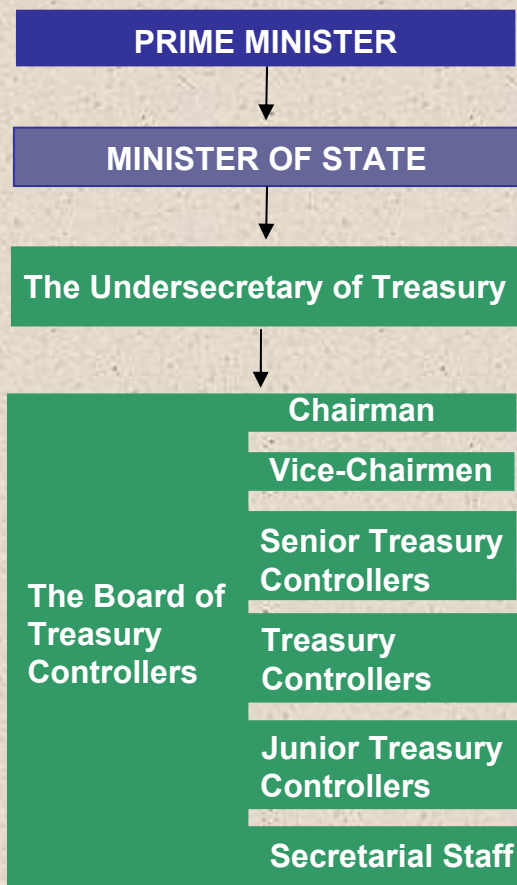


BRIEF INFORMATION

- Established in 1954
- Main audit body of the Undersecretariat of Treasury
- Headed by a chairman
- Three Vice-Chairmen, one responsible for independent audits, one responsible for the audit of EU Funds, one responsible for other audits
- Main office in Ankara, two offices in Istanbul and Izmir
- Applies International Standards on Auditing published by International Federation of Accountants



ORGANISATION





INDEPENDENCE

- Appointment through a joint decree, signed by the President of Turkey, the Prime Minister and the State Minister responsible for Economy and Treasury
- Discharge from duties necessitates certain conditions
- No direct or indirect influence possible
- Audit Plans prepared by the Board
- Budget approved by the Parliament



INDEPENDENT AUDIT FUNCTIONS

- Audit of the World Bank Financed Projects (financial and compliance audit)
- Audit of the statements related with the Treasury short-term foreign exchange debt (compliance audit)
- Audit of United Nations Compensation Commission Payments (financial and compliance audit)
- State Owned Economic Enterprises (performance audit)
- Audit of National Agency (EU Education Programmes) (financial audit)



CAPACITY

Training

- 6 months training on the International Standards on Auditing and International Accounting Standards (2000)
- Three months training in Scotland on public and private sector accounting and auditing provided by prepared by the Institute of Chartered Accountants of Scotland (2002)
- Many other training programs
- Master's degree in abroad
- A new project: "Strengthening Audit Capacity of the Board of Treasury Controllers With Respect To Pre-Accession Funds" under 2004 Financial Cooperation Programme



CAPACITY (Cont'd)

Sources

- 77 Treasury Controllers of which 27 Senior Controllers, 17 Controllers, and 33 Junior Controllers

Qualifications

- Good command of English
- Junior Treasury Controllers selected among more than one thousand applicants with quality educational backgrounds
- Junior Treasury Controllers subject to three years training and evaluation
- Junior Treasury Controllers expected to pass a qualification exam at the end of third year



III. PUBLIC PROCUREMENTS



Public Procurement Law no:4734 (PPL) draws the legal framework of public procurement system in Turkey.

A financially and administratively autonomous regulatory body, namely the Public Procurement Authority (PPA), was established for regulating and monitoring the public procurement system by the law.

Some of the main principles of public procurements introduced by the PPL are;

- transparency,
- equal treatment,
- competition,
- public supervision,
- effective use of resources,



To have and maintain transparency;

- Publication of procurement notices,
- Availability of tender documents to all interested parties,
- Public opening of tenders,
- Briefing of unsuccessful tenderers,
- Publication of the tender results.

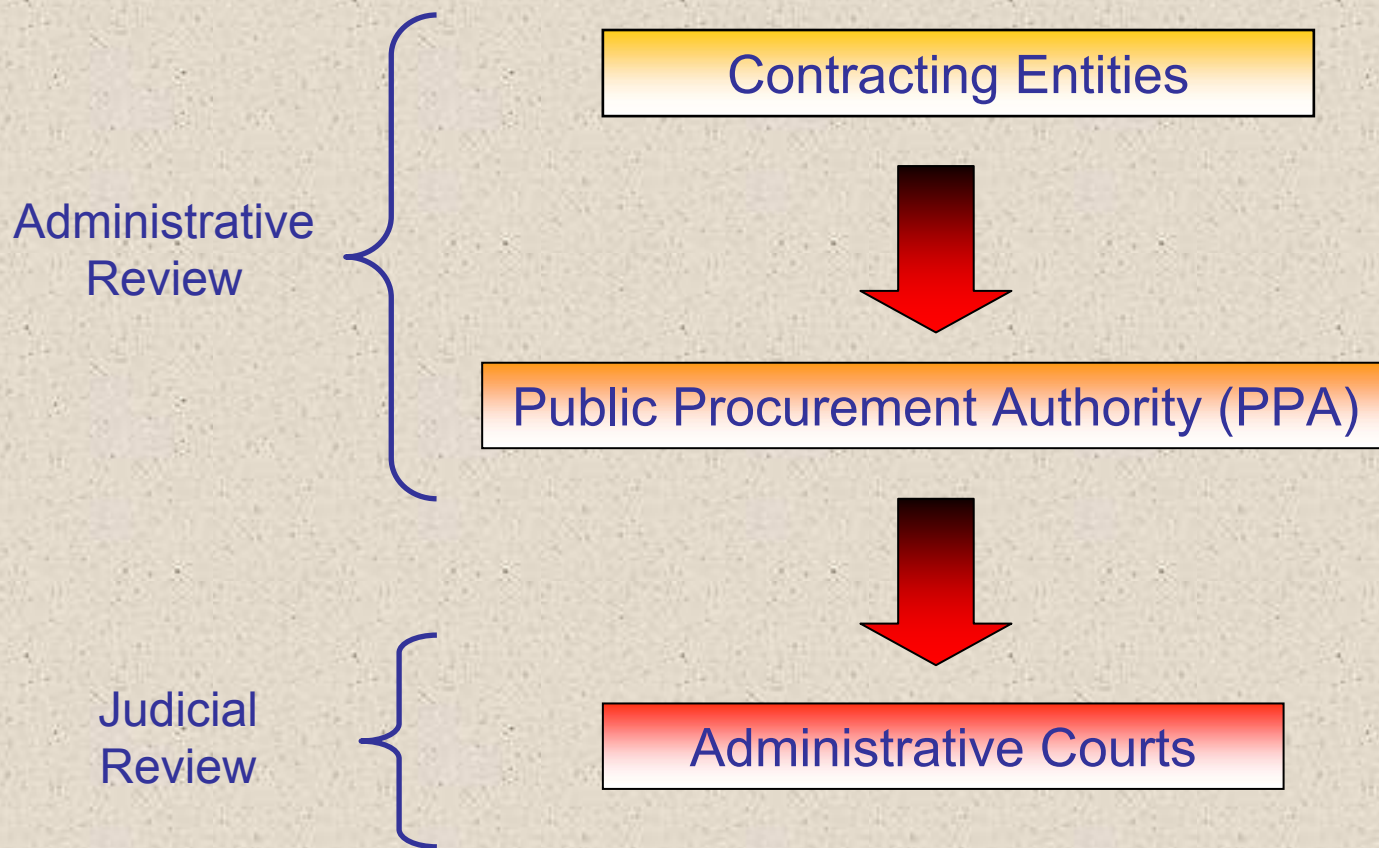
Equal treatment of tenderers;

- Criteria are predefined and announced for participation to public procurement
- General conditions for excluded persons are defined,
- Evaluation criteria is predefined and announced,
- Tenders are evaluated against predefined criteria and no changes in tenders allowed.



COMPLAINT REVIEW SYSTEM

Turkish complaint review system has three consecutive stages





Some other measures introduced by the PPL to guarantee the reliability of the procurement system are:

- Non-disclosure of estimated cost of the contract,
- Non-disclosure of trade and commerce related information of the tenderers.

All the procurement legislation, including standard forms and draft contracts are also made available to all stakeholders through PPA's website.



THANK YOU FOR YOUR ATTENTION