PROJECT FICHE
Strengthening the external audit capacity of the Turkish Court of Accounts

Project number: TR 0302.05
Twinning number: TR03-FI-02

1. Basic Information

1.1. Title: Strengthening the Audit Capacity of the Turkish Court of Accounts

1.2. Location: Turkish Court of Accounts – Ankara (TCA)

1.3. Sector: Financial Control

2. Objectives

2.1. Overall Objective

The overall objective of this project is to:

☑ Support the TCA to adequately assess the quality of public sector management, accountability, control and audit and help the TCA to obtain an adequate response to it recommendations for improvement;

☑ Ensure the effectiveness and efficiency of the public financial control systems in Turkey.

2.2. Project Purpose

The Purpose of this project is to strengthen the Court of Accounts of Turkey as an external audit institution to fully assume its role in line with international standards and EU practices.

The project will begin with a fact-finding analysis. The project expected results are four as described below:

a) Legal framework upgraded in line with International Audit Standards and EU Practices

The TCA will need new legislation in the wake of the newly adopted Public Financial Management and Financial Control Law (PFMFC). This will clarify the Court’s mandate as a Supreme Audit Institution, according to international standards. The Project should support the upgrade of the TCA’s law no: 832 to align the Court’s legal status, management and operational activities in accordance with Internationally Accepted Audit Standards and EU Audit Practices. The intention is that the TCA should cover all national and subordinated echelons budgetary income and expenditure as well as all other public income and expenditure, not presently in the national budget, in accordance with the recommendations of the World Bank.

b) Operational Capacity Upgraded in line with International Audit Standards and EU Practices

This would ensure that the Court develops adequate procedures for adopting new approaches for financial, systems-based, performance, IT audits for both the general government accounts (accounts of Central Government agencies, social security institutions, local administrations and regulatory bodies) and European income and expenditure. INTOSAI and EUROSIAI guidelines should be the guiding principles. Project activities would need to upgrade the TCA qualities in all these areas through the development of comprehensive audit manuals, including risk assessment and management methodologies, establishing a quality control system, which conforms to international standards, and training a pre-determined number of staff.

c) Management and organisational capacity strengthened and human resources developed

This would lead to adjusting the organisational structure and enhancing the professional skills of staff of the TCA.

d) IT support improved

By developing an IT strategy, including the introduction of computer-assisted audit techniques, and a chapter on IT audit methodologies and approaches and IT system audits within the Court’s audit
manuals on financial, performance, system based audit, and develop training materials based on the manual for dissemination, the IT capacity should improve

2.3. Revised Accession Partnership and NPAA priority
This project proposal is linked to the priority areas for Turkey's EU membership preparation, as underlined in the Accession Partnership (AP) and the National Programme for the Adoption of the Acquis (NPAA). Both documents recognise the importance of strengthening the financial control functions of the Turkish administration.

Revised Accession Partnership
Short-term priorities under the heading of “Financial Control” of the AP clearly indicate that “legislation on public internal financial control in accordance with EU practice and internationally agreed control and audit standards should be adopted and its effective implementation should be ensured”.

Under the medium term priorities of the same heading it is indicated that “new legislation to reform the external audit function in accordance with INTOSAI rules should be adopted to ensure the independence of the Court of Accounts, to abolish the ex ante control functions of the Turkish Court of Accounts, and to develop the mechanisms of systems-based and performance audit....”

National Programme for the Adoption of the “Acquis”
Turkey is in the process of revising the existing NPAA in response to the Revised Accession Partnership. The most recent NPAA confirms in Chapter 4.29 that in order to improve the financial control system, all necessary legal amendments have to be completed and strategies to deal with problems that may arise at the implementation stage should be identified.

Furthermore the NPAA requires TCA to perform its exclusive ex-post activities based on regularity, performance and system based audits, and abandon its ex-ante audits such as the issue of visas and registration. It is also required that performance audits should be made more widespread by making use of the best practices in this area and the assistance of foreign experts and Supreme Audit Institutions (SAIs).

EC’s Regular Report:
Additionally, Regular report 2002 chapter 4.28 stresses also that “Concerning Public Internal Financial Control (PIFC), a new Budget Management and Control Act (The Public Financial Management and Financial Control Law) has been submitted to Parliament. … On the other hand external control is being extended to the remaining extra-budgetary funds by the Law on Public Financial Management and Financial Control, (…) Efforts are also being undertaken to structure the Court in accordance with the principles laid down in the Lima Declaration for Supreme Audit Institutions and to make it solely responsible for external audit.
There needs to be clear separation of audit duties between budget centres, Ministry of Finance and the TCA.”

Furthermore, under Regular Report-Chapter 28 Overall Assessment sub-heading, it is stated “Turkey should focus further efforts on enacting the Law on Public Financial Management and Financial Control and subsequently ensuring its effective implementation, and on reinforcing the legislative framework and administrative capacity to protect the communities’ financial interests.”

2.4. Contribution to National Development Plan
Turkey has now begun preparation of its first national development Plan. This is likely to be ready by the end of 2003.

2.5 Cross Border Impact
Not applicable

3. Description

3.1. Background and Justification
The European Council at its December 1999 meeting in Helsinki endorsed Turkey as a candidate state destined to join the Union on the basis and the same criteria as applied to the other candidate countries provided that Turkey abide by the political and economic criteria and the obligations of a
member state. Turkey's status as a candidate country to the EU requires harmonization of legislation with the EU Acquis including in the field of Financial Control and Financial and Budgetary Provisions both as short and medium-term priority. To that aim, Turkey indicated in its National Programme for the Adoption of the Acquis that the process for harmonisation in Financial Control and Financial and Budgetary Provisions would start in the short term and would be finalised in the medium term.

The NPAA was adopted by the Council of Ministers on 19 March 2001 and Decree 2001/2129 on the Implementation, Coordination and Monitoring of the aforementioned Programme entered into force on 24 March 2001. According to the Decree, public bodies and institutions are charged with carrying out the required administrative changes and the in-service training of the personnel towards the adoption and implementation of the EU Acquis and determine the financing needs for the adoption and the required administrative changes in terms of budget and EU resources.

In the light of NPAA Chapter 4.29 Financial Control and Budgetary Provisions the Government i) has identified the inadequacies and weaknesses in the present financial management and control systems, ii) has prepared a policy paper on the issue and iii) has drafted a comprehensive Act on public internal financial control in accordance with EU practice which is mentioned in the Regular Report 2002.

The comprehensive Law on Public Financial Management and Financial Control submitted to Parliament provides for changes to the current system in line with a number of concerns expressed in the EC’s 2001 Regular Report.

Public Spending Administration Reform has been undergone during last few years in Turkey and the above-mentioned draft law is a part of this reform efforts. The draft law introduces an expanded audit domain for TCA to cover General Government: Central Government, social security institutions and local administrations. Complementary to the approach provided in the draft law, it is necessary to review and change the TCA Law no: 832.

A draft Action Plan is being prepared by TCA, which envisages changing the legal and institutional structure of TCA. According to the draft Action Plan, regularity and performance audits would be brought in line with generally accepted international standards. TCA’s institutional capacity will be strengthened to as to fulfil the expanded audit mandate by means of improving personnel and IT capacity.

Moreover, as it is mentioned in Regular Report 2002 chapter 28 Financial Control, in Turkey the process of establishment of new institutions related to Decentralized Implementation System has been initiated following the signature of two Memoranda of Understanding on establishment of National Fund and CFCU in February 2002, and their approval by the Parliament in February 2003. As a result, TCA (SAYIŞTAY) has been authorized to audit the implementation of Financing Agreements signed with each IA and CFCU where applicable, in accordance with internationally accepted audit standards.

3.2. Linked Activities

a) Programmatic Financial and Public Sector Adjustment Loan-II: The Turkish Government implements a World Bank assisted Project “Programmatic Financial and Public Sector Adjustment Loan-II (PFPSAL) in the amount of $1.35 Billion. The project aims to revamp the existing Turkish Financial Management and Control Systems. The Project includes provisions for solving the problems of the Turkish financial control system, and also contains a specific reference to the Acquis compliance in this reform process.

The Projects sets a deadline for adoption of the draft Law on Financial Management and Control by the Turkish National Assembly. The approach adopted in this Project is generally consistent with the EU’s approach.

b) IMF Stand-By Arrangements 2002-2004- Letter of Intent, January 18, 2002: The Turkish Government submitted a letter of intent to the IMF for a new SBA of 16 billion US $ dated 18.01.2002 to implement its economic reform program which was approved by the IMF on 05.02.2002. In the letter, Turkey provided commitments “to strengthen the legal framework for fiscal policy, submit to Parliament a law on Financial Management and Control consistent with
best international practices. The law will cover budgeting, accounting, transparency, and internal and external control.

The IMF loan supports the project assisted by the World Bank.

c) Peer Review
A fact-finding analysis will be undertaken as a prior step before launching the project and shaped as a peer review by an external consultant/OECD-SIGMA through a separate TA contract. The purpose of this peer review will be to have an external and independent analysis of the Turkish external audit system leading to the preparation of a report on gaps and weakness in the existing legislation and the institutional structure of the TCA. Depending on the findings of the report, the exact scope of the subsequent twinning sub-project will be further detailed. It is planned for the peer review to start in July and end in August 2003.

d) Alignment of the Turkish Internal Financial Control System
A project to align the Turkish Internal financial Control system is planned so that Turkey may have an internal financial control system in line with international standards and EU practices. The projects aims at:

i) further improvement of the financial control chapter of the Bill on PFMFC in line with International standards on PIFC and EU's practices,

ii) establishment of the Public Internal Financial Control Harmonisation Unit, the Internal Audit Coordination Committee, pilot financial control and internal audit units,

iii) preparation of secondary legislation, templates for financial control and internal audit manuals, internal audit charter and code of conduct, development of standards for ex ante control as well as internal audit, with main focus on financial, systems based and performance audits, and introduction of the new concepts of functional independence for the internal auditor and of the risk assessment and management policies, both for financial control and internal audit activities,

iv) preparation of model training programmes and materials for the financial control staff including ex ante controllers, internal auditor, accountants and financial service unit staff, and training of a pre-determined number of the control staff and financial management accordingly.

3.3. Results

a) Relating to the legal framework
Action Plan will officially have to be adopted by TCA and draft amendment to TCA’s law will have to be submitted to Parliament. Both should be in line with Internationally Accepted Audit Standards (mainly with INTOSAI, and EU practices). The Action Plan and the draft amendments to TCA’s law should, inter alia, also cover:

- The norms on external audit, reporting and follow-up procedures with the Parliament of the TCA’s audit findings,

- The framework for external audit planning,

- The methodological standards for the external audit procedures in view of the audit of the accounts of National Fund and the CFCU.

b) Operational Capacity
This would ensure that the Court develops adequate procedures for adopting new approaches for financial, systems-based, performance, EU Funds and IT audits for both the general government accounts and European income and expenditure

1) Relating to Financial audit
i) Financial Audit Manual and training packages covering all key areas of the work of the TCA, including planning, execution, reporting and quality assurance, risk assessment and management methodologies, fully operational quality control system. The manual must be fully in line with INTOSAI, EUROSAI guidelines and EU practices

ii) 45 Auditors directly trained in financial audit.
2) Relating to System Based Audit
i) System Based Audit Manual and training packages covering all key areas of the work of the TCA, including planning, execution, reporting and quality assurance, risk assessment and management methodologies, fully operational quality control system. The manual must be fully in line with INTOSAI, EUROSAl guidelines and EU practices.
ii) 50 Auditors directly trained in system based audit.

3) Relating to Performance Audit
i) Performance Audit Manual and training packages covering all key areas of the work of the TCA, including audit ethics, planning, execution, reporting and quality assurance, fully operational quality control system. The manual must be fully in line with the Relevant Internationally Accepted Performance Audit Standards and EU practices.
ii) 10 Auditors directly trained in performance audit.

c) Relating to management and organisational capacity
i) Job descriptions and competency statements for all grades of TCA staff established in accordance with the change in legal framework and adopted new audit procedures,
ii) Training programme in place,
iii) Risk assessment and management policies are established.

d) Relating to IT support
- Assessment of IT systems and software, and
- Development an IT strategy, and a suitable training package for staff in the basic operation of the equipment.
- Equipment and software delivered and in use for a group of auditors in the TCA. The staff trained to use them.
- Development an audit manual on IT audit methodologies and approaches and training materials based on the manual for dissemination

3.4 Activities
Under the twinning, the Court of Accounts of Turkey will work jointly with a Member State counterparts in order to fulfil the objectives of the project and to implement the related activities.

The Member State and Turkey shall be responsible for the respective experts and tasks assigned to each party. The lead Member State in the twinning covenants and provider of the PAA will co-ordinate inputs to the project according to covenant.

The Court of Accounts of Turkey will co-ordinate activities with ministries having a significant interest in the outcome of the project such as the Ministry of Finance and the Undersecretariat of the Treasury.

The activities under the Twinning Covenant will be the following:

a) Review and amendments to the legal framework
This activity is aimed at facilitating that a new legal framework enables TCA to carry out the full range of standard external audit activities for an SAI effectively:

- Reviewing the TCA’s law no: 832 and the existing legal situation in Turkey in order to identify areas requiring amendment including:
  - The norms of financial control and follow-up of findings.
  - The framework of control and audit planning.
  - Preparing all appropriate legal amendments to the above.

b) Operational Capacity
To assure sustainability, TCA will form core-training groups for each of the following audit training programs from its staff to training activities and ensure their full participation to the relevant training activity. These core groups will be trainers of TCA’s other audit staff.

i) Upgrading of financial audit and development of system based audit

Twinning will identify appropriate methodologies for audit planning, execution and reporting. This will involve:

- Providing direct training to a core group of TCA’s staff in the Division for Methodology Control – Audit, Reporting and Training and audit line divisions, who will subsequently be able to train others and who will provide the focus for pilot audits
- Undertaking pilot audits
- Developing a financial audit manual,
- Developing quality control systems in compliance with European guidelines

ii) Upgrading of performance audit

This activity will equip TCA’s staff with skills to carry out performance audits. This will involve:

- Providing direct training to a core group of TCA staff in the Division for Methodology Control – Audit, Reporting and Training and audit line divisions, who will subsequently be able to train others and who will provide the focus for pilot audits
- Undertaking pilot audits
- Developing performance audit guidelines, covering the range of skills and techniques associated with performance audit
- Developing quality control systems in compliance with European guidelines

iii) Development of the audit of EU funds

The aim of this activity is to enable the Court to audit EU funds to the standards required by the European Commission. The immediate priority in this area relates to the audit of the Turkish National Fund and the CFCU, as the TCA has been assigned as the external auditing body on the NF and CFCU by the Turkish Government and thus enshrined in the Memoranda of Understanding setting up both bodies. Under the Twinning Covenant, training will be provided to Court staff. Activities in the twinning project will be:

- Practical application of the PHARE audit approach through audit at the Turkish National Fund in 2004 and 2005.
- Study tour hosted by the partner on its approach to the audit of EU funded projects.
- Incorporation of the audit of EU’s funds into financial, system based and performance audit manuals

c) Strengthening the management and organisational capacity of the TCA

This activity will focus on adjusting the organisational structure, co-ordination, and enhancing professional skills and other human resource development according to the new being adopted system via the Project. The main activities will be:

- Developing job descriptions and competency statements for each functional role of Court staff, and identifying priority areas for staff training
- Reviewing the full range of management information needs, and setting up databases and systems to capture and deliver such information
- Reviewing the current organisational structures and procedures for the Court’s key areas of operation, identifying areas for adjustment to the new being adopted system and development
- Elaborating a training programme and allocating responsibilities for its delivery to specialist staff within the Division for Methodology Control – Audit, Reporting and Training
- Risk assessment and management policies will be prepared and embodied into the managerial and operational systems

d) Improvement of IT support

- TCA is to let a separate contract for the purchase of IT equipment and the delivery and development of the required software in accordance with the EC procurement rules.
This activity of the project will:

- Develop an IT strategy, identifying cost effective hardware and software options to meet its needs, and a suitable training package for staff in the basic operation of the equipment.
- Assist the CFCU in preparing tender dossier including technical specifications of IT equipment and software, launch procurement, and test and accept them in accordance with the DIS system and EC’s procurement guidelines (PRAG).
- Train once equipment in place including training in Computer Assisted Audit Techniques and piloting the audit approach.
- Develop an audit manual on IT audit methodologies and approaches and develop training materials based on the manual for dissemination.

3.5. Anticipated inputs (Twinning and Training Package):

i) Pre-accession adviser for 18 months.

The 18 months-PreAccession Adviser would co-ordinate the execution of project activities towards the results indicated. His/her working language will be English; knowledge of Turkish would be an advantage.

He/she should have:
- Good knowledge of laws and regulations of SAI structures of an EU Member State at least
- Good knowledge and understanding of the workings of public administration in a Ministry of Finance or Economy or equivalent institution.
- At least 10 years of experience in auditing in both the EU and third countries.
- Ability to deliver reports on complex issues under pressure and within tight deadlines
- Ability to communicate effectively in writing and orally in English
- Excellent personnel and team management skills
- Preferably experienced with training and/or twinning type of project covering preparation of programmes and projects in a Phare country
- Preferable knowledge on and contacts within ECA and other European and overseas audit institutions

ii) Short-Term Experts should be specialists able to cover the activities described below in co-operation with the PAA. Their working language will be English; knowledge of Turkish would be an advantage.

The assistance by STE would focus on support to the PAA and particularly in the following areas: examining external audit laws and regulations; preparing draft audit manuals in accordance with INTOSAI, and EU good practices; issuing consultations; delivering specialised training; contributing to enhancing the organisational capacity and structure of TCA.

Short Term Experts should have a background similar to that of the PAA. Particularly, and at least, 5 years minimum of general practical experience on standards, principles and practices on audit of which 3 years minimum in the area where STEs would assist the PAA in preparing the audit manuals (Financial Audit, System Based Audit, Performance Audit). In addition:

iii) Internships at least for two auditors for each of the three above-mentioned audit areas within the TCA for a period of three months to selected EU Member States.

Internees should have at least 5 years of audit experience and at least an official C level English score or equivalent.

3.6. Lessons Learned

In designing this project account has been taken of the following World Bank’s reports: “Report No. 22530-TU Turkey Public Expenditure and Institutional Review Reforming Budgetary Institutions for Effective Government” of August 20, 2001; Project Document on “Second Programmatic Financial and

These reports indicated:

“Effective financial accountability requires extensive modernization of Turkey’s public audit system. The objectives are two fold:

(ii) clarify institutional responsibilities, promote improvements in audit quality in line with international standards and support the shift from ex ante controls to ex post monitoring in harmony with the efforts to improve operational performance.

(iii) expand the scope of Turkish Court of Auditor (TCA) audits to cover the entire general government including local administrations, autonomous agencies, social security institutions, remaining Extra Budgetary Funds (EBFs), and revolving funds. The first objective will be achieved through enactment of the new law on Public Financial Management and Internal Control (the PFMIC). This law will be the cornerstone for modernization of both public accounting and public audit functions in line with international best practice and EU directives.”

In addition to the findings and recommendations set out in the EC Regular Reports of 2001 and 2002, the recommendations laid down in these WB’s reports have been used as guidelines to set the objectives, results, activities and conditionality for this project.

4. Institutional Framework

The Turkish Court of Accounts (TCA) is the Supreme Audit Institution of Turkey as set up by Turkey’s Constitution. It is tasked with auditing and vetting government accounts on behalf of Parliament, certifying public accounts and reporting to Parliament. The responsibilities of TCA cover the general (central) and annexed budgets, including military expenditure, local governments, and revolving funds.

Article 160 of the Constitution states: “The Court of Accounts is responsible for the auditing on behalf of the Turkish Grand National Assembly of all revenues, expenses and properties of government offices with general and annexed budgets, taking final decision on the acts and accounts of responsible officials, and exercising the functions required of it by law in matters of examination, auditing and judgement. (…) The organisation, functioning and auditing procedures of the Court of Accounts and the qualifications, appointments, duties, powers rights and obligations of its staff, other matters relating to their personal status and the safe guard of tenure of President and members are regulated by law. The procedure for auditing, on behalf of the Turkish Grand National Assembly, of State properties in possession of the Armed Forces is regulated by law on the basis of the principles of secrecy required by National Defence services.”

The Law number 832 requires the Court of Accounts to:

- Audit all revenues, expenditures, property, cash and bonds, and take final decision by trying accounts and acts of responsible officials of the government offices under its jurisdiction.
- Register and audit state loans and credits, commitments, donations and aids in form of cash or assets acquired from various sources, treasury bonds, all securities and treasury advances.
- Submit the Statement of General Conformity relating to general and annexed budgets to the Turkish Grand National Assembly within the period of time specified in the Constitution.
- Report to the Turkish Grand National Assembly on financial affairs and account methods, revenue accrual systems, if required.
- Report to the Turkish Grand National Assembly on the issues that it considers necessary to convey, having audited the accounts and transactions of the auditees.

An article was added to the Law on TCA in 1996 stating, “TCA is authorized to examine how efficiently, effectively and economically the bodies and institutions that are subject to its audit use their resources. The results of these examinations are presented to the Turkish Grand National Assembly (TGNA) in the form of an assessment report by the President of TCA.” This allows TCA to carry out performance audits in institutions subject to its auditing. TCA has completed 4 performance audits of which 3 have been submitted to the TGNA to date.

Under the Constitution, TCA prepares an annual Statement of General Conformity to Parliament certifying that figures from the Draft Final Accounts Law present the actual results of budget implementation. In effect, only one-sixth of all accounts are audited annually (2000 out of 12,000).
According to the Constitution, TCA can report to parliament on other financial matters, but seldom does so (recently, TCA has submitted a report on foreign debt issues). TCA has not approved the accounts of the Undersecretariat of Treasury (UT) related to foreign debt (1996-1998).

On the other hand, some extra-budgetary funds and regulatory bodies are not subject to auditing, as well as social security institutions and privatization operations. TCA does not audit the presidency and parliament. In addition, TCA is involved in expenditure operations by granting ex-ante approval (visa) of public expenditure (release of budget appropriations and personnel positions, and registration of large contracts).

The National Programme for the Adoption of Acquis states that the "TCA as an external audit body performing audits on behalf of Parliament, should carry out its exclusive ex post activities on the basis of performance and system audits and should abandon its duties beginning-of-the-year activities such as visa and certification duties.

The statute of Parliament, which is still in force, does not cover any arrangements applicable to the reports of Court of Accounts. For the sake of efficiency it would be beneficial to make use of Anglo-Saxon experiences and set up a standing committee of Parliament to negotiate and are on the Court of Accounts reports"

The current public financial management and control systems of Turkey, where TCA conducts its audits, may be characterized as follows:

- Although the accounting system is in transition, the prevalent accounting system is still basically cash accounting. The present system does not allow generating an analytical financial reporting system, thereby maintaining a sound Public Internal Financial Control (PIFC).
- The Ministry of Finance financial control responsibilities are extensive, whereas line ministry/agency involvement in financial management is very limited. Line ministries/agencies have no financial control and accountancy position; these functions are carried out by the head of the budget and finance offices of the Ministry of Finance.
- A number area of government expenditure still remains outside the scope of control and inspection/audit.
- Financial transactions are subject to procedural controls of the Ministry of Finance on transaction basis rather than on the risk basis.
- Accountants and accrual officers are financially responsible for the irregularities of transactions while officers who authorise such transactions are not.
- The total number of internal inspection/audit units is 129. In some cases, functions of these units overlap each other. This leads to multiple inspections on the same activities or, conversely, the exclusion of some areas from the scope of inspection/audit. A precise definition of the functions of these units is required.
- There is lack of clarity within the administration between financial management and control functions, functionally internal audit activities and external audit functions: both the Ministry of Finance and the Turkish Court of Accounts carry out extensive ex ante controls.
- The public internal audit profession in Turkey does not exist. However, inspection units dominate the Turkish control systems. These are responsible for primarily conducting administrative audits and investigation on staff, financial investigations on a transaction basis but not regular financial audits in accordance with international auditing standards. These are not functionally independent either.
- The Turkish Court of Accounts conducts its audit on the transaction basis (100%) instead of the systems-based audits in consistent with international auditing standards.
- There are restrictions on the Turkish Court of Accounts’ audit mandate regarding the Presidency, Parliament and the social security funds and autonomous bodies. The Turkish Court of Accounts does not regularly publish its reports.
- There is neither a general law on public financial control nor a coherent government approach relating to modern Public financial control.

This Project, and in particular the institution building component assist Turkey in carrying out the necessary reforms, both on the legal and institutional sides. Especially, the main legal instrument, TCA Law-832 should be amended to make the project results practically applicable. The parallel amendments are proposed in the draft law on Public Financial Management and Internal Financial Control submitted to the Parliament in 2002 where the EC had provided technical assistance via OECD-SIGMA for its drafting. So in essence, these two amendments will be complementary to each other. On the institutional side, reform proposals will be made regarding operational matters and
preparation of audit manuals, training of staff in accordance with international audit standards and EU best practices.

5. Budget

<table>
<thead>
<tr>
<th>Component/Sub-Project</th>
<th>Phare Support in MEURO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support (I)</td>
</tr>
<tr>
<td>Twinning</td>
<td>-</td>
</tr>
<tr>
<td>Supply</td>
<td>150.000</td>
</tr>
<tr>
<td>Total</td>
<td>150.000</td>
</tr>
</tbody>
</table>

In addition to 25% co-financing of investment, a Turkish contribution to the Twinning will be required which will cover provision of office equipment and space for the PAA, organizational costs of training (accommodation and catering in local training, rental fees as well as local and international travel of trainees) and other costs non eligible for funding as specified in the "Reference Manual on Twinning Projects.

6. Implementation Arrangements

The activities under the project will be carried out via a twinning covenant involving support for the TCA in establishing an appropriate legislative and institutional basis for the strengthening of its external auditing role, and the implementation of provisions in the improved legislation and the related regulatory framework.

6.1. Implementing Agency

The Central Financing and Contracting Unit (CFCU) will be the Implementing Agency and will be responsible for all procedural aspects of tendering, contracting and payments of the project activities.

The implementation of this project requires the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be whole-heartedly involved in the development and implementation of the policies and institutional change required to achieve the project results.

6.2. Project Beneficiary

The twinning will be implemented in the form of one Twinning Covenant between Turkey and a Member State. Twinning Covenant will be shaped in line with the report to be produced by the Peer Review project that will be executed through separate service contract/agreement.

There will be supply tender to support the Twinning, where TCA will let a separate contract for the purchase of IT equipment and the delivery of the required software in accordance with EC procurement rules.

Beneficiary institution for the peer review/framework contract and the Twinning Covenant and supply contract will be the TCA. However, Prime Ministry High Auditing Board will benefit from the activities by participating in the training.

6.3. Twinning

One twinning contract with TCA is envisaged with duration of 18 months. The PAA will be in place for the full 18 months. Specific Twinning assistance (provided by short term EU experts) and training (both in country and Member states) will cover the institutional building aspects related to the three project components: a) upgrading legal framework, b) upgrading operational capacity on financial audit, performance audits, system based audit and audit of EU's funds, c) upgrading management and organisational capacity including human resources, and d) developing and implementing IT strategy.

There will be supply contract to support the Twinning contract, where TCA will let a separate contract for the purchase of IT equipment, and the delivery and development of the required software in accordance with EC procurement procedures.
The Twinning beneficiary will be the same as the project beneficiary (see section 6.2).

6.4. Non-standard aspects.

6.5. Contracts:

The two phases of the project will be covered under three separate contracts:
1. A Twinning Covenant will be concluded for the rest of the project (€ 1.200.000)
2. A Supply Contract (€200.000) including TCA’s contribution will be concluded to support the twinning part of the project.

Contact:
Cevad Gürer............
Director: Head of International Relations Group
Address: International Relations Group, TCA
Tel.: 90 312 2953720
Fax: 90 312 295 4085

Contact:
PAO: Ercan Nuri Tortop
Address: Central Finance and Contracts Unit
Tel.: 90 312 285 20 02
Fax: 90 312 285 96 24

7. Implementing Schedule

The following implementation schedule is anticipated:

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>18.06.2003</td>
<td>16.02.2004</td>
<td>15.08.2005</td>
</tr>
<tr>
<td>IT Supply</td>
<td>15.03.2004</td>
<td>16.08.2004</td>
<td>15.08.2005</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

The selection of both trainers and trainees will be made on non-discriminatory criteria and participation of women in both positions will be monitored and reported through the progress reports.

9. Environment

Not Applicable.

10. Rates of return

Not Applicable.

11. Investment criteria

Not Applicable.

12. Conditionality and sequencing

No contract may be signed under this project prior to the completion of the Peer Review Project and the formal approval of the Action Plan as recommended in the Report to be submitted at the end of the Peer Review Project. The signature of contract on supply of the IT equipment and software except for the part allocated for the training is subject to submission of the draft law on the Framework law of TCA to the Parliament.

ANNEXES TO PROJECT FICHE
1. Logical Framework Matrix in standard format (compulsory).
2. Detailed Implementation Chart (compulsory)
3. Contracting and Disbursement schedule by quarter for full duration of programme
<table>
<thead>
<tr>
<th>Programme Name</th>
<th>Strengthening the external audit capacity of the Turkish Court of Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting Period Expiration</td>
<td>Execution Period Expiration</td>
</tr>
<tr>
<td>Total Budget</td>
<td>€ 1,400,000</td>
</tr>
<tr>
<td>EU Contribution</td>
<td>€ 1,350,000</td>
</tr>
</tbody>
</table>

**ANNEX 1 LOGFRAME PLANNING MATRIX**

<table>
<thead>
<tr>
<th>Overall Objectives</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to assess the needed improvements of public sector management, accountability and control, - to ensure the effectiveness and efficiency of the public financial control systems in Turkey.</td>
<td>- Action plans adopted by TCA - The drafted legislation in accordance with the international standards and EU practices.</td>
<td>- Regular Reports - International Organization Project and/or Research Reports (the IBRD, the IMF, OECD etc)</td>
<td>- Turkish government’s dedication to prepare Turkey to accession - Peer Review action is completed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Appropriate legal basis for legislation aligned, institutional structures clarified and capacities implement to be ensured</td>
<td>- Action plan adopted in line with Peer review recommendations - Production of reports on the basis for modified legislation and procedures on the pilot basis</td>
<td>- Twinning reports</td>
<td></td>
</tr>
<tr>
<td>Results</td>
<td>Objectively Verifiable Indicators</td>
<td>Sources of Verification</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
</tbody>
</table>
| • Officially adopted action plan and amendments to TCA’ law in line with Internationally Accepted Audit Standards (mainly with INTOSAI, EUROSAI) and EU Practices, Financial Audit Manual and training packages covering all key areas of the work of the TCA, including planning, execution, reporting and quality assurance, fully operational quality control system. The manual must be fully in line with INTOSAI, EUROSAI Guidelines and EU practices | • Improved Audits of financial, performance and EU funds in line with internationally accepted audit standards and EU practices by end 2006 | • Ready-to-use financial audit manual by mid-2005  
• Ready-to-use quality control/assurance manual by mid-2005  
• Training packages and training courses for 45 auditors by end 2005 | - Regular Reports  
- International Organization Project and/or Research Reports (the IBRD, the IMF, OECD etc)  
- Interim and Final Evaluation Reports |
| • System Based Audit Manual and training packages covering all key areas of the work of the TCA, including planning, execution, reporting and quality assurance, fully operational quality control system. The manual must be fully in line with INTOSAI, EUROSAI Guidelines and EU practices | • Performance Audit Manual and training packages covering all key areas of the work of the TCA, including audit ethics, planning, execution, reporting and quality assurance, fully operational quality control system. The manual must be fully in line with the Relevant Internationally Accepted Performance Audit Standards and EU practices. | • Ready-to-use Performance audit manual by mid-2005  
• Ready-to-use Quality Control/Assurance manual by mid-2005  
• Training packages and training courses for 10 auditors by end 2005 | |
| • Financial, System Based and Performance Audit Manuals covered audit of EU funds consistent with the standard TCA’s manual fully in line with EU standards, and practices | | • Ready-to-use EU Funds audit manual consolidated into financial, system based and performance audit manuals by mid-2005.  
• Special training packages and training courses for 10 auditors by end 2005 | |
| • Job descriptions and competency statements for all grades of TCA staff established in accordance with the change in legal framework and adopted new audit procedures, training programmes in place, risk assessment and management policies established | | • Job descriptions and competency statements by end-2004  
• Training programme established by end 2004,  
• Risk assessment and management policies established by end 2004 | |
| • Assessment of IT systems and software. Equipment and software delivered and in use for a group of auditors in the TCA. The staff trained to use them. | | • Provision of IT hardware and software to be utilized in auditing  
• 30 of trained auditors to use their IT skills in auditing | |
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reviewing the TCA’s law no: 832 and the existing legal situation in Turkey in order to identify areas requiring amendment including: -The norms of financial control and follow up of findings, -The framework of financial control and audit planning, -Preparing all appropriate legal amendments to the above.  • To assure sustainability, TCA will form core-training groups for each of the following audit training programs from its staff to training activities and ensure their full participation to the relevant training activity. These core groups will be trainers of TCA’s other audit staff.  • Strengthening the management and organisational capacity of the TCA via; i) Developing job descriptions and competency statements for each functional role of Court staff, and identifying priority areas for staff training, ii) Reviewing the full range of management information needs, and setting up databases and systems to capture and deliver such information, iii) Reviewing the current organisational structures and procedures for the Court’s key areas of operation, identifying areas for adjustment to the new being adopted system and development, iv) Elaborating a training programme and allocating responsibilities for its delivery to specialist staff within the Division for Methodology Control – Audit, Reporting and Training. v) Preparing risk assessment and management policies and embodying them into managerial and operational systems  • Assist the CFCU in preparing tender dossier including technical specifications of IT equipment and software, testing and accepting them in accordance with the DIS system and EC’s procurement guidelines (PRAG),  • TCA is to let a separate contract technical assistance (Twinning).  • Staff from TCA to assist international and local experts.  • Accommodation, office and other means  • Organization and delivery of training, including study-tours and internship  • On-the-Job training (OJT) on financial, system based, performance and EU Funds audits.  • CFCU staff  • Necessary staff from TCA</td>
<td>• Technical assistance (Twinning).  • Staff from TCA to assist international and local experts.  • Accommodation, office and other means  • Organization and delivery of training, including study-tours and internship  • On-the-Job training (OJT) on financial, system based, performance and EU Funds audits.  • CFCU staff  • Necessary staff from TCA</td>
<td>1.200.000 €</td>
<td>- Unavailability of twinning experts with necessary skills.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supply Contract</td>
<td>200.000 €</td>
</tr>
</tbody>
</table>
for the purchase of IT equipment and the delivery and development of the required software in accordance with the EC procurement procedures.

<table>
<thead>
<tr>
<th>Preconditions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Completion of Peer Review Project</td>
</tr>
<tr>
<td>- Formal Approval of the Action plan as recommended in the Report to be submitte at the end of the Peer Review Project</td>
</tr>
<tr>
<td>- Signature of contract on supply of the IT equipment and software except for the part allocated for the training is subject to submission of the draft law on the Framework Law of TCA to the Parliament.</td>
</tr>
</tbody>
</table>