



**TURKISH COURT OF ACCOUNTS
EXTERNAL AUDIT GENERAL EVALUATION
REPORT – 2018
(SUMMARY)**

2018 External Audit General Evaluation Report was prepared and submitted to the Turkish Grand National Assembly in line with the Article 68 of the Law no.5018 on Public Financial Management and Control and the Article 38 of the Law no.6085 on the TCA.

General Information About the Report

A. External Audit General Evaluation Report is prepared in a manner to include the findings that are deemed material or the materials that are generally found in the audit reports of the public entities, the general information about the audits conducted as well as the other financial matters that are found appropriate to be addressed, submitted to the Turkish Grand National Assembly and made public as per the Article 38 of the TCA Law no. 6085.

B. External Audit General Evaluation Report is a significant tool contributing to the taking of the necessary measures by those responsible and authorised for obtaining and using public funds to ensure that the funds are obtained, used, recognized and reported in an effective, economic, efficient and lawful manner and are not misused. The Lima Declarations, in which the basic principles of the International Standards on the Supreme Audit Institutions (ISSAIs) are specified, also clearly points out the importance of the reports through which the audit results are submitted to the parliament annually. Within this scope, the External Audit General Evaluation Report prepared by the TCA which is the only supreme audit institution in our country has a crucial role in contributing to the obtaining and use of the public funds in an effective, economic and efficient manner.

C. In the preparation of the External Audit General Evaluation Report, the findings in the audit reports of the public entities within the central administration, social security institutions, municipalities and the other public entities which are not covered by the Law no. 5018 but fall into the scope of the TCA audit are taken as basis.

D. The draft report was prepared after the matters proposed by the headships of audit groups at the end of the audits conducted within the scope of the 2018 Audit Program to be included in the external audit general evaluation report were evaluated in terms of the criteria of materiality, generality and necessity of the submission to the Turkish Grand National Assembly as well as the common procedures determined for the public entities at the beginning of the audit process, and the report was finalized after the opinion of the Report Evaluation Board was received.

E. With the External Audit General Evaluation Report, the TCA targets to provide the Turkish Grand National Assembly, on behalf of which it conducts its independent and objective audits, with sufficient and reliable information and recommendations about the financial situations and activities of the public entities for the use of the power of the purse, to guide the public entities and to inform the public.

Titles of Findings Included in the Report

1. General Framework

1.1. Audit of the TCA

1.2. Purpose and Scope of External Audit General Evaluation Report

1.3. Method and Contents of External Audit General Evaluation Report

2. General Information and Statistics on 2018 Audits And Audit Results

2.1. General Information and Statistics on 2018 Audits

2.2. General Information and Statistics on 2018 Audit Results

3. General Evaluation and Findings on the Strategic Planning and Performance Management System

3.1. Findings on the Evaluation of the Strategic Plans

3.2. Findings on the Evaluation of the Performance Programs

3.3. Findings on the Evaluation of the Activity Reports

3.4. Findings on the Measurement of the Activity Results

4. Evaluation and Findings of Internal Control Systems of Public Administrations

4.1. Evaluation of the Results of the Internal Control System Evaluation Form

4.1.1. Control Environment

4.1.2. Risk Assessment

4.1.3. Control Activities

4.1.4. Information and Communication

4.1.5. Follow-up

4.2. Evaluation of Findings Regarding Financial Management and Internal Control Systems in Regularity Audit Reports

4.2.1. Findings on Internal Control Configuration Works

4.2.2. Findings on Preliminary Financial Control

4.2.3. Findings on Internal Audit

5. Findings that are Deemed Material and/or General in the Public Administration Audit Reports

5.1. General Issues about the Public Entities

5.1.1. Inability to Prepare Financial Statements Including All Resources Under the Responsibility of the Top Executive Officer

5.1.2. Failure to Present Important Accounting Policies and Explanatory Notes in the Appendix to the Financial Statements

5.1.3. Lack of Coordination between Institutions in the Accrual and Collection Processes of Revenues

5.1.4. Findings on Immovable

5.1.5. Findings on the Acquisition, Registration and Use of Movables

5.1.6. Findings on Procurement and Contract Processes in Public Administrations

5.1.7. Tracking of Grants for Project Obtained from European Union Resources Outside the Accounting System

5.1.8. Promulgation of Regulations on Financial Matters and Regulatory Actions in the form of Regulations without Taking the Consultative Opinion of the TCA

5.1.9. Failure to Initiate Recourse to Persons Responsible for Various Penalties, Interests, Indemnities and Similar Payments Paid from the Budget of The Institution

5.1.10. Absence of Some Bank Accounts Opened in the name of the Public Entity in the Accounting Records

5.1.11. The Failure to Start the Follow-up and Collection Transactions of the Receivables Not Collected at Due Date

5.1.12. Non-Recognition of Financial Fixed Assets

5.1.13. Incorrect Accounting of Intangible Assets

5.1.14. Findings on Due from Persons Account

5.1.15. The Failure to Allocate the Provisions for Termination Indemnities

5.1.16. Findings on the Process of Recruitment of Employees which are Employed through Service Procurement

5.1.17. Not Collecting VAT from Lease of Transfer of Operating Rights

5.1.18. Lease of Foreign Origin Vehicles

5.1.19. Investment Expenses Covered by Public Administrations not Requested by Electricity Distribution Companies to Receive Energy Permits

5.2. Matters related to the General Budget Public Entities

5.2.1. Lack of Legal Basis for Leasing of Treasury Immovable Property in Free Zones and Leaving Right of Use to Users under Name of Allocation

5.2.2. Not Considering of the Data Obtained within The Scope of VAT Refund in terms of Title Deed Fees And Other Taxes

5.2.3. Non-Compliance with the Provisions of the Regulation on the Accounting of Transactions Relating to Private Accounts of Public Administration

5.3. Matters related to the Special Budget Public Entities

5.3.1. The Need to Update the Circulating Capital Financial Management System

5.3.2. Findings Related to the Grants Provided to the Scientific Research Projects

5.3.3. Circulating Capital Enterprises of the University Application and Research Hospitals are not Financially Sustainable

5.3.4. Findings on Academic Incentive Allowance and Calculating and Paying This Allowance

5.4. Matters related to the Social Security Institutions

5.4.1. Receivables of the Social Security Institution Are Not Recognized and Reported in the Financial Tables in an Accurate, Complete and Timely Manner

5.4.2. The Invoiced Receivables Are Not Collected in Due Time

5.4.3. Retention of Collections from the Ministry of Treasury and Finance in Provisional Accounts

5.5. Matters related to the Local Administrations

5.5.1. Non-Accruals and Non-Collection of Some Revenues in the Municipal Revenues Law

5.5.2. Findings on Accruals and Collections of Property Tax

5.5.3. Findings on of Accrual and Collection of Environmental Cleaning Tax

5.5.4. Establishment of Businesses Without Opening and Working License and Not Implementing Administrative Sanctions

5.5.5. Not Updating Some Taxes and Charges That Should Be Increased by the Revaluation Rate According to Law No. 2464

5.5.6. Findings on Managing Car Park and its Revenues

5.5.7. Use of Fund Revenues, Generated in Accordance with Slum Law, Out of Purpose and the Problems in the Follow-up and Collection of Them

5.5.8. Non-Follow-up and Non-Collection of Right of Way Fees from Telecommunications Infrastructure and Networks

5.5.9. Findings on Follow-up and Collection of Elevator Periodic Inspection Fees

5.5.10. Transfer of the Royalty for the Collection of the Packaging Wastes Without Bidding and Obtaining Income

5.5.11. Granting the Royalty for the Public Transport without Bidding and/or Lack of Time Limits in the Bids

5.5.12. Findings on the Municipal Estates

5.5.13. Incorrect Calculation of the Share of General Budget Tax Revenues Sent to Municipalities by Iller Bank

5.5.14. Non-Inclusion or Partly-Inclusion of Iller Bank Loans in Financial Statements

5.5.15. Non-compliance with the Limits Prescribed in the Municipal Law in the Borrowings of the Municipalities and Affiliated Entities

5.5.16. The Partnership Interest in the Natural Gas Distribution Company Is Not Reflected to the Accounting Records

5.5.17. Personnel Expenses is above the Limits Prescribed in the Legislations

5.5.18. Contradiction with Legislation in The Social Stability Contracts

5.5.19. Public Administrations Having to Make Mass Payments Due to Not Using the Annual Leave of Workers Subject to Labor Law No 4857

5.5.20. Paying Electricity and Coal Gas Consumption Tax Despite the Exemption of Local Administrations and Subsidiaries by Law

5.5.21. Non-Deducting VAT on Transactions Subject to Discount

5.5.22. Deduction of VAT not Related with Commercial, Industrial, Agricultural and Vocational Transactions

5.5.23. Non-Transferring of Conservation of Immovable Cultural Property Contribution Margin, Collected by the Municipalities, to the Related Administration

5.5.24. Findings on Management Shares to be Obtained from Hotels and Facilities Using Geothermal Resources and Natural Mineral Waters

5.5.25. Non-compliance with the Legislation in the Use of the Investment Appropriations Transferred to the Provincial Special Administrations by the Ministries and Central Administrative Institutions

5.5.26. Conducting Transfers from Special Provincial Administrations Budgets to Unions for Providing Services for Village Which are not in Legislation and are not Based on the Project

6. Regulation Changes Recommendations and Legislation Arrangements by Public Administrations as a Result of Audits

6.1. Regulation Changes Recommendations

6.1.1. General Communique on Civil Servants Law Serial No. 161's Provisions against the Decree Law No. 375

6.1.2. Inadequacy of Current Legislation for Solving Problems Due to Payment of Abroad Treatment Expenses

6.1.3. Non-Making of Secondary Legislation Regarding Continuing Education Application and Research Centers

6.1.4. Existence of Authority Conflicts Between the Provisions of Legislation Regarding Bus and Tram Management

6.1.5. Exceeding the 10% Limit on Procurement via Direct Procurement and Negotiation Procedures without the Permission of the Public Procurement Board

6.2. Legislation Arrangements by Public Administrations as a Result of Audits and Reasons for Change