



**TURKISH COURT OF ACCOUNTS
GENERAL EVALUATION ON ACTIVITY
REPORT- 2018
(SUMMARY)**

GENERAL FRAMEWORK

The aim of the General Evaluation on Activity Reports is that senior executives give assurance on the accuracy of the financial information and performance information disclosed to public through a declaration of assurance within the scope of strategic plan, performance program and budget relations.

The 2018 General Evaluation on Activity Reports was prepared in accordance with Article 41 of the Law no. 5018 and Article 39 of the Law no. 6085 as well as the Activity Reports Evaluation Manual through the determination of whether the information provided in the following reports meet the presentation criteria and process requirements prescribed in laws and other legal arrangements and assessment of the accuracy and reliability of the information provided in the these reports by taking the 2018 external audit results into consideration:

- 2018 public administrations activity reports prepared by the senior managements of public administrations to present the activity results of the public administrations within the framework of accountability;
- 2018 General Activity Report, which is prepared by the Directorate of Strategy and Budget of the Presidency and includes general evaluations on the 2018 activity results of the entities within the central government and social security institutions and on the financial structures of local governments;
- 2018 Local Governments General Activity Report prepared by the Ministry of Environment and Urban Planning to present the general situation of the local governments on the basis of the activity reports prepared by the local governments.

EVALUATION ON THE ADMINISTRATION ACTIVITY REPORTS

As indicated in Figure 1, evaluations were conducted by taking the activity reports and audit results of 372 public entities in total including 33 general budget public entities, 92 private budget entities (higher education board, universities and high technology institutes), 35 special budget other entities, 2 social security institutions, 25 special provincial organisations, 184 municipalities and one local administrations association, and as a consequence of the evaluation of these activity reports, results presented in Figure 2, Figure 3 and Figure 4 were obtained.

Figure 1: Number of Entities Included in the Evaluation

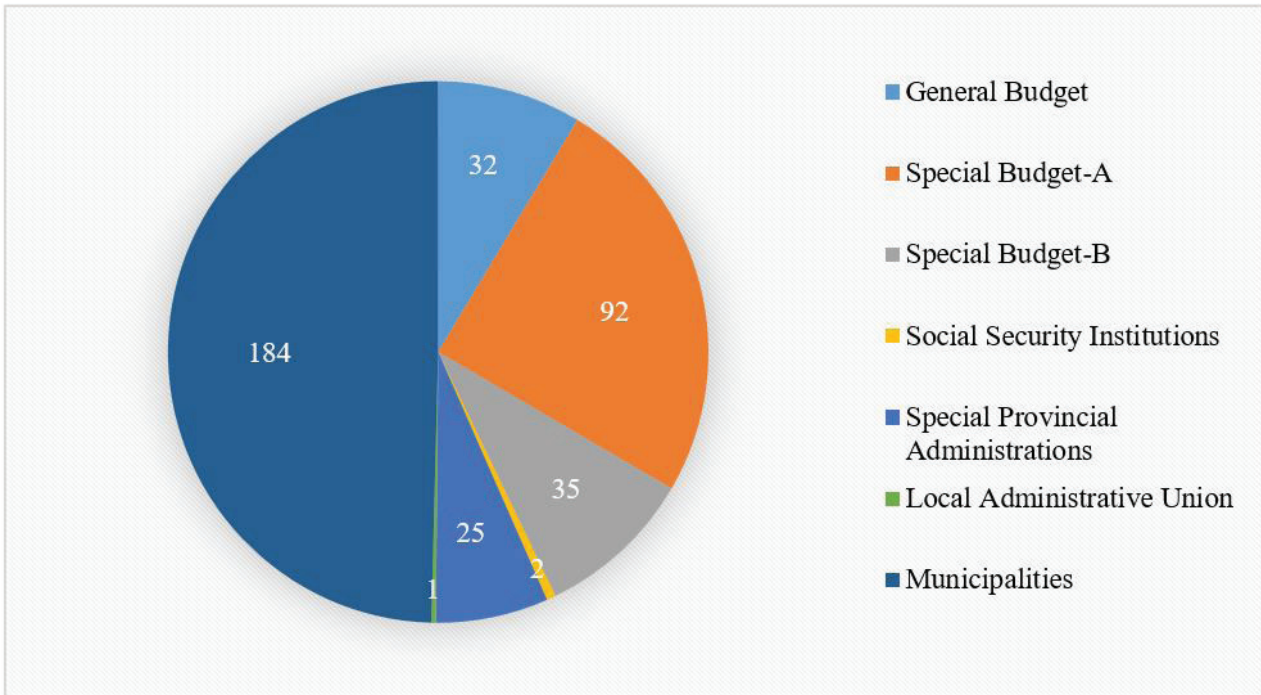


Figure 2: Number of Activity Reports Incompatible with Presentation and Content Criteria

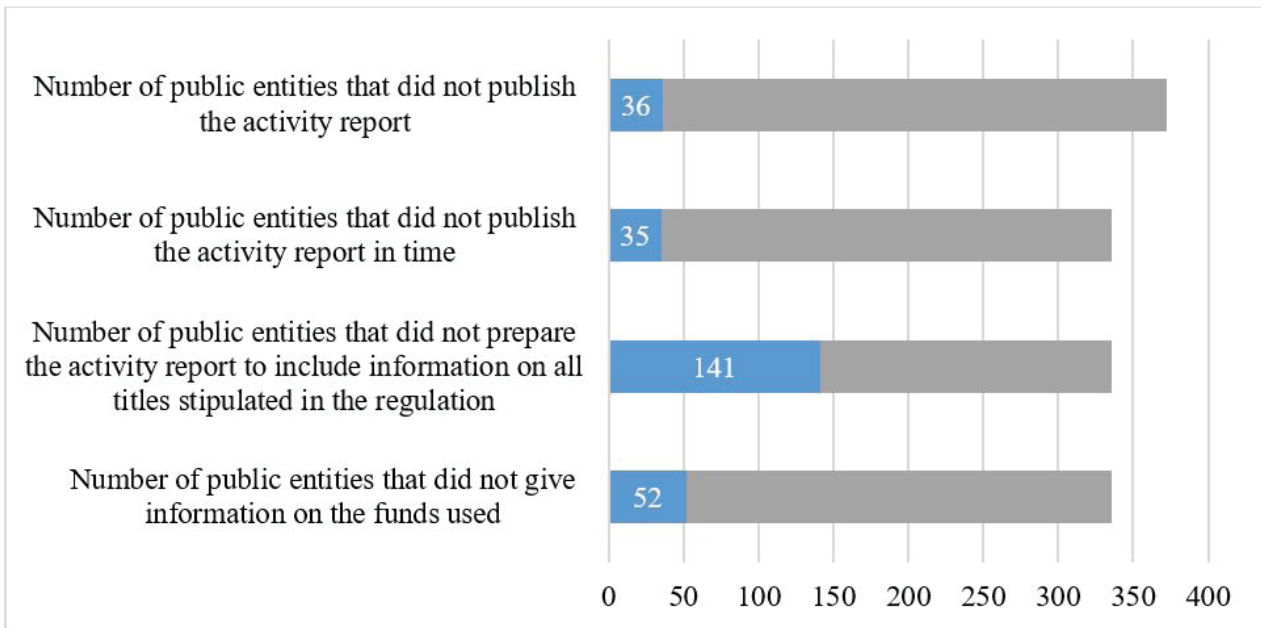


Figure 3:

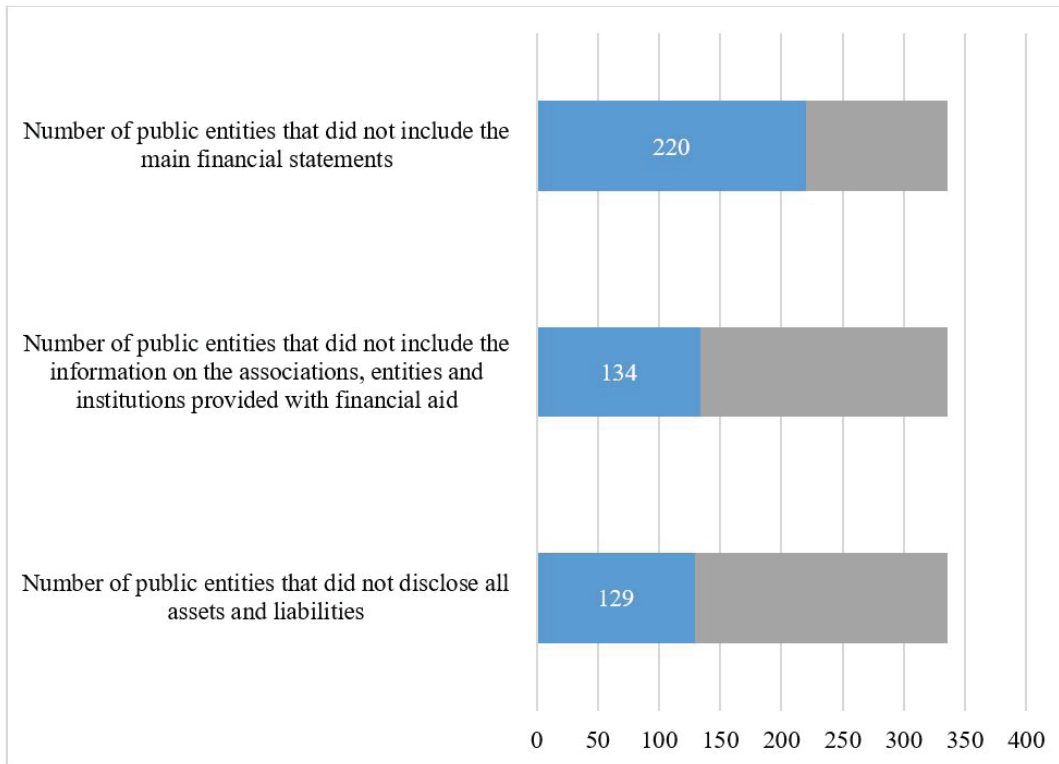


Figure 4: Number of Activity Reports where Performance Information was not reported in line with the Legislation

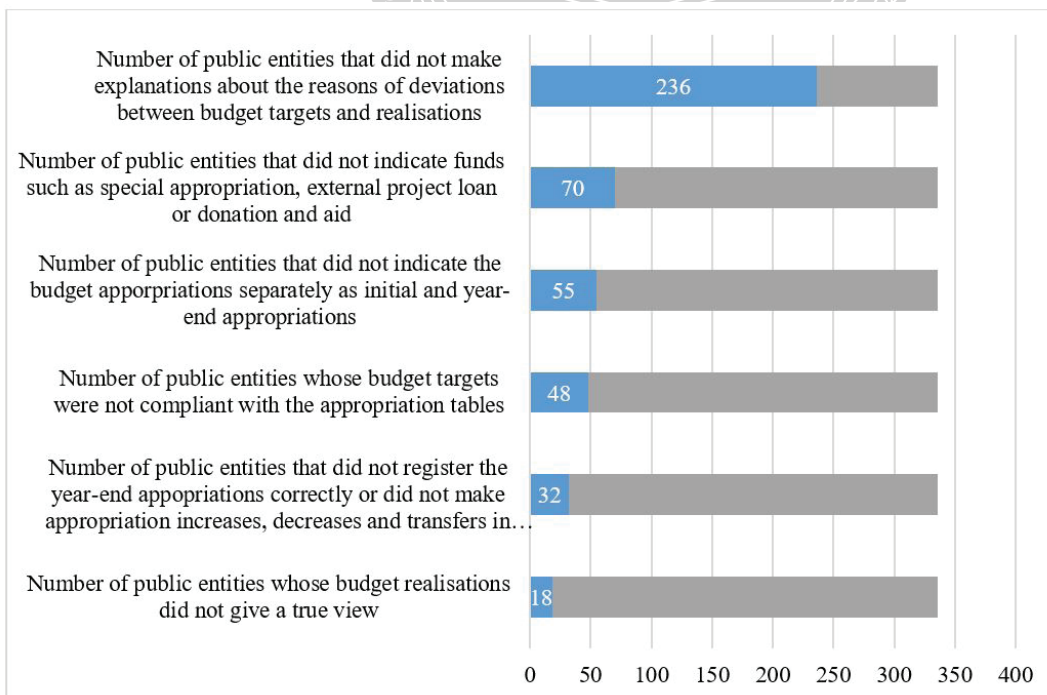
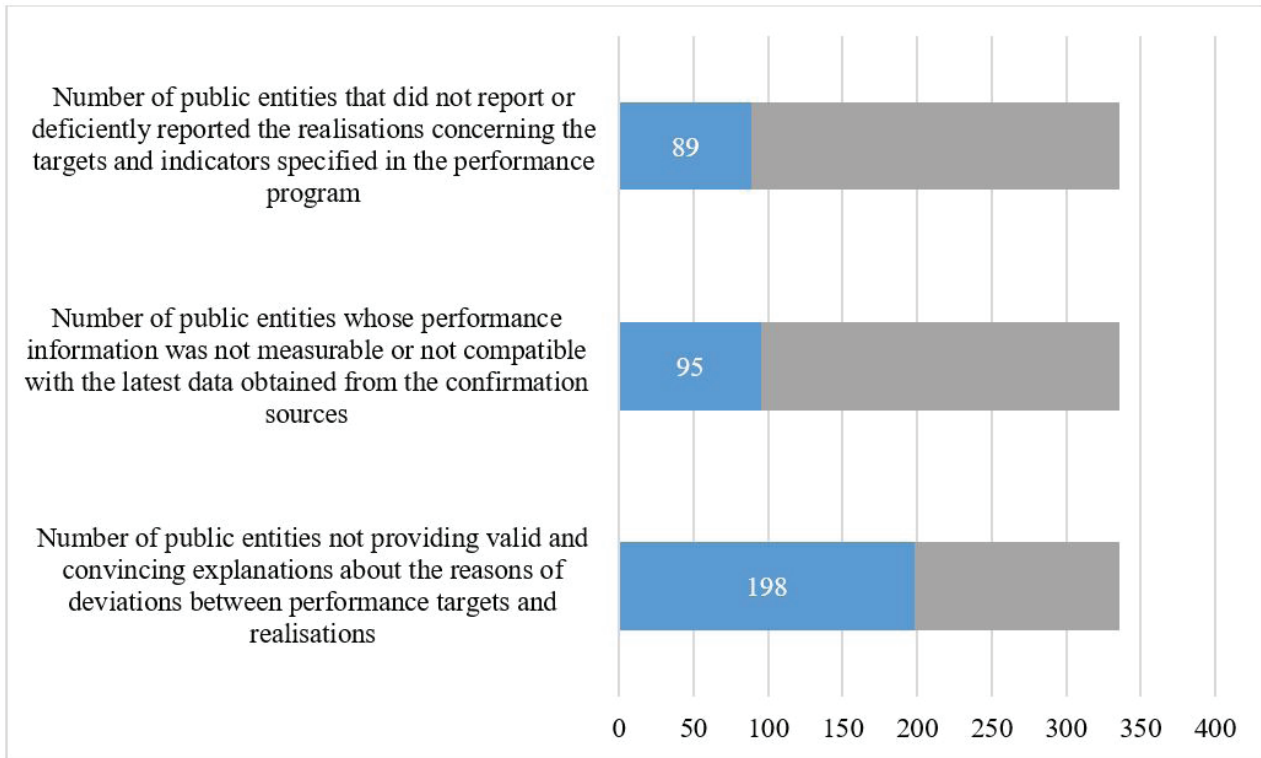


Figure 5:

EVALUATION ON THE GENERAL ACTIVITY REPORT

Evaluation of the Budget Targets and Realisations

The Law no. 5018 envisages that public policies are specified in the development plan, medium-term program and medium-term financial plan and the allocation of resources is made through the budgets prepared on the basis of these policy documents. Also, Article 17 of the said Law clearly states that expense offers are prepared in consideration of the principles and procedures specified in the medium-term program and financial plan.

However, when the appropriation limits determined in the Medium-Term Financial Plan (MTFP) and the initial appropriations envisaged in the 2018 Central Government Budget Law were compared and examined, it was observed that initial appropriations exceeded the limits in some entities. As also pointed out in the 2017 General Evaluation on Activity Reports, this situation, which results from the failure to include the Treasury grants from the general budget entities to the special budget entities into MTFP, has a potential to complicate the evaluation of the relation between plan and budget. Therefore, it is considered that inclusion of the Treasury grants into MTFP with the aim of ensuring that a more sound evaluation is made and accountability is strengthened will be appropriate.

On the other hand, when the initial appropriations of public entities within the general budget were compared to the year-end realisations, it was observed that the budgets of certain public entities continuously remained below year-end realisations, and despite this, budget estimations of the same entities for the following year were determined below the realisation. Deviations at rates exceeding 100% occurred in a constant manner between initial appropriations and year-end realisations in the Directorate General of Migration Management, Ministry of Environment and Urban Planning and Ministry of European Union.

Deviations from initial appropriations were examined through the economic classification of expenses for the entirety of the general budget regardless of the public entity, and it was concluded that deviations generally resulted from personnel expenses, current transfers and capital expenses. When the initial appropriations were evaluated with the public entities where a deviation from the realisation was observed and types of expenses together, it was observed that the deviations resulted from investment expenditures, in particular, and this makes the conduct of sound budget estimations difficult.

Although the General Activity Report includes the reasons of deviations between the budget and realisations due to the economic classification of expenditures, it is considered that some of these disclosures do not meet the clarity and full disclosure principles adequately since they can be predicted in the budget and planning process.

Evaluation of Consolidated Financial Statements

It has been specified in the TCA reports that the information concerning assets and liabilities are presented only through balance sheet in the General Activity Report, but since balance sheet provides information only on the total amount of assets and liabilities due to its characteristics of being a financial statement in essence, the General Activity Report needs to provide more detailed information on the assets and liabilities with the aim of ensuring that the stakeholders and the public are informed and the provisions of the Regulation are met.

Based on this evaluation, the changes in the balance sheet sizes of the central government entities, social security institution and local administrations included in the annex of the report when compared to the previous year and the information concerning the balance sheet items from which these changes resulted were included by the Presidency in the 2018 General Evaluation on Activity Reports under the title of "Information on the year-end assets and liabilities".

EVALUATION ON THE LOCAL GOVERNMENTS GENERAL ACTIVITY REPORT

As a result of the evaluation on the financial information provided in the 2018 Local Governments General Activity Report, the following points were determined:

1) Report included detailed information on the budget revenue and expense realisations, but an assessment was not made about this information. Also, the report did not include information and assessment on the budget revenue and expense targets.

2) Information on the debt breakdown and total debt burden of local governments as of 2018 was included in the report, but an assessment was not made about this information. Also, the report did not include any information and assessment about the debts of affiliated institutions and enterprises of local governments as well as municipal companies.

3) A general evaluation, which should be made about the strategic planning and performance-based budgeting practices of local governments on the basis of the local governments activity reports, was not included in the report.

4) Report did not include any information and assessment on the internal audit results of local governments; information was provided only on the internal auditor cadres allocated to local governments and the assignments made to these cadres as well as the formation of audit commissions.

