

# BOOSTING PUBLIC FINANCIAL MANAGEMENT THROUGH TURKEY'S COURT OF ACCOUNTS

A Europe and Central Asia  
Governance Result Story



## The Development Challenge

Public financial management reform has been an uneven process in Turkey, but the Turkish Court of Accounts (TCA) has emerged as a potential champion.



A World Bank Governance technical assistance project has further strengthened Turkey's supreme audit institution, the Court of Accounts, maintaining momentum for public financial management reform—and benefiting other countries too.

Low efficiency and transparency in managing the public finances has constrained Turkey's development and contributed to financial crises in the past. The Public Financial Management and Control Law (PFMCL) of 2003 (Law No. 5018) paved the way for a robust, fully accountable system of public finance. Specifically, this major World Bank-supported reform encompassed “the preparation and implementation of the public budgets, accounting and reporting of all financial transactions, and financial control in line with the policies and objectives of development plans and programs, in order to ensure accountability, transparency and the effective, economic and efficient collection and utilization of public resources.”<sup>1</sup>

Under the 2003 Law, national budgets were to be drawn up using strategic objectives and multi-year economic projections. Governments and public institutions were to raise revenues, spend, and borrow in the amounts permitted by Parliament. The revenues, expenditures, and property of all public institutions, including off-budget funds, social security institutions, and local administrations, were to be comprehensively reported. Internal and external auditing systems would effectively monitor the performance and efficiency of the government sector as well as the lawfulness of its financial transactions.

These things do not happen overnight. They require secondary legislation, institutional and procedural changes, staff training, and changes in attitude and behavior among public officials and policymakers. Since 2003, there have been a series of advances in some areas and reversals in others.

It was not until 2011 that the tide of reform reached the TCA, the country's supreme auditing institution (SAI) responsible to Parliament. At the beginning of that year, a new Law on the TCA (Law No. 6085) *(continues on page 3)*

<sup>1</sup> PFMCL Article 2. <https://ms.hmb.gov.tr/uploads/2019/01/Public-Financial-Management-and-Control-Law-No.-5018.pdf>

# The Project

The most recent World Bank project with the TCA aimed to enhance its impact on good public governance by **improving both its technical capabilities and its external communications**.

Enhancing the Impact of the Turkish Court of Accounts on Good Public Governance Project” (P167525), conducted from 2019–2020, very cost-effectively combined further technical capacity building for the TCA on specialized topics through study visits, consultancy reports, and training courses (component 1) with a “softer” consultancy program addressing communications issues (component 2). Despite some challenges caused by the COVID-19 pandemic, the project was completed on time thanks to the strong commitment of all parties.

**Several activities were carried out under component 1.**

**1** A study visit took place on the auditing of consolidated government statistics—as opposed to the auditing of individual institutions—and public debt management systems.

**2** 16 TCA auditors attended an intensive five-day course on Public Private Partnership (PPP) arrangements—a growing form of public spending and a highly topical issue. As a result, a “risk and possible actions” table was prepared for effective PPP audits in the future.

**3** Technical assistance was provided to enhance the quality assurance systems of the TCA. To this end, the World Bank consultants prepared an expert report containing examples from the SAIs of various countries as well as private sector applications for internal and external audit functions. The consultants reviewed the TCA’s current quality assurance systems and provided recommendations on how to streamline and make them more efficient in line with best practices.

**4** The World Bank engaged an expert on revenue audits to work with TCA specialists on this new area of responsibility, an important function of SAIs. To provide TCA with an international perspective on this, the World Bank additionally delivered a comparative study on international financial and performance audit approaches to public revenues and their applicability to the TCA.

Under component 2, the corporate digital identity of the TCA was renewed. This includes a new website, social media platforms, and search engines. Other actions under this component included a review of current practice and recommendations on improving the TCA’s use of social media and monitoring and evaluating its social media interactions with the public.

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took effect which entrusted the institution with a range of additional tasks and reporting obligations. Previously, its core activities had been to identify and investigate potential public losses. Now, it was also being asked to conduct financial audits, to audit for performance, and to produce many more reports.

This was the start of a long process supported throughout by the World Bank. Regulations had to be rolled out and capacities developed. As members of a venerable institution tracing its history back to

1862, some staff of the TCA were reluctant to learn new sets of skills or adapt their ways of working. Nor did they know how to do so. Continuous progress was made through the persistent efforts of the TCA management and determined individuals coupled with a judicious injection of World Bank technical support. As of 2019 there was, nevertheless, still more to be done to maintain the momentum for change, to prepare the TCA for new challenges, and to increase its positive influence over the whole public financial management reform process.

## Intermediate Results

The TCA has institutionalized its new knowledge in methodological manuals and guides. The visibility of its reports and activities has already increased massively.

Component 1 of the project has helped the TCA develop technical teams and pools of auditors equipped with contemporary knowledge and expertise in financial auditing, the auditing of public debt, the auditing of PPP arrangements, revenue auditing, and quality assurance. It has institutionalized the knowledge and experience gained by updating its methodological manuals and guidebooks which are already being used in practice.

The TCA has produced a handbook on auditing public debt management, updated the manual on the auditing of financial statistics, and begun to make use of these tools. Information on PPP auditing has been integrated into the TCA's Public Debt Management Audit Manual and Preparation Guide for the General Evaluation Report on Financial Statistics. The "risk and possible actions" table drawn up during the PPP course has been used in the preparation of the audit strategic plan and annual audit program for 2020. Auditors who took part in the training course were

assigned to ministries with large PPP portfolios such as the Ministries of Health, Transport, and Energy.

The activity on quality assurance systems has fed into revisions of the TCA's Audit Quality Management Manual and Regularity Audit Manual, which is expected to result in more streamlined audit quality assurance procedures and improved audit reports. A quality control and quality assurance guide has also been drafted. The TCA has begun to carry out audit quality assurance using international and private sector good practices .

The report on revenue audits was widely distributed internally and used in the preparation of the TCA audit strategic plan and annual audit plan for 2020. The newly gained knowledge has been utilized in value-for-money audits of the revenues of local administrations. Further performance audits of general budget institution revenues will be conducted.

Through component 2 of the project, the TCA has transformed its communications with the public by establishing a social media team, developing a social media management strategy, upgrading its website, and establishing YouTube and LinkedIn accounts. YouTube is being used to disseminate videos summarizing TCA reports and recordings of training events, such as the training provided to municipalities on the conduct of tenders. The TCA is making more

systematic use of Twitter and has become a leading SAI in terms of its Twitter presence.

All in all, the TCA has become more visible and transparent and provides substantive information for public consumption. This has also led to a huge increase in mass media coverage of the TCA's activities and reports. All this has been a direct outcome of the project.



# Lessons Learned and Next Steps

Knowledge acquired by the TCA will soon be shared with other SAIs in Europe, Asia, and the Middle East. In Turkey, its work keeps the spotlight shining on the need for fiscal transparency and accountability.

While much has been accomplished, there is still scope for the TCA to develop its expertise further. Sustainable development goals auditing, engagement with stakeholders such as civil society organizations and academics, and the auditing of public expenditure on refugees, are just some of the topics that spring to mind.

Already, however, the growing know-how of the TCA, combined with its commitment to international relations, has made it a source of expertise in its own right. The TCA is a full member of the International Organization of Supreme Audit Institutions (INTOSAI) and has signed up to full compliance with INTOSAI standards. It is also very active in the European Organization of Supreme Audit Institutions (EUROSAI), the Economic Cooperation Organization Supreme Audit Institutions (ECOSAI), and the Asian Organization of Supreme Audit Institutions (ASOSAI). Moreover, it has further shared their experience and additional knowledge

gained with World Bank support by providing training to SAIs in countries as far afield as Afghanistan, Albania, Kuwait, Moldova, and Qatar. Since the latest project began, the TCA has advised the Chamber of Accounts of Azerbaijan and held discussions with the SAIs of Romania, Kosovo, and Somalia. Thus, all efforts to build the capacity of the TCA also feed into greater capacity for good financial management in a much wider region.

For Turkey, the increasing quality, relevance, and visibility of the work of the TCA is contributing to the effective use of public resources and helping keep the need for fiscal transparency and accountability on the agenda of public and other institutions. The collaboration between the World Bank and the TCA has shown what a contribution the Bank can make, even with a small budget, when it provides willing partners with fresh perspectives with the right tools in the right places and at the right times.



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