



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

TURKEY STRENGTHENING THE AUDIT CAPACITY OF THE AUDIT AUTHORITY (AA)

Action summary

The objective of the Action is to support the Audit Authority (AA) by strengthening its institutional, administrative and technical capacity for auditing IPA II sectoral programmes. The areas to be strengthened include sampling, auditing, on-the-spot visits, auditing work contracts, gathering audit evidence, filing, reporting and following up the audit findings. In addition, the project will contribute to increasing the job satisfaction and motivation of the auditors. The project also aims to improve the AA's technological infrastructure and IT knowledge.

This project is expected to strengthen the audit capacity of the AA by ensuring sustainability in the auditing of EU funds in line with international auditing standards and the requirements of the European Commission.

Action Identification			
Action Programme Title	Annual Action Programme for Turkey (2020)		
Action Title	Strengthening the audit capacity of the Audit Authority (AA)		
Action ID	IPA 2020/042-385/4/Turkey/Audit Capacity of the Audit Authority		
Sector Information			
IPA II sector	Democracy and Governance		
DAC Sector	15118 - Government & Civil Society-National Audit		
Budget			
Total cost	EUR 2 000 000		
EU contribution	EUR 1 880 000		
Budget line(s)	22.020301		
Management and Implementation			
Method of implementation	Indirect Management		
<i>Indirect management:</i> National authority or other entrusted entity	Central Finance and Contracting Unit (CFCU)		
Implementation responsibilities	Central Finance and Contracts Unit (CFCU)		
Location			
Zone benefiting from the action	Turkey		
Specific implementation area(s)	Turkey		
Timeline			
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2021		
Final date for concluding contribution/delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation		
Indicative operational implementation period	6 years following the conclusion of the Financing Agreement		
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective

Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	√
Aid to environment	√	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	√	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	√	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	√	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	√	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	√	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	√	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	√	<input type="checkbox"/>	<input type="checkbox"/>
Internal Markers	Not targeted	Significant objective	Main objective
Digitalisation	√	<input type="checkbox"/>	<input type="checkbox"/>
COVID Response	√	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The Turkish Audit Authority (AA) is one of the most important control bodies of the IPA set-up. It has a key role in the effective functioning of the management and control system and in assuring projects' compliance with national and European regulations. It has also a crucial role in the budget implementation tasks entrusted to Turkey and in providing assurance on financial tables and declared expenditure to the European Commission. Given the AA's key control role, the Commission would like to place more reliance on its work. Consequently there is a growing need for the AA to strengthen its capacity and knowledge to ensure the effective, efficient, economic and sustainable use of EU funds. The AA makes a significant contribution to the understanding and adoption of new legislation and to ensuring smooth implementation of the IPA assistance in Turkey. Nevertheless, some improvements are particularly needed in the AA's audit activities.

According to the findings of DG NEAR's mission on the IMBC set-up in Turkey on 30-31 January 2019, the following areas require further improvements.

- Audit documentation: On many occasions it has been emphasised that the AA's audit documentation needs to be improved. A more automated audit documentation system is required.
- Compliance with international audit standards: The number of certified auditors needs to be increased and quality control (ISA 220), audit process and methodologies improved. The methodologies include sampling, stratification, risk assessment, working papers and evidence, coaching and training.
- Follow-up of the action plans and the resolution of the AA's audit findings.

Moreover, both DG NEAR and DG AGRI highlighted in their verification missions carried out in 2019 that the following improvements are required:

- Audits of works projects: It is recommended by the DGs that capacity for auditing works projects be increased.
- Expertise in and usage of technology and computer-assisted tools need to be developed as they are currently insufficient.

OUTLINE OF IPA II ASSISTANCE

The project will improve the capacity of the AA in line with the needs of the IPA Regulation and the related Framework Agreement, also in the context of future IPA III assistance. It will increase reliance on the controls and assurance provided by the AA over the entities entrusted by the Commission with budget implementation tasks.

In this context, the AA plans to undertake the following actions.

- Update its manuals of procedures (as needed and relevant) in accordance with international audit standards, the IPA II Framework Agreement, implementing regulations, the guidance and documents issued by DGs NEAR, REGIO, EMPL and AGRI, and best practices. This will also include, where applicable, developing special chapters for:
 - o IT audits;
 - o management declarations;
 - o programme clearance/closure audits;
 - o works contracts (PRAG & FIDIC);
 - o public project audits, with special emphasis on the sustainability of public projects;
 - o sound financial management;
 - o use of assets;
 - o attainment of project objectives, etc. and updating/drafting checklist accordingly; and
 - o delivery of training, including testing via on-the-job training in field.

- Have special training on FIDIC or similar works contracts from an audit perspective in line with the revision to the audit manual.
- Upgrade the institutional and administrative capacity of the AA by providing computerised audit tools, training sessions and certification programmes.
- Develop policies for staff recruitment and retention to ensure good-quality work and job satisfaction.

The project's other priorities are to enhance the AA's knowledge by establishing cooperation with international audit associations and with audit bodies responsible for EU funds in EU candidate countries and/or Member States on best practices and principles (such as independence).

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

In accordance with Article 12 of Regulation (EU) No 447/2014, the AA shall perform an independent external audit in relation to the structures and authorities referred to in Article 7(1) and 7(2) of that Regulation. Also, the AA shall carry out audits of the management, control and supervision systems (MCSS) and of actions, transactions and the annual accounts in line with internationally accepted auditing standards with a triannual audit strategy reviewed on an annual basis.

Under the Framework Agreement between the Government of the Republic of Turkey and the European Commission on the arrangements for implementation of Union Financial Assistance to the Republic of Turkey under the Instrument for pre-accession assistance (IPA II) dated 11 February 2015, the AA shall aim at verifying, under the responsibility of its head:

- i. the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts;
- ii. the efficient and effective functioning of the management, control and supervision systems;
- iii. the legality and regularity of the underlying transactions.

In addition, the Indicative Strategy Paper for Turkey (2014-2020) emphasises that Turkey must address a range of issues. These include: public internal financial control; independent and effective external audit; improving its public procurement legislation and implementation; improving its strategic management and planning (which also link policy better to budgeting); and improving its accounting and reporting.

The Audit Authority will continue having a key role in ensuring sound financial management of EU funds also in the next IPA III period (2021-2027).

Moreover, one of the findings from the DG NEAR's mission was linked to the independence of the institution, specifically with regards to the acting status of its Head. Progress on addressing this finding has been shown by the appointment via a Ministerial decree of the Head of the Audit Authority without prior assent by NAO in autumn 2019. The Commission, as per its mandate, continues to monitor the effective work and full independence of the Audit Authority, in order to ensure its compliance with the rules on entrustment of budgetary implementation tasks defined in the Framework Agreement. The action will strengthen the capacities of the institution and hence its operational independence.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

In the pre-IPA period, the AA implemented two projects in 2004 and 2008. In the first project, training sessions on internal control and internal audit were organised. These were very useful and the results very positive. The majority of participants attained international audit certificates. As part of the second project the AA purchased audit software and additional equipment and used these in audit operations for years. The earlier projects implemented by the AA formed the basis of the IPA audits within the Board of Treasury Controllers. Trained auditors led the teams and transferred their experience to newly recruited auditors. However, the equipment and software programme purchased have since become outdated and the majority of certified auditors have left the office. In addition, audit standards, audit methods and audit tools have changed considerably in the last decade. Over time the importance of computer-aided auditing has increased. Information technology has become essential for modern accounting and management information systems. Considering the AA's staff turnover, recently recruited staff need a new cycle of training and TA support.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE(S) / (IMPACT(S))	OBJECTIVELY VERIFIABLE INDICATORS				SOURCES & MEANS OF VERIFICATION	
	INDICATOR'S NAME	BASELINES (INCL. VALUE & REFERENCE YEAR)	MILESTONES (INCL. VALUE & REFERENCE YEAR)	TARGETS (INCL. VALUE & REFERENCE YEAR)		
<p>Long-term Overall objective: To contribute to the management and control systems in the public sector through independent and effective external audits, and ensure compliance with international audit standards.</p> <p>Intermediate Overall objective(s): To strengthen the Audit Authority's capacity to give assurance on the proper and effective use of IPA funding and support the development of sound financial management.</p>	<ul style="list-style-type: none"> The number and quality of findings and opinions prepared by the Audit Authority to the EC. The number of AA recommendations implemented by the auditees. The number of findings by the EC regarding the AA's audit work. The number of findings by the Public Oversight and Accounting Standards Board on the audit work of the AA regarding compliance with international auditing standards. 	30 10 9	35 25 4 5	42 40 0 0	<ul style="list-style-type: none"> Audit Reports by AA. Audit Finding Database. EC reports and decisions, containing opinions and recommendations on the AA reports. Report by the Public Oversight and Accounting Standards Board. 	
SPECIFIC OBJECTIVE(S) / OUTCOME(S)	OBJECTIVELY VERIFIABLE INDICATORS (*)				SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Specific Objective 1:</p> <ul style="list-style-type: none"> To strengthen the Audit Authority's capacity to provide assurance on the proper and effective use of IPA funds managed indirectly by Turkey; to contribute to the accountability and effective functioning of the management and control systems of the structures entrusted with budgetary implementation tasks. Outcome 1: Increased quality of audits and increased knowledge and competences of AA staff in performing audits in line with IPA regulations, guidelines, recommendations and international audit standards. 	<ul style="list-style-type: none"> Number of findings and recommendations from EU related to deficiencies in audit methodology, filing, sampling, on-the-spot visits and reporting. Number of training sessions per year compared with annual training need analysis. Numbers of AA recommendations accepted and implemented by auditees. Number of auditors who have professional certificates. Number of auditors accepted into internship programme. Number of female auditors trained. 	9 1 1 0 0	4 4 15 5 3	0 7 20 15 5	<ul style="list-style-type: none"> Letters on results of EC missions and letters including recommendations on AA reports. Training completion reports on audit-related topics. Twinning/TA progress reports. Professional certificates. Internship attendance certificate. 	<ul style="list-style-type: none"> Continued government commitment to the EU accession process. Continued political commitment to meet the EU accession requirements. Institutional, political and economic stability ensured. Close cooperation and full commitment of all stakeholders. Due commitment to the sustainability of the project results.
<p>Specific Objective 2:</p> <ul style="list-style-type: none"> To enhance efficiency and effectiveness in audit activities. Outcome 2: Use of modern IT equipment and audit software. 	<ul style="list-style-type: none"> Number of reports that auditing software produces. Number of servers enabling AA auditors to connect to audit software during on-the-spot visits. Number of notebooks enabling direct connection to audit software from outside. Number of audit and measurement tools and equipment procured and in use. Number of auditors trained in use of newly acquired IT equipment and audit software. 	0 0 0 10 -	10 2 20 20 20	15 3 40 30 25	<ul style="list-style-type: none"> Inventory list. Audit activity reports. Letters on results of EC missions and letters including recommendations on AA reports. Reports on study visits and on-the-job training organised. Human resources planning documents. Inventory list. Twinning/TA progress reports. Training completion reports on OSC equipment. 	
<p>Specific Objective 3:</p> <p>To maintain and support staff retention by improving motivation and job satisfaction.</p>	Staff turnover rate.	6.6%	4%	2%	Number of auditors responsible for IPA audits. Annual staff satisfaction surveys	
<p>Specific Objective 4:</p> <ul style="list-style-type: none"> To ensure knowledge transfer and experience sharing by establishing a team of trainers. 	Twinning/TA reports on successful training of the training team members, and number of formal training sessions delivered by the team.	N/A	5 formal training sessions before the closure of the programme	10 formal training sessions before the closure of the programme	Activity report of Board of Treasury Controllers	
OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	BASELINES (INCL. VALUE & REFERENCE YEAR)	MILESTONES (INCL. VALUE & REFERENCE YEAR)	TARGETS (INCL. VALUE & REFERENCE YEAR)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Output 1 (influencing Specific Objective 1) Manuals, procedures, methodologies, strategies and checklists revised, staff trained on them.</p>	<ul style="list-style-type: none"> Number of revised and modified audit manuals. 	0	1	2	<ul style="list-style-type: none"> Audit manuals. 	<ul style="list-style-type: none"> Appropriate staffing levels ensured.
<p>Output 2 (influencing Specific Objective 2) Audit software developed, IT hardware and professional equipment and Computer Assisted Audit Tools (CAAT) procured, staff trained on how to use the software and hardware.</p>	<ul style="list-style-type: none"> Number of auditors who actively use IT and audit software. Number of reports prepared with audit software. Number of audit staff trained in the use of computer-assisted audit techniques. 	2 0 1	20 10 20	25 15 20	<ul style="list-style-type: none"> Audit reports. Inventory list. Training certificate 	<ul style="list-style-type: none"> Institutional stability and independence of the AA. Adequate budgetary provisions envisaged for running costs and/or any necessary capital expenditure regarding the AA. Existence that the AA has adopted its strategic plan.
<p>Output 3 (influencing Specific Objective 1) Training sessions performed in specialised areas, such as:</p> <ul style="list-style-type: none"> audit of verification of project sustainability, procedures, EU public procurement rules and skills in work contracts under Activity 2; financial modelling, statistical samplings, audit stratifications, risk assessments procedures, analytical/critical thinking and IT etc. covered under Activity 5. 	<ul style="list-style-type: none"> Number of training sessions attended 	1	20	25	<ul style="list-style-type: none"> Training materials. Training participation sheets. Certificates (if applicable) 	
<p>Output 4 (influencing Specific Objectives 3) Staffing and retention policy developed/ revised.</p>	<ul style="list-style-type: none"> Preparation of draft retention policy Final version of retention policy. 	6.6%	4%	2%	Project report, AA/NAO workload and staff turnover report.	

<p>Output 5 (influencing Specific Objectives 4)</p> <ul style="list-style-type: none"> Eight AA trainers (one per sector) trained to deliver internal training after the project, equipped with necessary resources and equipment. 	<ul style="list-style-type: none"> Number of staff trained as trainers and project reports on successful delivery of the output. Number of training sessions delivered following the ToT and upon completion of the project. 	<p>N/A</p> <p>0</p>	<p>5</p> <p>0</p>	<p>8</p> <p>1</p>	<ul style="list-style-type: none"> Project activity reports. AA annual activity reports. EU audit and supervision reports. 	
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DESCRIPTION OF ACTIVITIES

Activity 1: Supporting the Audit Authority in relation to performing computer-assisted audits (software and hardware)

The aim of this component is to improve the capacity of the AA to audit EU funds in line with international auditing standards and the European Commission's requirements. With this component it is intended to purchase a computer-based audit programme in order to shorten the time audits take and ensure the audit work is carried out effectively and efficiently. Providing sufficient audit IT supplies together with professional audit and measurement tools and equipment is also essential in order to use the audit software effectively and to improve the quality and efficiency of the audit missions. Software development will be procured under a separate technical assistance (TA) contract, whereas purchase of IT equipment and data analysis software will be done via a supply contract.

Most of the time the audit activities of each team in the AA coincide and on-the-spot missions can take a long time given that Turkey is a large country and geographical conditions can be difficult in some places. Since audit activities are performed outside of AA premises, auditors need personal IT tools and laptops. In addition, since the AA is planning to establish a network of tablets and laptops that are all connected to a central database and automatically synchronise data, the supply of these tools is complementary to the main purpose of the project. The audit software will be developed under a service contract (TA) because this will best meet the AA's needs while offering flexibility and convenience. The AA will have ownership of the source code and long-term maintenance of the software will be provided by the developer company or the IT staff in the Ministry of Treasury and Finance.

Activity 2: Improving audit quality in line with EU best practices, recommendations and new IPA regulations

Improving audit quality and harmonising audit procedures and activities with EU best practices are an integral part of this activity. In this context, the AA aims to receive a twinning light assistance, including seminars, workshops, study visits, training courses and internships on the topics mentioned below.

- Audit of NAO's assurance

The audit scope of the AA includes the NAO's assurance provided through the management declaration. The audit scope needs to be extended to specifically cover the NAO's self-assessment of the internal control framework's design and effectiveness. DG NEAR issued recommendations in this regard. The document and guidance concerning this audit engagement should be established and form an integrated part of the audit manual.

- Sustainability and results-oriented auditing

With the IPA II period, the European Commission has reinforced its expectations from beneficiary countries' assigned audit authorities. In carrying out their audit activities, these authorities are expected to assess specifically the sustainability of the projects, the accomplishment of their results/objectives, and the proper use of their assets and funds in compliance with sound financial management rules.

The Turkish AA therefore wants to improve its capacity in auditing sustainability, accomplishing results/objectives, and use of assets and project funds.

- Audit of works contracts

Auditing works contracts requires specific audit skills and professional knowledge. The specific objective of this activity is to train AA auditors to improve their skills and equip them with the necessary professional knowledge for auditing work projects. The AA is planning to train its auditors on works contracts and contracts that are similar from an audit perspective. In this respect,

the AA plans to revise its audit manual, including the checklist to improve the quality of works contract audits, and test it in the field under the training contract.

- Revision of manuals

The Audit Authority aims to receive twinning assistance for the revision of manuals, including templates for the audit programmes and procedures, minutes and all required checklists, as well as field reports. This activity also includes their possible adjustment. The outputs of this activity include delivery of practical and well-written audit manuals to ensure high-level audit quality.

The knowledge gained through this activity will be supported via 'Activity 5. Training Module for AA Trainers' ensuring organisational memory and project sustainability. Activity 2 and Activity 5 will also complement each other.

Activity 3: Ensuring compliance with international audit standards

Auditing knowledge is certified by professional institutions such as The Association of Chartered Certified Accountants (ACCA), The Institute of Internal Auditors, and in Turkey the Public Oversight, Accounting and Auditing Standards Authority (KGK). CIA, CGAP, Turkish CPA, Turkish Independent Auditor Certificate, PMP and CISA are examples of such certificates. These professional institutions also mandate certificate owners to improve their knowledge and expertise. The institutions achieve this by requiring mandatory continuous professional education and continuous professional development.

Encouraging auditors to get professional certifications is a good way to support our main objective of strengthening the audit capacity of the Audit Authority. The process of continuous professional development and examinations after certification is a very effective way of achieving this goal. As well as providing an opportunity for individual improvement, AA believes progress towards collective certification will create a synergy amongst auditors towards better education. To create the right environment for auditors to enter certification programmes and further improve the quality of audit works performed, audit-related certification programmes will be selected and auditors will be encouraged to enter the certification process. This encouragement will take the form of support to cover registration, entrance and certification fees and the provision of commonly used training material during the project execution period. Certified training courses not only increase auditors' competency and motivation but also contribute to the reputation and capacity of the AA, which in turn helps to prevent staff loss.

Activity 4: Improving and/or developing audit methodology, audit staff policies, and audit capacities and skills

The specific objective of this activity will be equipping auditors, improving and/or developing better audit staff policies, audit capacities and skills. The AA's audit manual will be revised accordingly. Using external expertise, training courses will be carried out, including but not limited to the following topics:

- analytical and critical thinking;
- communication skills (presentation skills, etc.);
- FIDIC training;
- distinction amongst construction materials training;
- use of external experts (civil engineers, etc.) for auditing works contracts;
- data analysis (such as Audit Command Language (ACL), Microsoft POWER BI, R Studio, Excel for Analysis of Financial Data, text analysis, correlation, regression analysis etc.);
- general IT knowledge;
- ISO 27001 (ICT);

- project management, sustainability, sound financial management, accomplishment of results/objectives with emphasis on KPIs and KRIs-based performance verification with public audit perspective, including revision of the audit manual, relevant checklist, and on-the-job training;
- report writing;
- financial modelling;
- statistical samplings;
- stratifications;
- risk assessments;
- creating working papers;
- techniques of gathering evidence.

In addition, training and/or online courses will also be included in the above-mentioned topics.

Finally, the AA manual and relevant policies and procedures will be revised to incorporate recommendations and training subjects, and the major revisions will be tested via on-the-job training on site where applicable.

Overall, the training activities, which invest in the professional development of the AA's staff, contribute to the above-mentioned retention policies by inspiring motivation and job satisfaction. This contributes to ensuring such investment will be sustainable and benefit the AA in the long term.

To increase staff retention, a staffing and retention policy will be developed through the Action and adopted by the AA. It will include the following policies.

- Employees should be encouraged to perform to the highest standards by receiving clear information on their duties and the rationale and goals behind their tasks.
- Employees should be given tasks and responsibilities that will help to develop trust and confidence in their performance.
- Employees should be involved in decision-making processes. This will give employees a sense of ownership of what has been proposed and they will do their best to achieve higher results.
- Employees should be treated equally to avoid creating the impression that there is favouritism within the department.
- Employees' ideas should be listened to and taken seriously.
- Staff should be encouraged to participate in community professional activities and to attend local professional meetings (discussion groups, etc.).
- Employees who are performing well should be rewarded so that those that are underperforming can be motivated to achieve higher standards.

Activity 5: Training module for AA trainers

To ensure the sustainability of the project results, the AA will ensure the following.

- At least eight members of staff will be assigned as trainers on the training performed under the project.
- A trainer under the TA is required to train at least eight staff from the institution (ToT). Moreover, training modules and relevant training materials (excluding any equipment and/or special tools used for it) shall be developed and delivered in the framework of the technical assistance project. With the help of these trainings (ToT), trainers within the Audit Authority could improve the teaching and training skills needed to transfer knowledge and experience to newly recruited auditors. This ensures the sustainability of the activities under this Action and prevents the loss of know-how.

RISKS

- Firstly, the main risk in the implementation phase is lack of dedication among stakeholders, which would cause disruption to cooperation and coordination and would eventually give rise to problems, such as delays. The AA is going to tackle such problems by devoting a team of auditors who will work solely for the project.
- Secondly, though the AA has a low turnover rate (6.6%), there is always a risk of staff loss among auditors who have benefited from training programmes. However, the project itself contributes to improving the conditions for staff retention, for instance by promoting training and investing in developing the capacities of the AA's staff. In addition, the AA will continue fostering teamwork, which also helps keep staff turnover low.
- Finally, a further risk is the failure of the audit programme to produce the expected results due to developers' low level of knowledge in the audit field. In addition, the software development process may not be finished on time, due to possible conflicts over requirements between developers and auditors. To avoid such problems, the AA has already worked on all processes and procedures for IPA audits, and continues to work on the internal control framework with the support of experts within the Ministry of Treasury and Finance.

CONDITIONS FOR IMPLEMENTATION

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

Activity	Main Beneficiary
Activity 1. Supporting the Audit Authority in relation to performing computer-assisted Audits (software and hardware).	Audit Authority
Activity 2. Improving audit quality in line with EU best practices, recommendations and new IPA regulations.	Audit Authority
Activity 3. Ensuring compliance with international audit standards	Audit Authority
Activity 4. Improving and/or developing audit methodology, audit staff policies, and audit capacities and skills	Audit Authority
Activity 5. Training module for AA trainers	Audit Authority

The Contracting Authority will be the Central Finance and Contracting unit (CFCU). It will be responsible for all procedural aspects of the tendering process, contracting matters and financial management of the activities. The main and final beneficiary of the action is the AA, which is responsible for the accountability and effective functioning of the management and control systems.

It is envisaged that the Internal Audit Unit of the Ministry of Treasury and Finance will be the auditor of this project. The unit is directly linked to the Minister and has adequate capacity to perform checks.

The AA is responsible for verifying the effective and sound functioning of the management and control systems for IPA. It also contributes to the development of an efficient and accountable public administration, notably to support the proper functioning of the institutions involved in implementing the IPA programme in Turkey and the segregation of duties between IPA bodies. In this way it also contributes to the protection of EU and national financial interests, and to combating fraud and corruption.

METHOD(S) OF IMPLEMENTATION AND TYPE(S) OF FINANCING (SEE ANNEX IMPLEMENTATION – BUDGET)

The method of implementation is indirect management with the beneficiary country, namely with Turkey.

The CFCU is the Contracting Authority of the project. The Contracting Authority will be responsible for tendering, contracting, administration, overall project supervision, review and final approval of the reports and financial management.

The Contracting Authority is expected to conclude indicatively one twinning light contract, one services contract and one supply contract, for which the co-financing rates will be 100% except for the supply contract (85%). The national co-financing for the supply contract is 15%.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING AND EVALUATION

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary which has been entrusted with budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

Depending on the importance/nature of the action, a mid-term, a final or an *ex post* evaluation will be carried out for this Action or its components via independent consultants, through a joint mission or via an implementing partner.

The evaluations will be carried out in line with DG NEAR guidelines on linking planning/programming, monitoring and evaluation. A Reference Group comprising the key stakeholders of this Action will be set up for every evaluation to steer the evaluation process and ensure the required quality level of the evaluation outputs is met and the recommendations of the evaluation are properly followed up.

Evaluations will be carried out for problem solving, accountability and learning purposes at various levels.

The evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the European Commission shall analyse the conclusions and recommendations of the evaluations. Where appropriate, and in agreement with the IPA II beneficiary, they shall jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, reorienting the project.

In addition, the Action might be subject to external monitoring in line with the Commission's rules and the procedures as set out in the Financing Agreement.

5. SECTOR APPROACH ASSESSMENT

The Indicative Strategy Paper for Turkey (2014-2020) stipulates that key bodies such as the ombudsman and state audit institutions must be independent and effective, and that their recommendations need to be appropriately followed up. In this regard, public financial management is an integral part of the public administration reform efforts and the basis for economic governance and sustainable socio-economic and structural reforms. A public financial management system covers a number of sub-systems, including revenue administration (customs/tax), budget preparation, budget execution with cash management, public debt, public procurement, accounting and reporting, public internal financial control and external audit. Thus it is crucial for Turkey to address issues including: public internal financial control; independent and effective external audit; improving its public procurement legislation and implementation; improving its strategic management and planning (which also link policy better to budgeting); and improving its accounting and reporting. This project aims to improve the public financial control mechanism through effective audit activities.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING AND EQUAL OPPORTUNITIES

This project aims to strengthen the capacity of the AA to implement an equal opportunities policy and not discriminate against employees on any basis such as age, gender, religion, sexual orientation or race/ethnicity. Male and female participation in the project will be based on the relevant standards of the EU. In this regard, all auditors of AA will benefit from this Action and all female auditors responsible for IPA will be trained.

MINORITIES AND VULNERABLE GROUPS

The activities supported under this Action will be implemented without any discrimination in line with Article 14 of the European Convention on Human Rights.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Exchange of information with other relevant institutions (domestic and international) is one of the key integral parts of this project. Moreover, further networking with relevant stakeholders through workshops, training and other information-sharing activities will enhance the AA's visibility and reputation. Consequently, public awareness-raising and engagement with other relevant international institutions, as well as domestic auditees and civil society, will be ensured.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The project does not foresee any negative environmental effect. The implementing partners will take care of environmental safety in all planned activities. The activities under this project are not envisaged to have any adverse effect on climate change.

7. SUSTAINABILITY

The activities under this Action Document will serve overall to strengthen the capacity of the AA and contribute to Turkey's further alignment with the EU *Acquis*. Also, the outcomes of this project will continue to be implemented after the end of each activity. In addition, training modules, computer-assisted tools (software and hardware) and audit materials will continue to be used after the implementation period of the project. The beneficiary will also have the chance to benefit from the trained persons in its future activities.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU. Communication and visibility activities shall be implemented in accordance with the EU communication and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process, as well as the benefits of the action for the general public. Actions shall aim to strengthen general public awareness and support of interventions financed and the objectives pursued. The actions shall aim to highlight to the relevant target audiences the added value and impact of the EU's interventions and to promote transparency and accountability in the use of funds.

Visibility and communication aspects shall be complementary to the activities implemented by DG NEAR and the EU Delegations in the field. The European Commission and the EU Delegations

should be fully informed of the planning and implementation of the specific visibility and communication activities.

All projects/contracts implemented under this Action shall comply with the Visibility Guidelines for European Commission Projects in Turkey published by the EUD to Turkey, at <https://www.avrupa.info.tr/tr/avrupa-birligi-gorunurluk-ilkelerini-ogrenin-16>.