FMC IMPLEMENTATION IN TURKEY &
A PRACTICE MODEL:

ACTION PLANS FOR HARMONISATION WITH PUBLIC INTERNAL FINANCIAL CONTROL STANDARDS

Mehmet BÜLBÜL

Ministry of Finance
General Directorate of Budget and Fiscal Control
Head of Department
Within the framework of the regulations, standards and methods, the following tasks and functions are under the authority and responsibility of the top managers and authorizing officers of public administrations:

- planning,
- programming,
- budgeting,
- execution,
- control,
- accounting
- reporting
Functioning of financial management and control in Turkey

Development Plans / Programs / Organizational Laws

- **Strategic Plan**
  - Strategic goals
  - Objectives
  - Performance indicators

- **Performance Program**
  - Activities and projects
  - Performance targets and indicators
  - Need for resources

- **Budget**
  - Spending Units
  - Appropriations
  - Restrictions

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**Public Internal Control Standards**

- Duties, powers and responsibilities
- Delegation of authority
- Competent staff who have adopted the ethical values
- Risks identified at strategic / program / operational level
- Control strategies and methods in line with risks
- Segregation of duties
- Information and communication supporting the decision making processes
- Regular monitoring of the design and functioning of internal controls
- Internal audit

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**Expectations from managers**

- Compliance with plans/programs/budget
- Compliance with legislation
- Compliance with the 3e principle
- Achieving goals

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**Accountability Report**

- Results of activities/projects
- Performance goals and realisations
- Deviations and their reasons
- Internal Control Assurance Statement

**External Audit / Court of Accounts**

- Financial audit
- Compliance audit
- Performance audit

**Grand National Assembly of Turkey**

- External Audit Report
- Conformity Statement
- Final account

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**Planning Programming Budgeting**

**Execution**

**Accountability**
Public Internal Control Standards were laid down on the basis of the COSO model, INTOSAI Guidelines for Public Internal Control Standards as well as the European Union Internal Control Standards.

- 18 Standard
- 79 General Principles

(Published in the Official Gazette on 26 December 2007)
Public Internal Control Standards

I - Control Environment Standards
   1- Codes of ethics and integrity
   2- Mission, organisational structure and duties
   3- Competence and performance of personnel
   4- Delegation of authority

II. Risk assessment standards
   5- Planning and programming
   6- Identification and assessment of risks

III. Control activities standards
   7- Control strategies and methods
   8- Identification and documentation of procedures
   9- Segregation of duties
   10- Hierarchical controls
   11- Continuity of activities
   12- Information system controls

IV. Information and communication standards
   13- Information and communication
   14- Reporting
   15- Registry and filing system
   16- Notification of errors, irregularities and fraud

V. Monitoring standards
   17- Assessment of internal controls
   18- Internal audit
Expectations from public administrations

- To revise existing systems and practices from the perspective of Public Internal Control Standards

- To prepare and implement an action plan for alignment with standards before the end of 2008
First challenges… (back in 2008)

- Public Internal Control Standards were not well understood.
- There was lack of ownership by top managers and authorising officers.
- The actors to work on alignment with standards and their responsibilities were not clearly explained.
- Strategy Development Units (SDUs) lacked the capacity to steer the implementation.

As a result: The need arose for FMC/CHU to provide more guidance.
In February 2009, the Action Plan Guide for Harmonisation with Public Internal Control Standards was published.

- The guide underlines the following:
  - The responsibility to establish an effective internal control system in public administrations and to ensure its functioning belongs to the senior managers of the administrations.
  - Internal control activities and regulations should take into consideration the risky areas.
  - Internal control is not an isolated unit or duty within the administration, it concerns everyone who take part in the activities.
  - Internal control covers all transactions; financial and non financial.
  - Internal control system should be revised at least once a year to identify the measures to be taken.
  - In the identification of the methods and processes regarding the internal control system, the public administrations should take into consideration their legal and administrative structures as well as their specific conditions such as the personnel structure and the financial status.
The guidance document defines the roles and responsibilities

- Head of administration (top manager)
- Internal Control Monitoring and Steering Board
- Strategy Development Unit
- Internal Audit
Methods for harmonisation with internal control standards

- Analysis of the existing situation
- Comparisons with the standards
- Gap analysis
- Harmonisation Action Plan
  - Situation where reasonable assurance is provided
  - Situation where reasonable assurance is not provided (Actions)
- Monitoring and evaluation
- Reporting to the Ministry of Finance
<table>
<thead>
<tr>
<th>Internal Control Standard and the General Principle</th>
<th>Current status of affairs</th>
<th>Foreseen actions</th>
<th>Unit in charge</th>
<th>Unit to cooperate with</th>
<th>Output/outcome</th>
<th>Deadline</th>
<th>Explanation</th>
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</table>

**Action plan format**
Positive outcomes of the action plan implementation

- Increased awareness among top managers.

- Participation from the managers and staff of spending units to the activities concerning harmonization with internal control standards.

- Action Plans for Harmonization with Public Internal Control Standards have been prepared in the public administrations and they have been enforced upon the approval of the senior management.
  - Central government: 130/192
  - Local administrations: 2486/3032

- Harmonisation activities laid down in the action plans are still being conducted by the public administrations.
Some actions have been identified without paying enough attention to institutional competence and capacity.

Some actions have been prepared with inspiration from the action plans of other public administrations.

In some of the public administrations the action plans are yet to be implemented.
Public Internal Control Manual

- Basic concepts
- Roles and responsibilities
- Standards and their explanation
- Implementation steps
- Examples
- Forms
Roll-out seminars and revision works

- Draft Public Internal Control Manual:
  - was discussed during the workshops with SDU managers,
  - was explained, to the experts working in SDUs, with case studies during the 5-day group training events,
  - was published on the website of our Ministry upon which relevant officials submitted their comments and opinions.
  - Also, many public administrations and institutions submitted their official opinions and evaluations (Court of Accounts, Internal Audit Coordination Board, Prime Ministry and other ministries, Association of Public Internal Auditors, Institute of Internal Audit of Turkey, etc.)
  - The final version is planned to be published in 2013.
Lessons learned

- Guidance and monitoring function of the FMC/CHU is critical.

- Leadership and ownership from the top manager is a prerequisite for success.

- Trained staff capacity of the SDUs, the coordination units of the system, should be enhanced.

- Guidance documents (manuals, handbooks, etc.) are more effective than laws.
Questions?
Thank you...