

# FMC IMPLEMENTATION IN TURKEY & A PRACTICE MODEL:

## ACTION PLANS FOR HARMONISATION WITH PUBLIC INTERNAL FINANCIAL CONTROL STANDARDS

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# Scope of financial management and control and responsibility

❖ 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

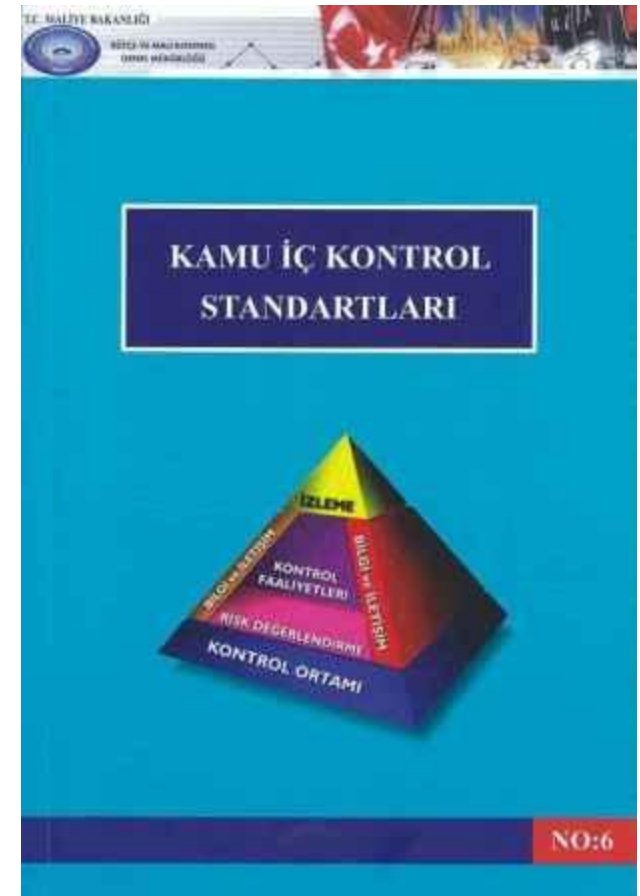


# Public Internal Control Standards

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

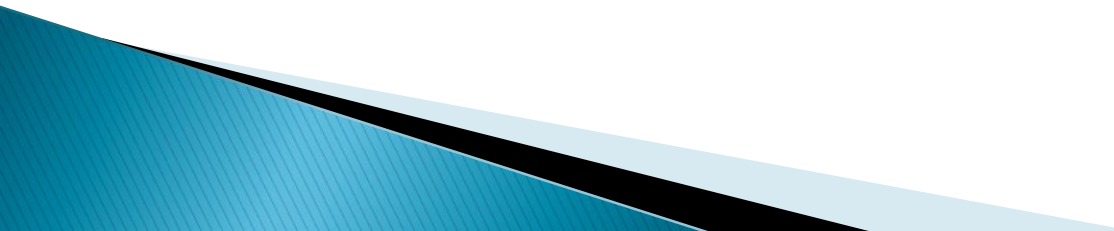
## IV. Information and communication standards

- 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
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## 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.



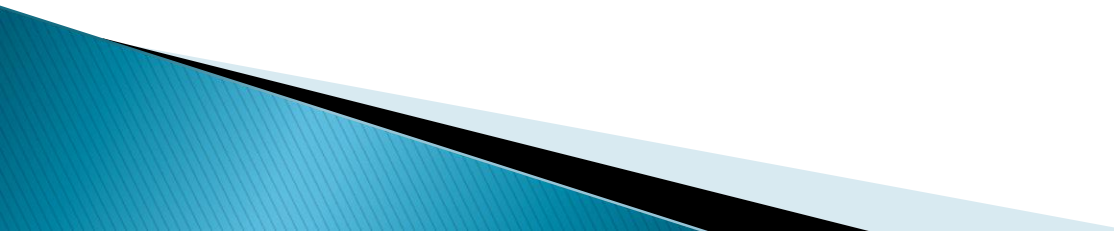
# Guidance activities of the FMC/CHU

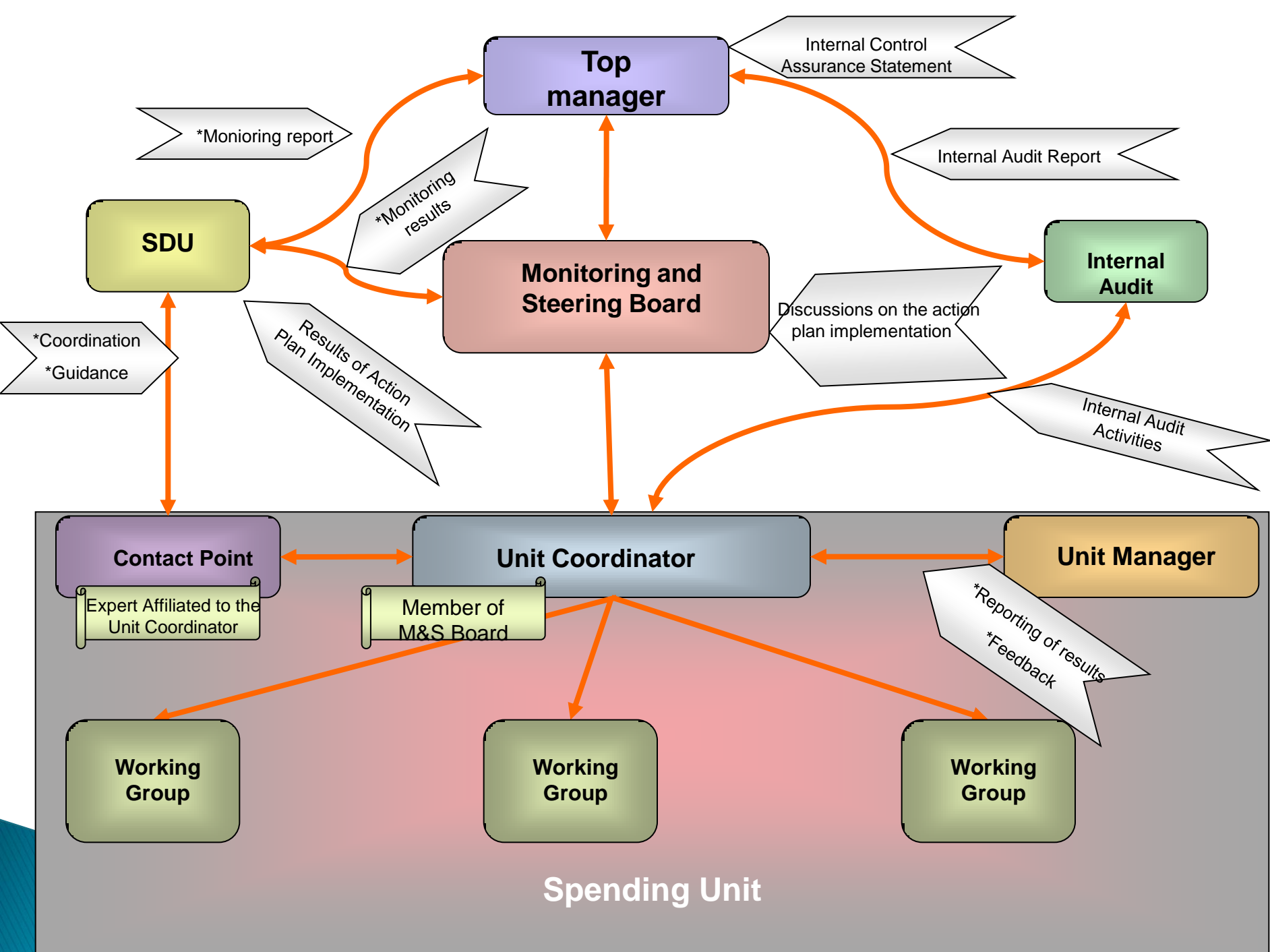
In February 2009, the Action Plan Guide for Harmonisation with Public Internal Control Standards was published.

- ▶ 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
  - ▶ Working Group on the Action Plan Guide for Harmonisation with Internal Control Standards
  - ▶ Strategy Development Unit
  - ▶ Internal Audit
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# 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

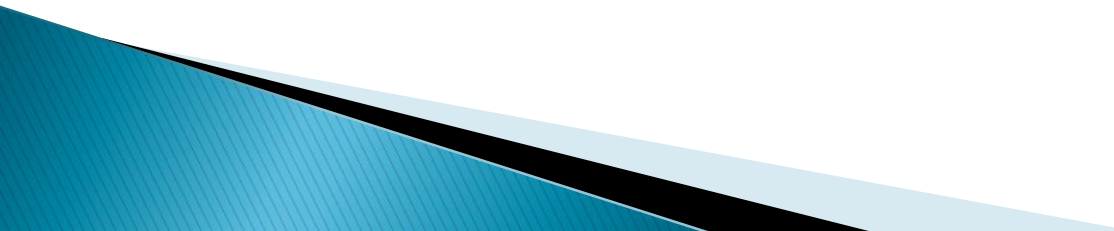
# Action plan format

Internal Control Standard and the General Principle	Current status of affairs	Foreseen acitons	Unit in charge	Unit to cooperate with	Output/ outcome	Deadline	Explanation
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# 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

## Negative outcomes of the action plan implementation

- ▶ 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.
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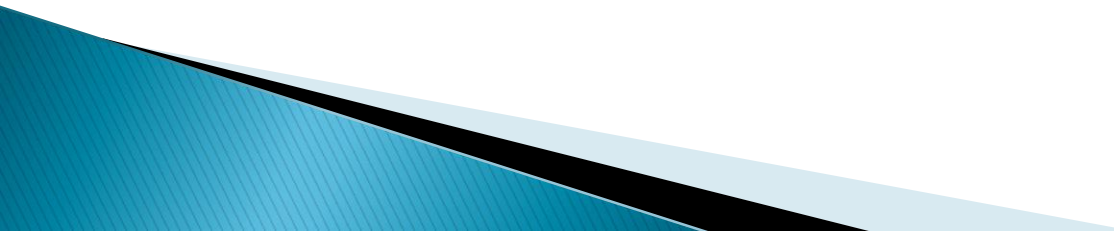
# Public Internal Control Manual

- ▶ Basic concepts
- ▶ Roles and responsibilities
- ▶ Standards and their explanation
- ▶ Implementation steps
- ▶ Examples
- ▶ Forms



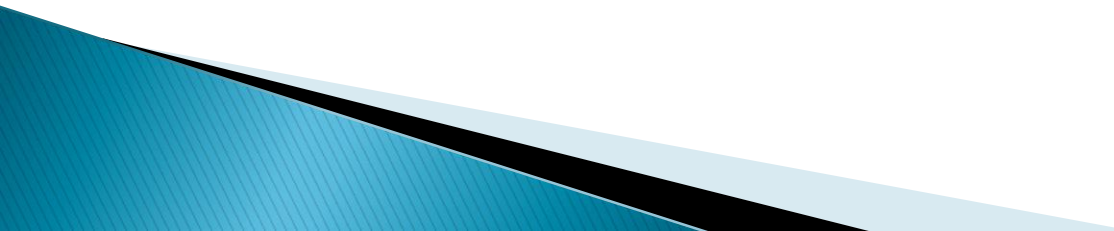
## Roll-out seminars and revision works

### ► 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.
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# 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, hand books, etc.) are more effective than laws.
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Questions?

*Thank you...*