



Turkish Court of Accounts

Financial Statistics Assessment Guideline

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PREAMBLE

The audit area of the Turkish Court of Accounts (TCA) has widened with the Public Financial Management and Control Law no.5018 and the TCA Law no. 6085, and the principle of conducting audit according to generally-accepted international audit standards has been adopted. The aim of the adopted concepts of fiscal transparency and accountability is to inform the public in a timely manner in order to ensure that all relevant parties have information on the financial status of the public administration and that they make their decisions in the light of this information.

The needs for information have created the requirement of preparing and publishing data in a way enabling international comparison, and this brings forward the concept of financial statistics.

While the assessment of those statistics (which will be compiled as general management sector and its affiliated subsectors and shared with the public) by an independent audit organ is a requirement of the modern management understanding, this assessment will increase the confidence in the published statistics. In line with this requirement, the TCA has been given the task of assessing the published financial statistics of a year in terms of preparation, publication, accuracy, reliability and compliance with pre-determined standards.

Matters regarding financial statistics are regulated in Articles 52, 53 and 54 of Law no. 5018. According to those articles, in a general sense, financial statistics cover the financial transactions of public administrations under general management, and they are prepared by the personnel that receive sufficient professional training by using statistical methods based on the data in the accounting records within the framework of the principles of integrity, reliability, usefulness, methodological validity and accessibility according to the international standards.

However, the financial data that forms the subject of financial statistic should be structured in a way not causing any authority and task confusions in terms of data preparation, publication, accuracy, reliability and compliance with pre-determined standards so that the public financial statistics can be assessed in the way defined in laws. The TCA will contribute to the generation and publication of reliable financial statistics with the assessment reports it will prepare.

Financial Statistics Assessment Guideline is a document that needs to be revised according to the changes that might occur in the process.

I would like to take this occasion to thank all our staff members that contributed to the preparation of this guideline, and I hereby present my respects along with my wishes that this guideline comes in useful for its users.

Assoc. Prof. Dr. Recai AKYEL

President

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1. ESSENTIALS OF ASSESSING FINANCIAL STATISTICS

1.1. Definitions

Financial statistics: All financial transactions of the public administrations under general management.

Public administrations under general management: Public administrations and local administrations in the Tables I, II, III, and IV attached to the Law no.5018.

General management sector: General management sector defined according to international standards as per Article 52 of Law no.5018 by the Ministry of Finance.

Subsector: Secondary level classification of the administrations that are categorized in the general management sector, according to budget type and resources.

Financial transactions: All operations and transactions that cause an increase or decrease in the income, expense, assets, obligations (including contingent obligations such as guarantee, bond) and equities of public administrations.

Public administration accounts: Recording the financial transactions in the accounts in accounts plans that are formed according to a standardized accounting system and generally-accepted accounting principles, and reporting those records according to the financial reporting standards.

Public administration financial reports: The financial statements, footnotes and remarks defined in the General Management Accounting By-Law.

Data compilation: The obtainment and collection of data.

1.2. Aim and Objective

The aim of this guideline is to define the procedures and principles to be observed in the assessment and reporting of the financial statistics published by the Ministry of Finance by the TCA.

The objective of TCA's assessment of the financial statistics is to contribute to the preparation and timely publication of the published statistics of a fiscal year, based on the accounting data in line with the principles of integrity, reliability, usefulness, methodological validity and accessibility according to the international standards.

1.3. Scope

The scope of this guideline is the assessment of the financial statistics of a year published by the Ministry of Finance.

1.4. Features of Assessment

- Financial statistics are generated from the accounting data. In this respect, financial statistics are considered not to be based on administrative records and financial reports and tables of administrations according to statistical terminology.
- Assessment covers the assessment of the preparation and compilations processes.
- It enables the reporting of the assessment results.
- It is conducted in the form of assessing the financial statistics of a year in March of the following year.
- The assessment of the financial statistics is conducted in terms of preparation, publication, accuracy, reliability and compliance with pre-determined standards.
- The assessment of the published statistics in respect of sectors and/or subsectors is conducted by the groups and/or teams to be assigned by the Presidency.

1.5. Data Sources to Be Used In Assessment

The following data sources are used in assessing the financial statistics:

- *Financial Reports and Tables*: The records of administrations (that are in the sector classification to which the financial statistics belong) that they should keep according to the accounting system and account plan; and the financial reports such as trial balance, balance sheet, operating results, which they are obliged to prepare.
- *Official Statistics Program (OSP)*: The program covering the statistics that should be prepared and published in five-year periods agreed upon by the Cabinet according to the Turkish Statistics Law no.5429.
- *Official Statistics*: The statistics prepared and published within the framework of the Official Statistics Program.

- *Financial Statistics*: The statistics that are foreseen by the Ministry of Finance in the Law no. 5018 and that are programmed under the main title of Macroeconomic Statistics within the scope of the Official Statistics Program.
- *State Accounting Standards*: State Accounting Standards, which are published by the State Accounting Standards Council.
- *Documents Regarding External Confirmation*: Records, data and statistics obtained from external sources used in the preparation of financial statistics.
- *Other Documents and Information Generated by the Entity*: Reports, annual activity reports and audit reports prepared by administrations (that are in the sector classification to which the financial statistics belong).
- *Written and Oral Information*: Written and oral information obtained from the discussions made with the managers and staff of administrations (that are in the sector classification to which the financial statistics belong), or third parties.
- *Other Sources*: Other information and documents belonging to the administration in respect of general management sector or subsectors; and the news, articles and comments included in the visual and print media.

1.6. Assessing the Financial Statistics

The Presidency makes the necessary assignments in order to assess the statistics of the public sector in respect of the public sector and/or subsectors.

Financial statistics are assessed in terms of preparation, publication, accuracy, reliability and compliance with pre-determined standards.

The procedures for assessing statistics indicate the manners and methods to be followed for obtaining audit evidence during the assignment. Those procedures can be applied together or alone in different stages of assessment. Assessment procedures consist of control tests, analytical procedures and direct substantive procedures.

Control tests mean the testing of statistic compilation procedures with the purpose of obtaining assessment evidence regarding whether those procedures are formed in a way preventing the formation of a material mistake in statistics and whether they operate effectively.

Analytical procedures mean the assessment of financial information based on the rational relations between the financial and non-financial data and between them and other data.

Direct substantive procedures cover the assessment processes conducted by the auditor with relations to the completeness, accuracy and reliability of statistics. They mean the detailed examinations made on the financial statistics and financial statements for obtaining assessment evidences in order to identify the errors that might reflect onto the statistics from the financial reports.

While applying the abovementioned procedures, the auditor gathers assessment evidence by using one or more of the audit techniques, which are examination of records and documents, observation, obtaining written and oral information, comparison, confirmation, re-calculation, re-performance, and computer-aided audit.

1.7. Reports to be Prepared

Financial statistics assessment report is submitted to the Presidency until the end of March to get the opinion of the Report Assessment Council. A copy of the report is sent to the Ministry of Finance by the Presidency to make explanations while the report is discussed in the Council.

After receiving the opinion of the Council, the report is submitted to the Turkish Grand National Assembly (TGNA) by the President of the TCA until the end of April, and a copy is sent to the Ministry of Finance.

2. PROCESS OF ASSESSING FINANCIAL STATISTICS

Public financial statistics are assessed by the TCA in terms of preparation, publication, accuracy, reliability and compliance with pre-determined standards.

2.1. Assessment In Terms of Preparation

In our country, the financial statistics of the General Management Sector are prepared by the Ministry of Finance. ESA 95 (European System of National and Regional Accounts) is taken as the basis for the sector classification for the preparation of the financial statistics. According to this system, General Management Sector is divided into subsectors of central management local administrations and social security institutions. Some of the administrations in subsectors are included in the accounting automation system of say2000i, so their data is drawn from the system. For the ones not included in this system, the data is sent by the relevant administration to the Ministry of Finance weekly and monthly. The Ministry of Finance compiles the data gathered on a sectoral basis with the help of those two procedures.

The methods and internal controls used for preparing the public financial statistics are reviewed.

While assessing the methods used for preparing the public financial statistics, the matters taken into consideration are the combination procedures of data taken from administrative records and whether the account plans are compatible with each other.

In the works conducted regarding the combination or consolidations of incompatible account plans, the matters assessed are whether the necessary explanations are included in the footnote and remarks section, and whether there is a harmonization key. In this respect, primarily the account plans of the sectors, subsectors and the social facility, fund, etc affiliated to those sectors are examined.

On the other hand, the compilation procedures of data are also reviewed in terms of the preparation of financial statistics. The timely, accurate and complete transfer of the compiled records and data is examined along with the fact that whether authorities and responsibilities in those processes are identified. Necessary tests are made regarding the other internal controls and the information systems used. Internal controls and the controls over the information systems are executed according to the procedures and principles included in the Regularity Audit Guideline.

2.2. Assessment In Terms of Publication

This process covers the assessment of the publication tools and schedule of the published financial statistics.

While the place and procedure of publishing financial statistics might change in time, an assessment is made on whether they are published through the identified procedures. For example, procedures might be identified for disclosure to public in the official gazette, official bulletins or on internet. Assessment is made on whether those procedures are observed.

In the assessment regarding the publication time; if there is schedule foreseen by the legislation assessment is made on whether this schedule is observed. This schedule might be identified by a law, regulation etc legislation, or it can be in the form of authorizing a body or entity.

If there are contradictions between the publication schedules of statistics regulated or agreed by more than one legislation, their harmonization through assessment should be advised.

The publication schedule of the statistics to be prepared in our country and the publication tools are identified with Official Statistics Program (OSP). The framework laid down by laws is taken into consideration in those identifications.

2.3. Assessment In Terms of Accuracy and Reliability

Assessment in terms of accuracy and reliability covers the assessment of the reliability of the stages starting from the accuracy and reliability of the data of the administrations that

has statistics classified according to budget types, to the stages of compiling and combining/consolidating the generated data.

In the assessment in terms of accuracy and reliability, assessment is made on the accuracy and reliability of the procedures and methods applied in data compilation and on whether those procedures have a reliable internal control system.

The TCA also assesses the reliability of tools used in this compilation and, when necessary, of the information systems with the applied data compilation procedure.

It conducts the audits of the compilation procedures and of the information systems used in these procedures within the framework of audit techniques related to internal control audit and information systems audit included in the regularity audit guidelines.

In this assessment, the financial statements of the public administration and the accounting records form the basis; and if there is other data used in the analysis made, attention is paid to make sure that their sources are from the data within the scope of official statistics. If there are analyses conducted based on some international data, the international statistic sources should be used.

Another assessment to be made in this scope is the assessment of the appropriateness and accuracy of the formulas used in the published financial analysis. The formulas used should be confirmed with procedures such as substantive testing and re-calculation.

In the assessment of statistics in terms of accuracy and reliability, the audit opinions expressed by the TCA in the previous years are taken into consideration.

2.4. Assessment In Terms of Compliance with Pre-Determined Standards

Compliance with Sectoral Classification

The public financial statistics cover the financial transactions of public administrations under general management defined in the Law no.5018. However, since the Ministry of Finance has the authority to redefine this scope according to international standards, this matter is also considered in the assessment. The auditor reviews the compliance of this scope with the international classifications. International norms to be taken into consideration in those classifications are European System of National and Regional

Accounts (ESA 95), United Nations System of National Accounts (SNA 93) and IMF Government Finance Statistics Manual (GFSM 2001).

In our country, General Management Sector and its subsectors are identified with the framework of the standards of the European System of National and Regional Accounts (ESA 95).

The scope of the General Management Sector is identified by the Ministry of Finance with general management financial statistics general circulars after getting the opinions of the Ministry of Development, Undersecretariat of Treasury, Turkish Central Bank and Turkish Statistical Institute.

According to this classification, General Management Sector consists of three subsectors, which are Central Management Subsector, Local Administrations Subsector and Social Security Institutions Subsector. The administrations included in subsectors are listed in the attachment of the general circulars.

In the consolidation of financial data belonging to a sector and subsectors, it is checked whether the national and international accounting and reporting standards regarding the consolidation of financial statements are taken into consideration. Attention should be paid to the debits and credits of the same sector and subsectors to each other and to the repeated indication of the other matters.

Compliance with Accounting Standards

Financial statistics are generated from the accounting records of the financial transactions of the administrations included in the general management classification.

The recognition and reporting of the financial transactions are identified in the accounting by-laws that are regulated in compliance with the international accounting and reporting standards.

The rules regarding which financial reports identified in the accounting by-laws will be published by the general management sector and subsectors to meet the needs of the users are explained with the Official Statistics Program coordinated by the Turkish Statistical Institute. According to the Official Statistics Program belonging to 2012-2016, the

publication of General and Central Management Trial Balance, Budget Implementation Results Statement, Income-Expense (Activity) Statement, Cash Flow Statement, Annual Balance Sheet, Functional Expenditure, General Management Financial Statistics (GFS) is deemed appropriate.

While identifying the contents and disclosures of the public financial statistics, the State Accounting and Reporting Standards should be taken into consideration. The international norms for identifying those contents are European System of National and Regional Accounts (ESA 95), United Nations System of National Accounts (SNA 93) and IMF Government Finance Statistics Manual (GFSM 2001).

REPORTING

At the end of the assessment process explained above, the TCA assessment of the financial statistics is reported according to the examples below.

Report Example 1:

The published financial statistics for 20... were compiled by the Ministry of Finance by using statistical methods; they were published on muhasebat.gov.tr by the General Directorate of Public Accounts of the Ministry of Finance on the date of .../.../2011 identified in the Official Statistics Program and General Management Accounting By-Law; and they were sent to the relevant libraries, agencies and international entities (IMF, European Union Statistics Office) after being published in print as General Management Financial Statistics Book. Those statistics are accurate, reliable and in compliance with the pre-determined sectoral classification and account plans.

Report Example 2:

The assessment report, which should be prepared about the financial statistics that could not be published on time because of some reasons, should be as follows.

The published financial statistics for 20..., which should be compiled by the Ministry of Finance by using statistical methods, and published on the date of .../.../2011 identified in the Official Statistics Program and General Management Accounting By-Law, and published as General Management Financial Statistics Book, were not published on the said dates.

In the light of the information received from the General Directorate of Public Accounts of the Ministry of Finance and the inquiries made, the reasons why they were not published are as follows:

1-.....

2-.....

3-.....

The said reasons should be resolved, and the financial statistics should be published on time.

Report Example 3:

If the published reports are published at the end of a process harming accuracy and reliability for some reasons, the example of the report to be prepared is as follows:

The published financial statistics for 20... were compiled by the Ministry of Finance by using statistical methods; they were published on muhasebat.gov.tr by the General Directorate of Public Accounts of the Ministry of Finance on the date of .../.../2011 identified in the Official Statistics Program and General Management Accounting By-Law; and they were sent to the relevant libraries, agencies and international entities (IMF, European Union Statistics Office) after being published in print as General Management Financial Statistics Book. While those statistics are in compliance with the pre-determined sectoral classification and account plans,

- their accuracy and reliability are disputable because they are not based on the sectoral accounting data, instead data based on prediction was used for them.

Suggestion:

-Precautions should be taken that will make it compulsory for the statistical compilation procedures of the aforesaid sector to rely upon the accounting data.

The assessment report, which is prepared as per Article 40 of the TCA Law, is submitted by the president of the TCA to the TGNA after getting the opinion of the Report Evaluation Council, and it is sent to the Ministry of Finance.

3. MONITORING

The developments with respect to whether the Ministry of Finance has taken the necessary precautions regarding the assessments included in the report sent to the Ministry of Finance as per Article 40 of the TCA Law and the precautions taken are reported by being taken into consideration in the next year's assessment.