

Republic of Turkey  
Ministry of Finance  
Strategy Development Unit

**PUBLIC FINANCIAL MANAGEMENT  
AND CONTROL LAW  
NO. 5018**

August 2010, Ankara-TURKEY

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**NOTE:**The amendments made by the Laws No. 5263, 5273, 5286, 5335, 5345, 5429, 5431, 5436, 5467, 5502, 5538, 5544, 5548, 5628, 5662, 5765, 5793, 5902, 5917, 5952, 5978, 5979, 6001, 6005, 6009, 6087, 6218 and 6225 were inserted in the Public Financial Management and Control Law No.5018.

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# **PUBLIC FINANCIAL MANAGEMENT AND CONTROL LAW**

<b>Law No</b>	<b>: 5018</b>
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## **FIRST PART**

### **General Provisions**

#### **FIRST SECTION**

#### **Purpose, Scope and Definitions**

#### **Purpose**

**Article 1-** The purpose of this Law is to regulate structure and functioning of the public financial management, preparation and implementation of the public budgets, accounting and reporting of all financial transactions, and financial control in line with the politics and objectives covered in the development plans and programs, in order to ensure accountability, transparency and the effective, economic and efficient collection and utilization of public resources.

#### **Scope**

**Article 2-** This Law covers the financial management and control of public administrations within the scope of general government, encompassing public administrations within the scope of central government, social security institutions, and local administrations.

Without prejudice to the provisions of international agreements, the utilization and control of European Union funds and domestic and foreign resources allocated to public administrations shall be subject to the provisions of this Law.

Regulatory and supervisory agencies are subject only to the Articles 3, 7, 8, 12, 15, 17, 18, 19, 25, 42, 43, 44, 47, 48, 49, 50, 51, 52, 53, 54, 68 and 76, 78 of this Law.<sup>1</sup>

## **Definitions**

**Article 3-** Exclusively, in the enforcement of this Law;

a) Public administrations within the scope of general government: refer to public administrations within the scope of central government, social security institutions and local administrations, which are determined according to international standards.

b) Public administrations within the scope of central government: refer to public administrations in charts I, II and III of this Law.

c) Regulatory and supervisory agencies: refer to agencies defined in chart III of this Law.

d) Social security institutions: refer to public institutions defined in chart IV of this Law.

e) Local administrations: refer to municipalities, special provincial administrations and to associations and administrations related to or established by them, or where they are a member which perform public activities with authorities limited to specific geographic regions and services.<sup>2</sup>

f) Budget: refers to the document which indicates the revenue and expenditure estimations of a certain period and issues related to their realization, and which is put into force as required by the relevant procedures.

g) Public resources: refer to public revenues including those acquired through borrowing, and to movable and immovables,

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<sup>1</sup>As per Article 10 of the Law No. 5436 and of 22//12/2005, “42” statement has been inserted after “25” statement; “44” statement after “43” statement; “78” statement after “76” statement in the last paragraph of Article.

<sup>2</sup> As per Article 10 of the Law No. 5436 and of 22//12/2005, the statement of “and associations and administrations established by them” in subparagraph (e) of Article 3 has been replaced with the statement of “associations and administrations related to or established by them, or where they are a member.”

deposits, receivables and rights and all kinds of valuables, that all belong to the public.

h) Public expenditure: refers to public expenditures consisting of payments for the goods and services acquired and for the works done pursuant to their respective laws, social security contributions, interest payments of domestic and foreign debts, general borrowing expenditures, payments resulting from the discounted sale of borrowing instruments, economic, financial and social transfers, donations and grants, and other expenditures.

i) Public revenue: refers to taxes, levies, charges, holding funds, shares or similar revenues acquired pursuant to their respective laws, revenues from interests, surcharges and fines, all types of revenues acquired from movable and immovables, revenues obtained from services rendered, revenues from premium-sold borrowing instruments, deductions from social security premiums, donations and grants received, and other revenues.

j) Special revenue: refers to revenues which are indicated in the general budget and which are obtained from the activities, excluding public duties and services, stated in relevant laws of administrations within the scope of general budget and from deliveries of their priceable goods and services.

k) Spending unit: refers to the unit for which appropriation is allocated within the budget of the public administration, and which is authorized to spend it.

l) Public financial management: refers to legal and administrative systems and processes that will ensure the effective, economic and efficient utilization of public resources in accordance with defined standards.

m) Financial control: refers to the control system, institutional structure, method and processes, which are established to ensure the effective, economic and efficient utilization of public resources in line with the determined aims and the rules established by the relevant legislation.

n) Strategic plan: refers to the plan which includes medium and long term goals, basic principles and policies, objectives and

priorities and performance indicators of public administrations, as well as the methods and the resource distribution to achieve these.

o) Fiscal year: refers to the calendar year.

## **SECOND SECTION**

### **Public Finance**

#### **Public Finance**

**Article 4-** Public finance covers the collection of revenues, exercise of spending, financing of deficits and management of public assets, debts and other liabilities.

Public finance is conducted according to the principles of centralized and decentralized management. The duties of public administrations are clearly defined in their relevant laws and taken as a basis for resource allocation.

#### **Fundamental Principles of Public Finance**

**Article 5-** Fundamental principles of public finance are as follows:

a) Public financial management shall be established and operated as a consistent whole.

b) Public finance shall be conducted in a manner to ensure the accountability of public officials.

c) Fiscal policy shall be formed and governed in concordance with macroeconomic and social objectives.

d) Public financial management shall be conducted in line with the budget appropriated by the Turkish Grand National Assembly.

e) Public financial management shall ensure fiscal discipline.

f) Public financial management shall create the environment needed to develop the public choices in a manner to ensure economic, financial and social efficiency.

g) In ensuring production of goods and services of public administrations and meeting their needs, it is required to make cost-effectiveness or cost-benefit or other necessary economic and

social analyses in accordance with the principles of economic or social efficiency.

Without prejudice to the provisions of relevant laws, the procedures and principles related to the implementation of the principles of public finance shall be defined and monitored by the Ministry of Finance.

### **Unity of Treasury**

**Article 6-** The revenues, expenditures, collections, payments, cash planning and debt management of public administrations within the scope of central government shall be administered so as to ensure the unity of treasury.

All revenues of public administrations defined in chart I of this Law shall be deposited to the Treasury cash offices, and their expenditures shall be paid thereof. These administrations shall not have their own cash offices.

The provisions of the Law No 4749 of 28/3/2002 and the Law No 4059 of 9/12/1994 shall apply to all kinds of domestic and foreign borrowings, foreign grants received, extension of loans and grants and relevant repayments, treasury guarantees, treasury receivables, cash management and other relevant issues.

**(Annex: 25/6/2009-5917/47 art.)** Collection and payments carried out by the accounting units performing accounting transactions of the public administrations in the Chart (I) of this Law will be made via the Central Bank of Turkey (CBT) either by using a secure electronic signature or within the framework of the orders given in the electronic environment in accordance with the security criteria to be set out by the CBT. Upon receiving opinions of the Undersecretariat of Treasury and Central Bank of Turkey, the Ministry of Finance is authorized to determine procedures and principles for expansion of the scope of this implementation in a way to cover other public administrations within the scope of the general government into this implementation.

## **THIRD SECTION**

### **General Principles on the Utilization of Public Resources**

#### **Fiscal Transparency**

**Article 7-** In order to ensure supervision in the acquisition and utilization of all types of public resources, the public shall be informed timely. Accordingly, the following are compulsory:

- a) To clearly define the duties, authorities and responsibilities,
- b) To prepare government policies, development plans, annual programs, strategic plans and budgets; to negotiate them with the authorized bodies; to implement them and to make the implementation results and the relevant reports available and accessible to the public,
- c) To publicize the incentives and subsidies provided by the public administrations within the scope of general government, in periods not exceeding one year,
- d) To establish public accounts in line with a standard accounting system and an accounting order in accordance with generally accepted accounting principles.

Public administrations are responsible for making necessary arrangements and taking measures to ensure the fiscal transparency, which shall be monitored by the Ministry of Finance.

#### **Accountability**

**Article 8-** Those who are assigned duties and vested with authorities for the acquisition and utilization of public resources of all kind are accountable vis-à-vis the authorized bodies and responsible for the effective, economic and efficient acquisition, utilization, accounting and reporting of the resources on the basis of law, as well as for taking necessary measures to prevent abuse of such resources.

#### **Strategic Planning and Performance Based Budgeting**

**Article 9-** Public administrations shall prepare strategic plans in a cooperative manner in order to form missions and visions for

future within the framework of development plans, programs, relevant legislation and basic principles adopted; to determine strategic goals and measurable objectives; to measure their performances according to predetermined indicators, and to monitor and evaluate this overall process..

In order to present public services at the required level and quality, public administrations shall base their budgets and their program and project-based resource allocations on their strategic plans, annual goals and objectives, and performance indicators.

The Undersecretariat of State Planning Organization is authorized to determine the strategic planning calendar and the public administrations to be in charge of preparing strategic plans, and to set out the principles and procedures concerning the correlation of strategic plans with development plan and programs.

**(Annex: 24/7/2008-5793/30 art.)** Public administrations prepare their performance programs including activities and projects to be carried out, resources required for them and their performance objectives and indicators.

Public administrations shall prepare their budgets on performance basis and in concordance with the mission, vision, strategic goals and objectives included in the strategic plans. The Ministry of Finance is authorized to define the procedures and principles on the compatibility of administration budgets with the performance indicators stated in the strategic plans, and activities to be carried out by these administrations within this framework and other issues on performance-based budgeting.

Performance indicators that shall be jointly set by the Ministry of Finance, the Undersecretariat of State Planning Organization and relevant public administration shall be included in the budgets of these administrations. Performance audits are carried out in the framework of these indicators.

## **FOURTH SECTION**

### **Accountability of Ministers and Top Managers**

#### **Ministers**

**Article 10-** Ministers are responsible for implementing government policy and for ensuring preparation and implementation of strategic plans and budgets of the ministries and those of the affiliated, related or associated administrations in compliance with the development plans and annual programs. Ministers are also responsible for establishing the coordination and cooperation with other ministries in this framework. This responsibility is assigned to the Minister of National Education for Higher Education Council, universities and high technology institutes, and to the Minister of Interior for local administrations.

**(Amendment second paragraph: 24/7/2008-5793/31 art.)**

Ministers are accountable vis-à-vis the Prime Minister and the Turkish Grand National Assembly for the effective, economic and efficient utilization of public resources and for the legal and financial issues.

Ministers shall inform the public about the goals, objectives, strategies, assets, liabilities and annual performance programs of their administrations within the first month of every fiscal year.<sup>1</sup>

#### **Top Managers**

**Article 11-** Top manager is the undersecretary in ministries, the chief administrator in other public administrations, the governor in special provincial administrations and the mayor in municipalities. However, in the Ministry of Defence, top manager is the Minister.

Top managers are responsible for preparation and implementation of the strategic plans and budgets of their administration in conformity with the development plan, annual programs as well as with the strategic plan and performance objectives and service requirements of the administration; for

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, "plans" statement in the last paragraph of Article 10 has been replaced with "programs" statement.

effective, economic and efficient acquisition and utilization of the resources under their responsibility; for prevention of losses and abuses of such resources; for monitor and supervision of the operation of financial management and control system; and for accomplishment of the duties and responsibilities defined in this Law. Concerning all these responsibilities mentioned above, top managers are accountable to the Minister, and to their local councils in local administrations.

Top managers fulfil requirements of this responsibility through authorizing officers, financial services units and internal auditors.<sup>1</sup>

## **SECOND PART**

### **Public Administration Budgets**

#### **FIRST SECTION**

#### **General Provisions**

#### **Budget Types and Scope**

**Article 12-** Budgets of the administrations within the scope of general government shall be prepared and implemented in the form of central government budget, social security institution budgets and local administration budgets. Public administrations cannot prepare any budget under another title apart from the foregoing.

Central government budget consists of the budgets of public administrations included in chart I, chart II and chart III of this Law.

General budget refers to the budgets of public administrations, which are included in chart I of this Law and which are under the legal entity of the government.

Special budget refers to the budget of each public administration, which is included in the chart II of this Law and established as affiliated or related to a ministry for performance of a defined public service, to which revenues are allocated, and which is authorized to spend from such revenues, of which establishment and operation principles are regulated by special law.

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, “financial control officer” and “and accounting officer” statements in the last paragraph of Article 11 have been omitted

Regulatory and supervisory agency budget is the budget of each regulatory and supervisory agency, which is included in the chart III of this Law and established in the form of board, agency or supreme board by special laws.

Social security institution budget refers to the budget of each public administration, which is included in the chart IV and established by law to provide social security services.

Local administration budget refers to the budgets of public administrations within the scope of the local administration.

### **Budgetary Principles**

**Article 13-** Following principles shall apply to the preparation, implementation and control of the budgets:

a) In the preparation and implementation of the budgets, it is essential to ensure macroeconomic stability together with sustainable development.

b) The spending authority vested to public administrations with the budget shall be exercised with a view to perform the duties and services stipulated in the laws.

c) The budgets shall be prepared, implemented and controlled in conformity with the policies, targets and priorities envisaged in the development plans and programs, and according to the strategic plans, performance criteria and cost-benefit analysis of the administrations.

d) Budgets shall be negotiated and evaluated together with the budget estimations of the next two years by considering strategic plans.

e) **(Amendment: 22/12/2005-5436/10 art.)** The budget shall provide a comprehensive and transparent view of the public fiscal operations.

f) All revenues and expenditures shall be indicated in the budgets with their gross values.

g) It is essential not to allocate certain revenues for some specific expenditure.

h) It is essential to ensure revenue and expenditure balance in the budgets.

i) Budgets cannot be implemented unless they are accepted or approved by the Turkish Grand National Assembly or by the authorized bodies before the beginning of the relevant year.

j) Budgets shall not contain issues irrelevant to the budget.

k) Budgets shall be prepared and implemented in line with a classification determined by the Ministry of Finance according to the international standards in a way to exhibit institutional, functional and economic results.

l) Clearness, accuracy and fiscal transparency are essential for budget revenue and expenditure estimations and for reporting of implementation results.

m) All revenues and expenditures of public administrations shall be indicated in their budgets.

n) Public services shall be provided with appropriations to be allocated to the budgets in accordance with the methods, principles and purposes set forth by the legislation.

o) In the budgets, appropriations shall be allocated to accomplish specific purposes.

### **Draft Laws to Influence Revenues and Expenditures**

**Article 14-** Public administrations within the scope of central government shall calculate the financial burden that will be resulted from law drafts which will cause a decrease in the public revenues or an increase in the public expenditures and put public administrations under obligation within the framework of medium term program and fiscal plan and add it to the drafts. In addition, opinion of either the Undersecretariat of State Planning Organization or the Undersecretariat of Treasury according to its relevance to the draft laws shall be attached to these draft laws as well as opinion of the Ministry of Finance. <sup>1</sup>

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<sup>1</sup> As per Article 10 of the Law No 5436 of 22/12/2005, "according to appropriation types" statement in this paragraph has been omitted.

## **SECOND SECTION Central Government Budget Law**

### **Scope of the Central Government Budget Law**

**Article 15-** Central Government Budget Law is the Law that indicates the revenue and expenditure estimations of the public administrations included in the central government and that grants authority and permission for their realization and execution.

Central Government Budget Law shall include revenue and expenditure estimations of the first year and the following two years; budget deficit or surplus amount if any and how the deficit will be covered or where the surplus will be used if any; tax revenues renounced due to tax exemptions, exceptions, reductions and similar practices; borrowing and warranty limits; authorities to be granted for the implementation of budgets; attached schedules and provisions pertaining to the revenues and the expenditures, to be implemented totally, to be implemented partially or not to be implemented at all during the fiscal year. The revenue-expenditure estimations of each public administration within the scope of central government may be presented in special sections or schedules of the central government budget law.<sup>1</sup>

### **Medium Term Program, Medium Term Fiscal Plan and Budget Preparation Guide**

**Article 16-** Ministry of Finance is responsible for the preparation of the Central Government Budget Draft Law and for ensuring the coordination between the related public administrations.

The preparation process of central government budget begins with the Council of Ministers meeting to be held until the end of May, where the Council adopts the medium term program

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<sup>1</sup> *As per the Constitutional Court Decision No.E.:2004/10, K.: 2009/68 of 2/6/2009, "to be implemented partially or not to be implemented at all" statement in the first sentence of this paragraph has been cancelled and again as per the Constitutional Court Decision No. E.:2004/10, K.: 2009/7 (Stay of Execution) of 2/6/2009, it is ensured to stay the execution of this Decision on Cancellation until the date of its publication in the Official Gazette.*

prepared by the Undersecretariat of State Planning Organization and including basic macro policies, principles, and economic figures as targets and indicators in line with the development plans and strategic plans of the institutions and requirements of the general economic conditions. Medium term program shall be published in the Official Gazette within the same term.

As consistent with the medium term program, the medium term fiscal plan prepared by the Ministry of Finance and including targeted deficit and borrowing positions, total revenue and expenditure estimates for the following three years and the ceilings of appropriation proposals of the public administrations shall be determined by The High Planning Council until 15th of June, and published in the Official Gazette.

In order to guide the preparation process of the budget proposals and investment programs of the public administrations; the Budget Call and the Budget Preparation Guide annexed thereto shall be prepared by the Ministry of Finance, and the Investment Circular and Investment Program Preparation Guide annexed thereto shall be prepared by the Undersecretariat of State Planning Organization, and all shall be published in the Official Gazette until the end of June.

Budget Preparation Guide and the Investment Program Preparation Guide shall serve as a basis for the preparation of budget proposals and shall encompass the general principles, objective and measurable standards and calculation methods to be followed by public administrations as well as sample schedules and tables to be used in relation to these and other relevant information.

### **Preparation of the Central Government Budget**

**Article 17-** Basic principles that will be taken into account while developing revenue and expenditure proposals are as follows:

a) Basic figures, principles and rules determined in the Medium Term Program and Medium Term Fiscal Plan;

- b) Appropriation ceilings determined in the framework of strategic plans of the administration, and priorities of the development plan and the annual program,
- c) A multi-year budgeting approach in consistent with strategic plans of the public administrations,
- d) Performance objectives of the administration.

The public administrations shall prepare their expenditure proposals by taking into account the appropriation requests of their central and decentralized units. The general budget revenue proposal shall be prepared by the Ministry of Finance, and the revenue proposals of other budgets shall be prepared by the administrations concerned.

**(Amendment third paragraph: 22/12/2005-5436/10 art.)**

The expenditure and revenue proposals shall be prepared in accordance with the classification system defined by the Ministry of Finance in line with international standards so as to enable economic and financial analysis and to ensure accountability and transparency.

In the framework of the principles stated in the Budget Preparation Guide and strategic plans, public administrations shall prepare their budget revenue and expenditure proposals accompanied by the statement of reasons and signed by their competent authorities, and send them to the Ministry of Finance until the end of July. Investment proposals of public administrations shall be submitted for evaluation to the Undersecretariat of State Planning Organization within the same term.

Following the submission of the budget proposals to the Ministry of Finance, their expenditure and revenue proposals may be negotiated with the representatives of public administrations.

Regulatory and supervisory agencies shall prepare their budgets according to three-year budgeting concept, strategic plans and performance objectives and to the institutional, functional and economic classification system.

## **Presentation of the Central Government Budget Draft Law**

**Article 18-** Following the finalization of macroeconomic indicators and budget figures by the High Planning Council during the first week of October at the latest, the Central Government Budget Draft Law and National Budget Estimation Report, which are prepared by the Ministry of Finance, shall be presented to the Turkish Grand National Assembly by the Council of Ministers no later than seventy-five days prior to the beginning of fiscal year.

The following shall be attached to the Central Government Budget Draft Law to be considered during negotiations thereon;

- a) Budget justification including Medium Term Fiscal Plan,
- b) Annual economic report,
- c) Schedule of public revenues renounced due to tax exemptions, exceptions, reductions and similar practices,
- d) Public debt management report,
- e) Budget realizations of the last two years and revenues and expenditures estimates of the next two years for the public administrations within the scope of general government,
- f) Budget estimates of local administrations and social security institutions,
- g) **(Abolishment: 22/12/2005-5436/10 art.)**
- h) List of public administrations that are not within the scope of central government but subsidized from central government budget and of other agencies and institutions,

The Turkish Grand National Assembly, the Turkish Court of Accounts and the regulatory and supervisory agencies shall submit their budgets directly to the Turkish Grand National Assembly until the end of September, and send a copy to the Ministry of Finance.<sup>1</sup>

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<sup>1</sup> As per Article 10 of the Law No 5436 of 22/12/2005, "With the Turkish Grand National Assembly and the Turkish Court of Accounts" statement has been inserted to the beginning of this paragraph.

## **Negotiations on the Central Government Budget Draft Law**

**Article 19-** The Turkish Grand National Assembly negotiates text of the Central Government Budget Draft Law on article basis and the revenue and expenditure schedules on institutional basis, and puts the Draft Law to a vote chapter by chapter. After approval by the Assembly, the Central Government Budget Law shall be published in the Official Gazette before the beginning of the fiscal year.

Public investment program shall be prepared by the Undersecretariat of State Planning Organization according to the Central Government Budget Law, and published in the Official Gazette by the Council of Ministers Decree in fifteen days following the entry into force of aforesaid Law.

In the event that the Central Government Budget Law cannot be enacted as a result of force majeure, the Provisional Budget Law shall be adopted. Provisional budget appropriations are determined on the basis of a certain ratio of the initial budget appropriations in the previous year. Implementation of the Provisional Budget Law shall not exceed six months. The provisional budget implementation shall end when the current year budget enters into force, and the expenditures realized, the commitments undertaken and the revenues collected up to that date shall be included in the current year budget.

In the event that the appropriations in the budgets of public administrations included in the central government turns to be insufficient, or in order to carry out unforeseen services, a supplementary budget can be prepared in a way to capture revenues to meet expenditures.

### THIRD SECTION

#### General Principles for Implementation of Budgets

##### Utilization of Appropriations

**Article 20-** Following principles apply to the utilization of budget appropriations:

a) **(Amendment: 22/12/2005-5436/10 art.)** Public administrations within the scope of the general budget shall prepare their detailed expenditure programs, and submit them to the Ministry of Finance to be ratified. On the basis of the principles determined by the Ministry of Finance, budget appropriations shall be utilized according to the release rates and detailed expenditure programs ratified by considering cash planning.

b) **(Amendment: 22/12/2005-5436/10 art.)** Special budget agencies and social security institutions shall prepare their detailed financing programs and make their expenditures according to this program.

c) **(Amendment: 22/12/2005-5436/10 art.)** Procedures and principles regarding the preparation, ratification and implementation of the detailed expenditure and financing programs and monitoring of the implementation shall be determined by the Ministry of Finance.

d) Public administrations are not allowed to spend in excess of the appropriations indicated in their budgets. The appropriations provided with the budget shall be used in line with the purposes they are allocated for to cover the works done, goods and services purchased and other expenditures made in the relevant year. However, previous years' overdue debts that are neither recorded in custody account nor subject to lapse of time, and debts based on a written judicial decree shall be paid from the current budget of the relevant public administration.

e) **(Amendment: 22/12/2005-5436/10 art.)** Appropriations that could not be used during the current year shall be cancelled at the end of the year.

f) In the event of general or partial mobilization, declaration of war or compulsory military preparations based on the Council of

Ministers Decree, the available appropriations in the budgets of the Ministry of National Defence, the Gendarmerie General Command and the Coast Guard Command may be consolidated and used, provided that the consolidated amount does not exceed the total amount of the appropriations of these administrations. In case that the said amount is not sufficient, an additional amount up to fifteen percent of the total appropriations may be spent. In the above-mentioned cases, trustees assigned by the approval of authorizing officers can be provided with an advance payment required for the expenditures related to the movement of the forces and this advance can be deducted from the appropriation to be sent within one month.

### **Carry-over of Appropriations**

**Article 21-** Carry-over of appropriations among the budgets of the public administrations within the scope of central government shall be realized by law.

However, public administrations within the scope of the central government are entitled to carry over appropriations in their budgets up to the amount of five percent of the appropriation in the allocation to be carried over, unless a different ratio is defined in the budget law of the relevant year. Such kind of carryovers shall be notified to the Ministry of Finance within the following seven days.

No carryovers are allowed from the allocations for personnel expenditures, allocations including a previous a carryover and contingency appropriations to the other allocations.

**(Abolishment the last paragraph: 22/12/2005-5436/10 art.)**

### **Dispatch of Appropriations to the Decentralized Units**

**Article 22-** Authorizing officers in the central organizations of the public administrations shall dispatch appropriations to the decentralized units to utilize for their needs by issuing a Document for Dispatch of Appropriation.

The Minister of Finance is authorized to determine the procedures and principles for the dispatch of appropriations to the public administrations within the scope of central government.

## **Contingency Appropriation**

**Article 23-** A contingency appropriation not exceeding two percent of the general budget appropriations may be allocated to the Ministry of Finance budget to transfer it to the budgets of the administrations under chart I and those which will be defined in the central government budget law among the administrations under chart II of this Law with an aim to provide the services and attain the objectives stated in the Central Government Budget Law, to remedy any appropriation shortage or to render services not envisaged in the budgets. The Minister of Finance is authorized for making allocations from this appropriation.<sup>1</sup>

Information on the allocations made from the contingency appropriation in a fiscal year such as type, amount and distribution by administrations shall be announced by the Ministry of Finance within fifteen days following the end of the year.

## **Covert Appropriation**

**Article 24-** Covert appropriation refers to the appropriation included in the budget of the Prime Ministry to be used for the confidential intelligence and defence services; national security and high interests of the State as well as the requirements of the State prestige and needs of the government for political, social and cultural objectives, and extraordinary services. Covert appropriations may be included in the budgets of other public administrations that perform intelligence services required by the duties assigned by Law. Covert appropriation shall not be used for any purpose other than the foregoing, or for the needs for the management, propaganda or election campaigns of political parties or the personal expenditures of the Prime Minister or his/her family. Total amount of the covert appropriations allocated in the relevant year shall not exceed five per thousand of the sum of the initial appropriations in the general budget.

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, "of administrations in Chart I" statement has been replaced with "of administrations under chart I and those which will be defined in the central government budget law among the administrations under chart II of this Law" statement.*

The Prime Ministry shall be entitled to determine where the covert appropriation included in the budgets of the Prime Ministry and other relevant administrations will be used, who will make the expenditure, which method will be used in booking and closing the records, and which documents will be delivered to the new authorized officer in case of a change in the person making expenditures.

Expenditures related to the covert appropriations shall be realized and paid according to the principles defined in a decree signed by the Prime Minister, the Minister of Finance and the relevant minister.

### **Public Investment Projects**

**Article 25-** Public investment projects shall be prepared, implemented and monitored in the framework of the Decree Law No 540 of 19/6/1994, the Investment Program Preparation Guide and other relevant legislation provisions.

The Undersecretariat of State Planning Organization shall work in cooperation with the Ministry of Finance in order to ensure the unity of budget in determination of appropriations for the projects in the investment programs of public administrations within the scope of central government.

The investment projects of administrations in chart III of this Law shall be included in their investment programs for the relevant year, for information. In addition, the principles and procedures for the implementation and monitoring of the investments of social security institutions and local administrations shall be determined by the Undersecretariat of State Planning Organization.

Performance and implementation results of the public investment projects shall be reported by the relevant public administrations to the Court of Accounts, the Ministry of Finance, and the Undersecretariat of State Planning Organization by the end of March of the subsequent year.

As for the new proposals for public investment projects having a cost which is above the limit to be set by the "Council of Ministers Decree on The Implementation, Coordination and

Monitoring of the Current Year Program”, except the project proposals for disasters, proposals which do not have a feasibility study including environmental analysis and cost-benefit or cost-effectiveness analysis, and which are not examined and approved for the feasibility by the Undersecretariat of State Planning Organization shall not be included in the investment program.

### **Making Commitments**

**Article 26-** Commitment refers to undertaking a commitment for future in return for having the work done or purchasing goods and services on the basis of the provisions of an agreement duly concluded or on the provisions of the Law. No commitment shall be made for works for which adequate appropriation is not allocated in the budget. The term of commitment is limited to the fiscal year. Authorizing officers are entitled to undertake commitments within the limits of allocated appropriations. The appropriations for the committed amounts shall be reserved, and shall not be used for other works or for the purchase of other goods or services.

### **Commitments Carried Over to the Next Year**

**Article 27-** Subject to the approval of the top manager, commitments carried over to the next year may be undertaken for the following tasks and services that cannot be limited by a fiscal year and are continuous because of their nature; provided that, for each task, it does not exceed fifty percent of the appropriation provided in the budget and does not continue longer than June of the subsequent year and its term does not exceed twelve months:

a) Construction, repair, study and project works, as well as research-development projects, garments and food purchases, machinery-equipment, arm-ammunition-equipment purchases of the Turkish Armed Forces, and maintenance, repair and manufacture thereof.

b) Food, fuel for heating, fuel oil and mineral oil requirements.

c) Medication, vaccines, serums and medical consumables that are difficult to obtain and preserve.

d) Purchase of periodicals, transportation, protection and security, cleaning and catering services.<sup>1</sup>

e) **(Amendment: 22/12/2005-5436/10 art.)** Compulsory liability insurance for the vehicles and transportation insurance issued in order to insure the delivery of arms, arms equipment and ammunitions from abroad against any and all risks.

f) **(Amendment: 22/12/2005-5436/10 art.)** Maintenance and repair of the machinery and equipment, roads and highways, computer and communication systems; any type of repair works and electronic information access services.

g) **(Annex: 25/4/2007-5628/1 art.)** Garment purchases and arms-ammunitions-equipment purchases of the Directorate General of Security.

h) **(Annex: 24/7/2008-5793/32 art.)** Study and project works, research and development projects, machinery, arms and ammunition, equipment and system procurement and repair, maintenance and manufacture of them by the National Intelligence Organization.

**(Annex second paragraph: 22/12/2005-5436/10 art.)** The provision that 50 percent of the appropriations provided in the budget is not to be exceeded for the tasks and services listed in sub-clause (d), shall not be valid for the Ministry of National Education.

### **Commitments Extending into the Subsequent Years**

**Article 28-** Public administrations within the scope of central government may undertake commitments extending into the subsequent years for the investment projects that cannot be completed in one fiscal year.<sup>2</sup>

Within the framework of Law No. 3833 of 2/7/1992, the Ministry of National Defence or the Ministry of Interior, according to

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<sup>1</sup> As per Article 10 of the Law No. 5436 22/12/2005, "protection and security" statement has been inserted after the "transportation" statement in subparagraph (d) under Article 27.

<sup>2</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, "pursuant to opinion from Ministry of Finance and Undersecretariat of State Planning Organization" statement in the first paragraph of Article 28 has been omitted.

its relevance, is authorized to undertake commitments extending into subsequent years for the projects included in the Strategic Goal Plan of Turkish Armed Forces.

Upon the positive opinion of the Ministry of Finance, the Ministry of Foreign Affairs may undertake commitments extending into the subsequent years for the purchase of a building or a land or the construction or lease of a building for foreign representatives office.

**(Addition fourth paragraph: 22/12/2005-5436/10 art.; Amendment: 25/4/2007-5628/2 art.)** Provided that there is appropriation in the annual budget and the positive opinion of the Ministry of Finance is received with regard to the administrations within the scope of central government, commitments which can be extended into the subsequent years may be undertaken with the approval of the top manager for a period not to exceed three years for the ones to be rented and purchased and not to exceed four years for the ones to be obtained via financial leasing regarding the rental or financial leasing of any type of machinery and equipment, devices and vehicles, air ambulance as well as air and marine vehicles for fire extinction whose purchase is not economically profitable; purchase of cleaning, catering, security and personnel transportation services, fixed and pay telephone as well as emergency call services which are provided in accordance with Law No. 5369 and dated 16/6/2005 and internet access, map, plan, project, study and consultancy services provided to schools; purchase of periodicals and non-periodicals by the national research and development agencies, forestation and arrangement works, tool in return for kit, vaccines and anti serum.<sup>1</sup>

### **Grants from Budgets**

**Article 29-** No real or legal person is allowed to use, to be granted or to benefit from any public resources without a legal ground. However, grants to associations, foundations, unions,

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<sup>1</sup> As per Article 46 of the Law No. 5793 of 24/7/2008, the statement of "purchase of periodicals and non-periodicals by the national research and development agencies" has been added following "consultancy services provided to schools" in this paragraph.

institutions, organizations, funds and similar entities may be given by protecting public interest, on condition that they are foreseen in the budgets of public administrations within the scope of general government.

The procedures and principles on providing, utilizing, monitoring, auditing and publicizing grants shall be determined by a regulation to be prepared by the Ministry of Finance and to be issued by the Council of Ministers.

### **Budget Policy, Monitoring Revenues and Expenditures**

**Article 30-** Regarding implementation of the Central Government Budget, with the purpose of ensuring economy in expenditures and conducting a consistent, balanced and effective budget policy; the Minister of Finance is entitled to take necessary measures to organize the practices in matters stipulated under the laws, by-laws, regulations and decrees concerning the revenues and expenditures, to set standards, to impose restrictions, to steer the determination and implementation of public employment policy, to monitor budget expenditures and realizations, to determine certain principles governing the distribution and utilization of appropriations and to impose binding arrangements for public administrations on these matters.

In order to determine and monitor all revenues and expenditures, debts and financial resources of the general government; public administrations within the scope of general government, institutions, organizations, foundations and associations and similar entities subsidized from the central government budget shall submit their revenue and expenditure estimates, financial statements, the details of the amounts receivable from and payable to each other, and all kinds of information and documents concerning their personnel expenditures to the Ministry of Finance, when requested. The Minister of Finance is authorized to take necessary measures concerning the public administrations and other organizations which have not presented such documents or account statements or which have not made expenditures in due manner.

**(Amendment the last paragraph: 22/12/2005-5436/10 art.)**

Administrations within the scope of the general government shall announce the implementation results of their budgets for the first six months and their expectations, objectives and activities regarding the second six months and the Ministry of Finance shall publicize the implementation results of first six months of the central government budget law, the financing condition, expectations and objectives regarding the second six months and the financial condition comprising the activities in July.

**FOURTH SECTION  
Making Expenditures**

**Spending Authority and Authorizing Officers**

**Article 31- (Amendment: 22/12/2005-5436/1 art.)**

Head of each spending unit which is appropriated from the budget is the authorizing officer.

However, in administrations where there are difficulties in determining the authorizing officers because of reasons such as the organizational structure and personnel conditions and in administrations whose budgets spending units are not classified, the spending authority may be exercised by the top managers or persons to be determined by the top managers; upon the positive opinion of the Ministry of Interior in local governments and the Ministry of Finance in the other administrations.

In the expenditures made based on the authority vested by the laws and with the resolution of the board of directors, executive committee, commission and similar boards or committees, the responsibility arising out of the spending authority belongs to the board, committee or commission.

In public administrations within the scope of general government, the principles and procedures on the determination of the authorizing officers according to administrations, central and decentralized units and their duty titles, on combining the spending authority at an upper management level and on the transfer of spending authority shall be defined by the Ministry of Finance.

Transfer of the spending authority does not relieve the administrative responsibility of the person transferring the spending authority.

Authorizing officers may made expenditures up to the amount of the appropriation foreseen in the budget, and authorizing officers who are supplied with the appropriations via Appropriation Dispatch Document may made expenditures up to the amount of appropriated.

### **Spending Order and Responsibility**

**Article 32-** Making expenditures from budgets depends on the delivery of a spending order to be issued by the authorizing officer. The spending order shall include the statement of the purpose of service as well as information on subject, cost, duration, available appropriation and performance procedure of the work to be performed and on the officers responsible for it.

Authorizing officers are responsible for the compliance of spending orders with the budget principles and rules, laws, by-laws and regulations and other legislation, for the effective, economic and efficient utilization of the appropriations and for other transactions they shall perform in the framework of this Law.

### **Realization of the Expenditure**

**Article 33-** In order to make expenditure from the budgets, assigned individuals or commissions should approve that the works, goods or services are purchased or performed in accordance with the defined principles and rules; and documents for the realization should be prepared. **(Amendment the last sentence: 22/12/2005-5436/10 art.)** Realization of the expenditures shall be completed when the payment order which is prepared by an officer assigned by the authorizing officers is signed by the authorizing officer and upon the payment of the due amount to the right holder.

Upon receiving the spending order, realization officers shall perform the duties of having the work to be done, purchasing goods

or services, completing receiving formalities, documenting and preparing documents required for the payment.

**(Annex third paragraph: 22/12/2005-5436/10 art.)** In expenditure to be made by utilizing a common database to be established on an electronic environment, data input procedures shall be deemed realization duties. Principles and procedures on the performance of this paragraph shall be determined by the Ministry of Finance.

Realization officers shall be responsible for the duties and actions they should perform in the framework of this Law.

**(Annex the last paragraph: 22/12/2005-5436/10 art.)** Forms and types of the realization documents to be required according to the type of the expenditure shall be determined by regulations to be issued by the Ministry of Finance for public administrations within the scope of central government, by the Ministry of Interior for local administrations, and by the affiliated or related ministries for social security institutions upon positive opinion of the Ministry of Finance; provided that positive opinion of the Undersecretariat of Treasury is obtained for those related to public debt management.

### **Unpaid Amounts and Budgeted Debts<sup>1</sup>**

#### **Article 34- (Amendment: 22/12/2005-5436/2 art.)**

Amounts which cannot be paid although they have been bound to the payment order document shall be deposited in and paid from custody accounts by being recorded as expenditure in the budget. However the amounts at the custody accounts which are not claimed until the end of the fifth year following the fiscal year of the purchase of the goods or the provision of the service shall be recorded as revenue to the budget. Amounts recorded as revenue shall be paid upon court decision.

In the event that the cash amounts available to the public administrations do not suffice to cover all of the payments, expenditures shall be paid according to the order of accounting

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<sup>1</sup> As per Article 2 of the Law No 5436 of 22/12/2005, the title of this article "Unpaid Amounts and Custody Accounts" has been replaced with the title "Unpaid Amounts and Budgeted Debts".

records. However, priority shall be given, respectively, to taxes, duties, levies, premiums, fund deductions, shares and similar amounts to be paid to the other public administrations, scheduled payments, debts subject to court decision, debts to cause additional burden in case of default such as delay penalty or interest, and requested amounts in custody accounts.

Debts that are not claimed in written by their payees without any valid reason until the end of the fifth year following the relevant fiscal year or those that could not be paid due to the fact that necessary documents were not submitted shall be subject to lapse of time and discontinue in favour of the public administrations.

In the public administrations within the scope of the general budget, expenditures which are related to expenditures not subject to a commitment and a spending order and which have no appropriation at the place and time in spite of being realized from economic codes to be determined by the Ministry of Finance and having an appropriation envisaged in the budget are duly realized and included in the related accounts as a result of attachment of the spending documents which constitute their basis and paid after the appropriation is received. Appropriation dispatch documents regarding these amounts shall be sent to the accounting unit at the latest until the end of the fiscal year and their accounting procedures shall be completed. The principles and procedures for implementation of this paragraph shall be determined by the Ministry of Finance.

### **Prepayment**

**Article 35- (Amendment first paragraph: 22/12/2005-5436/10 art.)** Subject to the positive opinion of the authorizing officer and provided that the corresponding appropriation is reserved; prepayment in the form of advance payment or credit extension may be executed for the cases defined in the relevant laws and for the urgent or mandatory expenditures for which the realization of formalities cannot be awaited. The upper limits of the advance payment shall be included in the central government budget law.

Provided that it is stated in the relevant contract and not exceeds thirty percent of the contracted total amount, extra-budgetary advance payment against security may be made to the contractors. Provisions of the relevant laws on extra-budgetary advance payment shall be valid.

Excess credit amounts of opened letter of credits shall be carried over to the next year and their appropriations shall be cancelled. The amount carried over shall be recorded as appropriation in the related item in the budget of public administrations within the scope of the general budget by the Minister of Finance and of other public administrations by the top manager.<sup>1</sup>

In the event that, by the end of the term of the contract, a certain part of the service could not be completed yet, or the performance of the contract could not start because of force majeure but a time extension has been granted by the relevant administration and such extension prolongs to the next fiscal year; the excess contract amount at the end of the year shall be carried over and the provisions on letters of credit shall apply to the appropriations concerning these amounts. If the service corresponding to the excess contract amount carried over is provided within the course of time extension and the related documents of evidence are submitted, such amount shall be paid by being recorded as expenditure in the budget of the year when the service is rendered.

Every trustee is supposed to submit documents of evidence related to the amounts he/she spent from the prepayments to the accounting officer in one month for the advances and in three months for credits unless otherwise is stated in the relevant documents. She/he is also supposed to return the excess amount. For the advances which are not set off in due time, provisions of the Law No. 6183 of 21/7/1953 shall apply.

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, "in a specific item to be opened in the budget of other public administrations by the top manager" statement in the second sentence of the third paragraph has been replaced with "in the related item in the budget of other public administrations by the top manager".*

In public administrations within the scope of central government, forms of prepayments, carryovers and offsetting transactions, determination of the amounts and rates of the prepayments in terms of administration and expenditure, amount and offsetting period of the prepayment for the expenditures to be made in obligatory cases, assignment of trustees, and the procedures and principles related to other transactions shall be arranged by a regulation to be prepared by the Ministry of Finance and issued by the Council of Ministers. For other public administrations, the procedures and principles on prepayments shall be provided in the relevant legislation by considering the provisions of this article.<sup>1</sup>

Provisions of the Law No. 3833 of 2/7/1992 on advances and credit transactions are valid.

## **FIFTH SECTION**

### **Collection of Revenues**

#### **Revenue Policy and Principles**

**Article 36-** Following principles shall apply to the collection of revenues:

a) At the beginning of each fiscal year, the Ministry of Finance publicizes its principles, objectives, strategies, and commitments regarding revenue policies and their implementation.

b) Necessary services shall be provided and measures shall be taken to facilitate fulfilment of taxes, levies, charges and similar financial obligations of taxpayers and incumbents.

c) The tax compliance of taxpayers and incumbents shall be encouraged.

d) Necessary measures shall be taken by the relevant administrations for informing the taxpayers on the protection of the rights and the obligations.

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<sup>1</sup> *As per Article 10 of the Law No 5436 of 22/12/2005, "Amount and offsetting period of the prepayment for the expenditures to be made in obligatory cases" statement has been inserted after "determination of the amounts and rates of the prepayments in terms of administration and expenditure" statement in this paragraph.*

## **Basis of Revenues**

**Article 37-** Taxes, levies, charges and similar financial liabilities shall be imposed, amended or removed by laws.

Legal grounds of the revenues of the public administrations within the scope of general government shall be indicated in their budgets. The revenues indicated in the budgets shall be imposed, accrued and collected in accordance with the procedures set out in their respective laws. Imposition, accrual and collection of general budget revenues shall be performed by the Ministry of Finance or by the administrations authorized according to the legislation related to imposition and accrual.<sup>1</sup>

The shares to be given to other administrations, institutions and organizations from the taxes, levies, charges and other revenues collected by public administrations within the scope of general government shall be covered by the appropriations to be included in the budget of the revenue collecting public administration for this purpose. The available amount that may be utilized during the fiscal year cannot exceed the share amount to be calculated by considering the collected amount according to the provisions of the related law. In the event that the amount of the share calculated in this manner exceeds the appropriation amount allocated for this purpose, in administrations within the scope of general budget, the Minister of Finance and in the others the top manager is authorized to allocate supplementary appropriation provided that it does not exceed the said difference.

Without prejudice to the provisions of the relevant laws, the principles and procedures applicable to writing off the revenues subject to lapse of time shall be determined by the Ministry of Finance.

## **Revenue Collection Responsibility**

**Article 38-** Those who are authorized for and in charge of the imposition, accrual and collection of the public revenues are

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<sup>1</sup> As per Article 10 of the Law No 5436 of 22/12/2005, "by the administrations authorized according to the legislation related to imposition and accrual" statement has been inserted after the "Ministry of Finance" statement in the paragraph.

responsible for the timely and proper performance of the imposition, accrual and collection transactions stipulated in the applicable laws.

### **Special Revenues**

**Article 39-** Amount of the special appropriations allocated to the administrations against special revenues shall be indicated in the budgets of relevant administrations. Special appropriation available during the fiscal year may not exceed amount of the special revenues collected. In the event that the collected special revenues exceed the amount of the appropriation, no supplementary appropriation is allowed.

Price lists of the priceable goods and services, which are stated in the relevant laws, and the procedures and principles for the practice shall be determined by the relevant public administrations by obtaining the opinion of the Ministry of Finance.

Authorities and transactions enabling to record, to carry over to the subsequent year and to cancelling the appropriations concerning special revenues shall be indicated in the Central Government Budget Law.

### **Donations and Grants**

**Article 40** - No donation or grant may be collected by any real or legal person in return for or in relation to a public service or under similar denominations.

All kind of donations and grants made to the public administrations shall be recorded as revenue in their budgets.<sup>1</sup> Non-cash donations and grants shall be valued and recorded according to the relevant legislation.

Without prejudice to the provisions of the Law No. 4749 of 28/3/2002 for conditional donations and grants provided through foreign financing, upon the approval of the top manager which will render the service, the conditional donations and grants to be used by the public administrations pursuing public interest shall be

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<sup>1</sup> As per Article 46 of the Law No. 5793 of 24/7/2008, the "in their budgets" statement in the first sentence of this paragraph has been omitted.

recorded as revenue in an item to be established in the budget and as appropriation in an item to be established for the use for its conditioned purpose. Apart from the conditioned purpose, no transfer from this appropriation to another item is allowed.

Appropriations unused until the end of fiscal year shall be carried over to the subsequent year's budget and recorded as appropriation until the purpose of the donation or grant is accomplished. However, authority to cancel residual amount of the appropriation after accomplishment of the purpose; the appropriation which is not sufficient for realization of its purpose and which does not exceed the amount indicated in the relevant year budget and is not spent after being carried over for two consecutive years is given to the Minister of Finance for the public administrations within the scope of the general budget and to the top manager for others.

In the event that the donations and grants are requested to be returned because they are not used or used out of purpose, they shall be paid back to the relevant person by being recorded to the budget as expenditure. Those who are accounted responsible are obliged to recover the expenses occurring due to out-of-purpose utilization of conditional donations and grants or losses arising from the fact that they are not used in time.

## **SIXTH SECTION**

### **Accountability Reports and Final Account**

#### **Accountability Reports**

##### **Article 41- (Amendment: 22/12/2005-5436/3 art.)**

Within the framework of accountability, the top managers and authorizing officers to whom appropriations are allocated in the budget shall issue accountability reports each year. On the basis of unit accountability reports prepared by authorizing officers, the top managers shall prepare and publicize the "administration accountability reports", which present the activity results of their administrations. Public administrations within the scope of central government and social security institutions shall submit a copy of

their administration accountability reports to the Court of Accounts and to the Ministry of Finance.

Each one copy of the accountability reports prepared by local governments shall be sent to the Court of Accounts and to the Ministry of Interior. The Ministry of Interior shall take these reports and shall prepare and publicize the “general accountability report of the local governments” which includes also its own evaluations. A copy of the report shall be sent each to the Court of Accounts and the Ministry of Finance.

Results of the activities of public administrations within the scope of central government and social security institutions in one fiscal year shall be presented in the “general accountability report” to be prepared by the Ministry of Finance. This report shall also include general evaluations regarding the financial structures of the local governments. The Ministry of Finance shall publicize the general accountability report and send one copy to the Court of Accounts.

Except for the reports of local administrations, the administration accountability reports, the general accountability report on local administrations and the general accountability report shall be submitted to the Turkish Grand National Assembly by the Court of Accounts by presenting its own opinions considering external audit results. Within the framework of these reports and evaluations, the Turkish Grand National Assembly deliberates the public administrations’ management and accountability with regard to their acquisition and utilization of public resources. It is compulsory for the top managers or deputies to be appointed by the top managers to join these deliberations together with the related ministers.

The accountability report of the administration shall be prepared so as to include, along with the general information on the related administration, the resources used, and the reasons of the deviation arising regarding the budget targets and realizations, financial information comprising information regarding the activities of associations, institutions and organizations supported through assets and liabilities; and information on activities and performance

information carried out as per the strategic plans and performance program.

Subjects to be included in these reports, preparation of the reports, their delivery to the relevant administrations, publication and the terms and other procedures and principles concerning these transactions shall be determined by a regulation to be prepared by the Ministry of Finance by obtaining the opinions of the Ministry of Interior and the Court of Accounts.

### **Final Account Law**

**Article 42-** The Turkish Grand National Assembly exercises its power of approving the implementation results of the Central Government Budget Law through the Final Account Law.

Basing on the accounting records, the Ministry of Finance shall draft the Final Account Law in consistency with the form of the Central Government Budget Law. The Draft Law together with the statement of reasons including the comparative assessments on yearly implementation results shall be submitted to the Turkish Grand National Assembly by the Council of Ministers at the latest until the end of June of the subsequent fiscal year, and a copy shall be sent to the Court of Accounts.

Followings shall be attached to the Draft Final Account Law;

- a) General Trial Balance,
- b) Budget revenues final account statement and explanations thereon,
- c) Budget expenditures final account statements and explanations thereon,
- d) Budget revenue and expenditure distribution by provinces and administrations,
- e) Statements of state debts and treasury warranties,
- f) Statement of public receivables written-off during the same year,

g) (**Annex: 22/12/2005-5436/10 art.**) Asset management account summary charts.

h) Other documentation required by the Ministry of Finance.<sup>1</sup>

The principles and procedures concerning the preparation of final accounts of public administrations within the scope of central government shall be determined by the Ministry of Finance.<sup>1</sup>

Administration accountability reports, general accountability report, external audit general evaluation report and Draft Final Account Law shall be negotiated by the commissions of Turkish Grand National Assembly together with the Central Government Budget Law. However, priority is given to the discussion of these reports and general conformity statement.

The implementation results of budgets of the local administrations and social security institutions shall be entered into the final account in accordance with the provisions in the relevant laws.

### **General Conformity Statement**

**Article 43-** The Court of Accounts submits the General Conformity Statement, which it shall prepare for the public administrations within the scope of central government, to the Turkish Grand National Assembly in seventy-five days after the submission of the Draft Final Account Law at the latest.

General Conformity Statement shall be prepared by taking into account the external audit reports, the administration accountability reports and the general accountability report.

The submission of the Draft Final Account Law and the General Conformity Statement to the Turkish Grand National Assembly does not suspend ongoing audits of the Court of Accounts, and does not mean that the accounts of the related year are finalized.

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, subparagraph (g) has been added to this paragraph and existing subparagraph (g) has been renamed as subparagraph (h); "Public administrations" statement in the fourth paragraph has been replaced with "Public administrations within the scope of central government" statement.*

## **THIRD PART**

### **Movables and Immovables**

#### **Movables and Immovables Transactions**

**Article 44-** The acquisition, management, barratries and disposal of movable and immovables by the public administrations within the scope of general government, the method to apply in the collection and follow-up of damages for unlawful occupation of government property, the management and protection of properties owned and used by the government, the evacuation of unlawful occupied properties shall be regulated through relevant laws. **(Amendment second sentence: 22/12/2005-5436/10 art.)** Procedures and principles on recording these properties, protection and utilization of the movables and accountability on property management, determination of authorized persons for property management and persons to be on duty on behalf of them shall be set out in the regulations to be prepared by the Ministry of Finance and issued by the Council of Ministers.

**(Amendment second paragraph: 22/12/2005-5436/10 art.)** The procedures and principles on recording, management and internal audit of the movable assets owned by Turkish Armed Forces (including Gendarmerie General Command and Coast Guard Command), National Intelligence Organization and the Directorate General of Security shall be prepared together with the Ministries of National Defence, Interior and Finance and set out in the regulation to be enforced by the Council of Ministers.<sup>1</sup>

#### **Movables and Immovables Acquisition**

**Article 45-** When required by the public services, public administrations within the scope of general government may purchase movable and immovables of the required quality and quantity inland and abroad by paying in advance or in instalments or by means of financial leasing. Public administrations may

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<sup>1</sup> As per Article 46 of the Law No. 5793 of 24/7/2008, the “for the aim of defence and security” statement in the first sentence of this paragraph has been omitted.

perform transactions of procurement and expropriation of immovables via another public administration by means of delegation of authority. The immovables acquired by public administrations within the scope of general government shall be registered under the name of the Treasury and those owned by other public administrations shall be registered within the scope of the legal entities of such administrations, in the land registry. The immovables registered under the name of the Treasury shall be managed by the Ministry of Finance. This registration completed for the relevant administration shall be notified to the administration's unit where such immovable is located.

In the event that goods produced by public administrations are used for their own consumption, the prices of such products shall be entered by their market values to the relevant appropriation item and the corresponding amount shall be recorded as revenue.

The public administrations may transfer their movables in excess of their needs to other public administrations free of charge. They may also transfer their immovables to other public administrations free of charge with the condition of annotating in the land registry that the properties shall be used in public services provided within the scope of their duties and that the properties are to be returned when not used in purpose. The Ministry of Finance shall determine the movable and immovables that shall not be transferred, as well as the procedures and principles on transferring and recording.

Disputes between public administrations concerning the ownership of immovables shall be settled by the competent courts.

### **Sale of Movables and Immovables**

**Article 46** – Ministry of Finance is authorized to sell any kind of movable and immovables owned by the public administrations within the scope of general budget. The proceeds shall be recorded as revenue in the general budget. The movable and immovables owned by other administrations shall be disposed upon the decision of the competent bodies defined in their particular laws.

Among the immovables owned by the public administrations within the scope of central government, those having values exceeding the limit set forth in the Central Government Budget Law shall be sold upon the Council of Ministers Decree.

### **Assignment of Immovables**

#### **Article 47- (Amendment: 22/12/2005-5436/4 art.)**

The public administrations may assign immovables and properties owned and used by the government among each other and to village legal entities free of charge to provide public services set out in their relevant laws. The assigned properties cannot be used out of purpose.

Authority to assign Treasury properties and the properties owned and used by the government as well as authority to terminate assignment of the immovables which are not necessary for public use is given to the Ministry of Finance and authority to allocate and terminate assignment of the other immovables is given to the owner public administration. Principles and procedures on implementation of this article shall be governed with the regulations to be issued by the Ministry of Finance.

Special provisions in the laws are valid.

### **Effectiveness and Responsibility in Property Management**

**Article 48-** The public administrations shall be responsible for the management, recording, protection and utilization of movables. No responsibility shall be assumed for the depreciation arising from the special features or ordinary use of the movables, and for regular losses duly confirmed.

Officers to whom any movable is delivered for use are responsible for protection of and damages to the property. The public administrations shall be responsible to ensure that any damage occurred is compensated by those who are responsible for such damages.

On the basis of efficiency and economy principles, transactions for acquisition, leasing, assignment, management, use

and disposal of the movable and immovables owned by the public administrations shall be performed in line with the rules stipulated in the relevant legislation and in accordance with the purpose of the service. Those who are authorized for the management or utilization of the assets shall be liable for the losses that may arise from the actions and operations not complying with these principles.

**FOURTH PART**  
**Public Accounts and Financial Statistics**  
**FIRST SECTION**  
**Public Accounts**

**Accounting System**

**Article 49- (Amendment: 22/12/2005-5436/5 art.)**

The accounting system shall be established and managed in a manner to constitute the basis for the preparation of financial reports and establishment of the final account and to ensure the efficient performance of the decision, control and accountability processes.

Public accounts shall be kept with a view to providing necessary information for the public and for the officials in charge of management and audit, by ensuring that all kinds of transactions on revenues, expenditures and assets of the public administrations and transactions having financial consequences or causing a decrease or increase in the equity, and guarantees and liabilities are recorded in the accounts under a defined system.

The accounting and reporting standards to be implemented by the administrations within the scope of the general government, shall be set forth by the Public Accounting Standards Board to be established with the participation of the representatives of the Court of Accounts, Ministry of Finance, the Undersecretariat of the State Planning Organization, the Undersecretariat of Treasury and the other related organizations in accordance with the international standards within the organization of the Ministry of Finance. These standards shall be published in the Official Gazette. The structure,

working procedures and principles as well as other issues shall be stipulated by a regulation to be issued by the Ministry of Finance.

Those who are assigned in this Board continue to carry out their primary duties. The Chairman and the members shall be paid, not to be more than twice a month, an attendance pay not exceeding the amount calculated by multiplying the index figure (3000) by civil servant monthly coefficient, for every day of meetings.

The form, period and types of the reports to be prepared with the framework chart of accounts to be applied by the public administrations within the scope of general government shall be determined by the Ministry of Finance by taking opinions of the concerned administrations within the framework of the accounting and reporting standards determined by the Board and shall be arranged with the regulation to be enforced by the Council of Ministers Decree.

The arrangement regarding the form and types of the documents to be used in the accounting transactions, chart of accounts and accounting of the transactions shall be determined, in line with the Regulation mentioned in the fifth paragraph, by taking opinion of the concerned administrations, by the Ministry of Finance for the public administrations within the scope of the central government; by the concerned administrations for the social security institutions, and by the Ministry of Interior for the local governments by receiving assent of the Ministry of Finance. Issues regarding the detailed chart of accounts of the public administrations within the scope of the general government are determined by the Ministry of Finance.<sup>1</sup>

### **Recording Time<sup>2</sup>**

**Article 50-** An economic value shall be booked when it is produced, transformed, exchanged, transferred or terminated. It is

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<sup>1</sup> Article 18 of the Law No. 5436 of 22/12/2005 has ensured that the fifth and sixth paragraphs of Article 49 shall enter into force on 10/1/2007.

<sup>2</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, "and the documents to be used" statement in the title of Article 50 has been omitted.

mandatory that all financial transactions are booked, and all accounting records are based on documents.

**(Abolishment second and third paragraphs: 22/12/2005-5436/10 art).**

### **Year of Public Revenues and Expenditures and Offsetting Period**

**Article 51-** Public revenues and expenditures shall be indicated in the accounts of the fiscal year of their accrual.

Budget revenues shall be booked in the year of collection and budget expenditures in the year of payment.

Public accounts shall be kept on fiscal year basis. Offsetting operations of the payments actually performed but not offset until the end of fiscal year may be realized within one month following the end of the fiscal year, provided that their appropriations are reserved. In force majeure cases, this period may be prolonged by the Ministry of Finance for a maximum of one month for budget expenditures and for a maximum of two<sup>1</sup> months for other transactions.

## **SECOND SECTION Financial Statistics**

### **Scope, Basic Principles and Institutional Environment**

**Article 52-** Financial statistics shall cover the financial transactions of the public administrations within the scope of general government.

Within the framework of the principles of integrity, reliability, usefulness, methodological validity and accessibility and in consistency with the international standards, the financial statistics shall be prepared by the staff who has received proper professional training, on the basis of the data in the accounting records and by using statistical methods.

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<sup>1</sup> As per Article 46 of the Law No. 5793 of 24/7/2008, the "five" statement in the last sentence of this paragraph has been replaced by "two".

During the preparation of the financial statistics, the administrators of public administrations shall take necessary measures for the creation of a suitable institutional environment.

**(Annex: 24/07/2008-5793/33 art.)** Notwithstanding the definition of public administrations within the scope of general government set out in this Law, the Ministry of Finance shall be authorized to determine a scope under the name of general government sector and within this scope to collect financial data related these administrations in line with the international standards by taking opinions of the Undersecretariat of State Planning Organization, the Undersecretariat of Treasury, the Turkish Central Bank and the Turkish Statistics Office in order to combine financial statistics.

### **Preparing and Publicizing Financial Statistics**

**Article 53-** The financial statistics relating to public administrations within the scope of general government shall be compiled by the Ministry of Finance. The public administrations outside the scope of central government shall prepare their financial statistics in accordance with the predetermined principles and submit them to the Ministry of Finance within the prescribed periods.

Financial statistics of the public administrations within the scope of central government shall be published monthly by the Ministry of Finance. The financial statistics of the public administrations within the scope of general government shall be prepared by compiling the financial statistics of the social security institutions, local administrations and the public administrations within the scope of central government, and shall be published quarterly by the Ministry of Finance.

It is essential that the financial statistics are understandable and easily accessible to the users.

**(Annex: 24/07/2008-5793/34 art.)** According to the last paragraph of Article 52 of the Law, the Ministry of Finance shall grant an extension of one-month to the determined administrations that do not send their data based on financial statistics in time. In

the event that the data is not sent at the end of this period of time, financial service manager and accounting manager shall be imposed an administrative fine amounting to the net monthly payment including salary, allowances, pay raises and compensations by the top manager upon the request of the Ministry of Finance. Imposition of an administrative fine shall not remove the obligation to send the required information. Administrative fines shall be collected under the provisions of Article 73 of this Law.

### **Evaluations of Financial Statistics**

**Article 54-** The annual financial statistics shall be evaluated by the Court of Accounts in March of the following year in terms of preparation, publication, accuracy, reliability and conformity to the predetermined standards. The evaluation report prepared for this purpose by the Court of Accounts shall be submitted to the Turkish Grand National Assembly and the Ministry of Finance, and the Minister of Finance shall take the necessary measures concerning these evaluations.

## **FIFTH PART Internal Control System**

### **Definition of the Internal Control**

**Article 55- (Amendment first paragraph: 22/12/2005-5436/10 art.)** Internal control encompasses financial controls and other controls comprising organizational, methodology, procedural and internal audit established by the administration in order to ensure that the activities are performed in an effective, economic and efficient way in accordance with the aims, defined policies of the administration and with legislation, the assets and resources are protected, the accounting records are held correctly and completely, the financial information and management information are produced in time and securely.

The standards and procedures related to the financial management and internal control processes shall be defined, developed and harmonized by the Ministry of Finance and those

related to the internal audit by the Internal Audit Coordination Board, within the framework of their duties and authorizations. These bodies shall at the same time ensure coordination of the systems, and provide guidance to the public administrations.<sup>1</sup>

### **Purposes of the Internal Control**

**Article 56-** Purposes of the internal control are:

- a) To manage the public revenues, expenditures, assets and liabilities in an effective, economic and efficient way,
- b) To ensure that public administrations operate in accordance with the laws and other legislation,
- c) To prevent irregularities and frauds in all kinds of financial decisions and transactions,
- d) To ensure regular, timely and reliable reporting and information acquisition for decision-taking and monitoring,
- e) **(Amendment: 22/12/2005-5436/10 art.)** To prevent the misuse and waste of assets and to protect against losses.

### **Structure and Functioning of Control**

**Article 57- (Amendment first paragraph: 22/12/2005-5436/10 art.)** Financial management and control systems of the public administration consist of spending units, accounting and financial services, ex ante financial control and internal audit.

In order to establish an adequate and effective control system; necessary measures shall be taken by the top managers and other administrators of the relevant administrations by considering duties, powers and responsibilities, to establish high professional values and an honest administration concept; to grant financial authorities and responsibilities to well-informed and qualified administrators and staff; to ensure compliance to the established standards; to avoid activities contrary to the law; and to ensure a comprehensive management approach and a suitable working environment as well as transparency.

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, “ex ante” statement in this paragraph has been replaced with “internal” statement.

**(Abolishment last paragraph: 22/12/2005-5436/10 art.)**

### **Ex ante Financial Control <sup>1</sup>**

**Article 58- (Amendment: 22/12/2005-5436/6 art.)**

Ex ante financial control covers the controls performed during the realization of the procedures in the spending units and the controls performed by the financial services unit.

The ex ante financial control process consists of preparation of financial decisions and transactions, undertaking commitment, realization of works and transactions and their documentation.

At public administrations ex ante financial control duty is performed within the framework of the managerial responsibility.

The principles and procedures for minimum controls to be performed during the realization of the procedures at the spending units, financial decisions and transactions to be subject to ex ante financial control by the financial services unit and the standards and methods regarding ex ante financial control shall be determined by the Ministry of Finance. The public administration may make arrangements in this subject provided that they are not contradicting with these standards and methods.

### **Qualifications and Appointment of Financial Control Officer**

**Article 59- (Abolishment: 22/12/2005-5436/10 art.)**

### **Financial Services Unit**

**Article 60- (Amendment: 22/12/2005-5436/7 art.)**

In the public administrations, below listed duties shall be performed by the financial services unit:

a) Coordinating the preparation of the strategic plan and performance program of the administration and consolidating the results,

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<sup>1</sup> As per Article 6 of the Law No. 5436 of 22/12/2005, the title "Ex Ante Control" has been replaced with the title "Ex Ante Financial Control"

b) Preparing the administration budget, which includes budget estimates for the following two years, in accordance with the strategic plan and annual performance program and following and evaluating compliance of the activities of the administration to these,

c) Preparing a detailed expenditure program within the budget rules and principles to be determined as per legislation and to provide that the appropriation is sent to the related units by taking into account the service requirements,

d) Recording the budget, collecting and evaluating the data regarding the budget implementation results and preparing the budget final account and financial statistics,

e) Having the administration's revenues accrued within the related legislation, carrying out follow up and collection procedures of revenues and receivables,

f) Executing the accounting services in the administrations falling outside the scope of general budget,

g) Preparing the accountability report of the administration by taking into consideration the unit accountability reports prepared by spending units,

h) Preparing summary charts regarding the movables and immovables owned or used by the administration,

i) Coordinating preparation of the investment program of the administration, following up the implementation results and preparing annual investment evaluation report,

j) Executing and finalizing financial works and transactions that need to be followed up under the supervision of the other administrations,

k) Providing the top manager and the authorizing officers with the necessary information on implementation of other legislation regarding the financial laws as well as consultancy service,

l) Executing ex ante financial control activities,

m) Working for establishment of internal control system, implementation and improvement of the standards thereof,

n) Carrying out other duties with regard to financial issues assigned by the top manager.

Out of the purchase, sale, construction, rental, lease, maintenance-repair and similar financial procedures, those which are related to the whole of the administration are realized by the unit providing support services and those which are related only to the spending unit shall be performed by the spending units. However, these procedures can be performed by the unit providing support services upon the request of the spending unit and approval of the top manager, provided that the duty of authorizing officer shall remain under its responsibility,.

The structure of the financial services unit shall be shown in the organic laws. The working principles and procedures of the financial services units shall be prepared by the Ministry of Finance by taking into account the organization structure of the administrations and so that the strategic planning, budget and performance program, accounting-final account and reporting, and internal control functions are performed by separate sub-units and shall be determined by a by-law to be issued by the Council of Ministers.

Duties of the authorizing officer and the accounting officer cannot be combined in one person. Those performing ex ante control in the financial services unit cannot be on duty in the financial transaction process.

**(Amendment the last paragraph: 25/4/2007-5628/3 art.)**

Financial services assistant experts and financial services experts may be employed in the financial services units of the administrations. So as to be appointed to the cadres or positions of financial services assistant expert, the following conditions are sought, apart from the general requirements stated in Article 48 of the Civil Servants Law No. 657:

a) to have graduated from the faculties of law, political sciences, economics, business administration, economics and administrative sciences that provide at least four year bachelor education or to have graduated from domestic or foreign education

institutions whose equivalence is accepted by the competent authorities,

- b) to pass the special competitive examination to be held,
- c) not to have completed their 30th age as of the beginning of the year of the test.

Special competitive examination is composed of written exam held by the Student Selection and Placement Centre and oral examination held by Ministry of Finance. Those who are successful in the special competitive examination shall be determined by OSYM by taking into consideration their success rank and the choices they marked and then they shall be appointed to the financial services assistant expert cadres or positions in the administrations. Those who have been appointed to the mentioned cadres or positions shall be entitled to enter competency exam provided that they work for at least three years and be successful. Those who pass the competency exam held by the Ministry of Finance shall be appointed to financial services expert cadres or positions. Those who cannot pass the competency exam or be successful in the period when they worked as financial services assistant expert shall be appointed to the proper cadres or positions taking into account nature of their current employment. Determination of the candidates who will enter special competitive examination, holding the examinations, appointment, placement and training of them, competency examinations as well as working procedures and principles shall be governed by a by-law to be issued by the Ministry of Finance. Those who have been working at the financial services expert cadres in the administrations where they have been appointed at least for three years after their appointment as being subjected to the Civil Servants Law No. 657 may be appointed to the cadres with the same titles in other public administrations upon their demand and consent of the administration.

## **Accounting Services and the Authorities and Responsibilities of the Accounting Officer<sup>1</sup>**

**Article 61- (Amendment first paragraph: 22/12/2005-5436/10 art.)** Accounting services include; collecting revenues and receivables; making payments to the payees; receiving, keeping and sending to the concerned authorities the deposits and the pecuniary values; and keeping records of all other financial transactions as well as issuing reports thereon. Persons performing these transactions shall be accounting officers. The civil service positions and titles shall have no effect on being qualified as the accounting officer.

The accounting officer is responsible for performing these services and keeping accounting records in a regular, transparent and accessible way. Without prejudice to the provisions of the Law No. 4059 of 9/12/1994, accounting services of the public administrations within the scope of general budget shall be rendered by the Ministry of Finance. Accounting officers shall regularly send necessary information and reports to these public administrations.

At the payment stage, accounting officers are obliged to control the payment order document and its appendices for;

- a) Signatures of the authorized persons,
- b) Completeness of the documents listed in the regulations pertaining to payment,
- c) Any material error, and
- d) Information on the identity of the right holders.

An accounting officer shall not request any document of evidence other than those set out in the applicable legislation. He/she shall not make any payment in the event of any error or omission with regard to the foregoing. Payment order documents with any missing or erroneous document shall be sent for correction or completion to the authorizing officer in written form with the statement of reasons latest in one working day. When the errors

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, the title of this article which was "Accounting Services" has been replaced with the title "Accounting Services and the authorities and responsibilities of the accounting officer".*

are corrected or the incompleteness is remedied, the payment shall be effected.<sup>1</sup>

Accounting officers shall keep and hold ready for audit the books, records and documentation related to the transactions they perform.

Accounting officers are held responsible under the provisions on payment in the second<sup>2</sup> paragraph of the Article 34 and under their obligations for control concerning payment, stated in the third paragraph of this article. The responsibilities of accounting officers in relation to the controls they carry out as herein provided are limited to the documents they should examine as required by their duties. **(Annexed sentence: 22/12/2005-5436/10 art.; Amendment: 24/07/2008-5793/35 art.)** The Ministry of Finance shall be authorized to delegate duties and authorities of accounting officers to their deputies; to regulate operation of accounting services in case of resignation of account officers for any reason; and to determine duties equivalent to deputy accounting officer in terms of being entitled to enter certification tests.

Accounting officer trustees are those who are entitled to temporarily collect, pay and send money and pecuniary values, on the name and behalf of accounting officers. Accounting officer trustees are directly responsible vis-à-vis the accounting officers. Procedures and principles on the appointment and the authorities of accounting officer trustees, the audits on them, and the books and documents they have to keep as well as other issues shall be arranged through a regulation to be issued by the Ministry of Finance.<sup>3</sup>

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, “any missing or erroneous document to be informed to financial control officer” statement in the fourth paragraph has been replaced with the statement “any missing or erroneous document”.

<sup>2</sup> As per Article 35 of the Law No. 5793 of 24/7/2008, the “first” statement in this paragraph has been replaced by “second”.

<sup>3</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, “accounting trustee” statement in the seventh paragraph has been replaced with the statement “accounting officer trustee”, “accounting trustees” statement with the statement “accounting officer trustees”, “of accounting trustees” statement with the statement “of accounting officer trustees.”

**Qualifications and Appointment of Accounting Officer  
Article 62- (Amendment: 22/12/2005-5436/8 art.)**

Those to be appointed to perform the duty of the accounting officers should possess the following qualifications in addition to the qualifications set out under Article 48 of the Civil Servants Law No. 657:

- a) To have a four-year bachelor degree,
- b) To have worked as an assistant accounting officer or in an equal position at the public administrations provided that they have served at least for four years in the accounting services of these administrations,
- c) To have received accounting officer certificate,
- d) To have no negative employment record during the last three years,
- e) To have no penalty for deduction from salary and suspense of rank advance,
- f) To possess the knowledge and presentation skills required for the duty.

It shall be sufficient for eligibility for those to be appointed to perform the duty of accounting officer in municipalities of districts with a population of less than 25,000 and in local administration unions to have at least a secondary education diploma and to have served at least for four years in the accounting services of the public administrations; provided that they fulfil the criteria stipulated in the subparagraphs (c), (d), (e) and (f) of the foregoing paragraph.

Without prejudice to the provisions of the Law No. 4059 of 9/12/1994, accounting officers in the public administrations within the scope of general budget shall be appointed by the Ministry of Finance and in other public administrations by the top manager.

Those to be accounting officers shall be delivered professional training by the Ministry of Finance taking into account characteristics of the duty; and those having successfully completed these trainings shall be awarded a certificate.

**(Amendment the last paragraph: 24/07/2008-5793/36 art.)**

Application requirements for accounting manager certification program, training of candidates, training duration, certification test,

granting of certificate, operation of these transactions collectively or individually by public administrations within the scope of general government, and working principles and procedures of accounting officers shall be regulated under the by-laws prepared by the Ministry of Finance and enacted by the Council of Ministers.

### **Internal Audit**

**Article 63-** Internal audit is an activity of providing independent and objective assurance and consultancy, which is performed in order to improve and add value to the activities of the public administrations by evaluating whether the resources are managed in conformity with the principles of economy, effectiveness and efficiency, and by providing guidance. Such activities are performed with a systematic, regular and disciplined approach and in accordance with the generally accepted standards, aiming to evaluate and improve the efficiency of risk management and of management and control processes in the management and control structures and financial transactions of administrations.<sup>1</sup>

**(Rearrangement second paragraph: 22/12/2005-5436/10 art.)** Internal audit is performed by the internal auditors. **(Annexed sentence: 22/12/2005-5436/10 art.)** Taking into account the structure and personnel number of public administrations, upon the positive opinion of the Internal Audit Coordination Board, internal audit units may be established, which are directly subject to the top managers.

### **Duties of Internal Auditors**

**Article 64-** Annual internal audit program of the public administrations shall be prepared by internal auditors by considering the proposals of top managers, and shall be approved by the top manager.

The following are the duties of internal auditors shall perform the following duties:

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, "and is consulting activity providing objective assurance and consultancy" statement in the first sentence of Article 63 has been replaced with the statement "an activity of objective assurance and consultancy".*

- a) To evaluate the management and control structures of the public administration on the basis of objective risk analyses,
- b) To make studies and proposals for the economic, efficient and effective utilization of resources,
- c) To perform ex post audits on legal compliance,
- d) To audit and evaluate the administrations' expenditures, decisions and operations on financial transactions according to their compliance with the objectives, policies, development plan, programs, strategic plans and performance programs.<sup>1</sup>
- e) To perform system audit on the processes of financial management and control, and to make proposals thereon,
- f) In the framework of audit results, to make proposals regarding the ameliorations,
- g) To report to the highest administrator of the administration concerned if a case requiring an investigation is observed during the audit or according to the audit results.

The internal auditor performs his/her duties in line with the internationally accepted control and audit standards defined by the Internal Audit Coordination Board.

Internal auditor performs his/her duties independently and he/she cannot be assigned or commissioned any other duty out of his/her primary duties.

Internal auditors submit their reports directly to the top managers. Following the evaluation of the top manager, these reports shall be given to the concerned units and financial services unit for taking necessary action. Internal audit reports and information on the actions taken about them shall be sent by the top manager, latest in two months to the Internal Audit Coordination Board.

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, "monitor" statement in subparagraph (d) of Article 64 has been replaced with the statement "audit", and second sentence of Article 63 has been rearranged as second paragraph.

## **Qualifications and Appointment of Internal Auditor**

**Article 65-** The officials to be appointed as internal auditors must possess the following qualifications in addition to the qualifications set out under Article 48 of the Civil Servants Law No. 657:

a) To have a four-year bachelor degree in one of the fields to be determined by the Internal Audit Coordination Board considering the particularities of the public administration concerned.

b) To have served as an audit personnel in a public administration at least for five years or worked in the areas to be determined by the Internal Audit Coordination Board at least for eight years.

c) To possess the knowledge, qualification and presentation skills required by the profession.

d) Other conditions required by the Internal Audit Coordination Board.

Those to be appointed as internal auditors in the public administrations shall receive professional training from the Ministry of Finance under coordination of the Internal Audit Coordination Board. The training program shall be prepared in a manner to provide adequate knowledge to the internal auditor candidates on auditing, budgets, financial control, public procurement legislation, accounting, personnel legislation, the EU legislation and other professional issues. Those having successfully completed this training shall receive certificates. Duration, subjects and post-training procedures of the training program for the internal auditor candidates shall be arranged in accordance with the regulation to be prepared by the Internal Audit Coordination Board and issued by the Ministry of Finance.

**(Amendment first sentence: 22/12/2005-5436/10 art.)** In the ministries and the affiliated administrations, internal auditors shall be appointed by the Minister upon the recommendation of the top managers; on the other hand in other administrations by the top managers from the candidates having certificates; and they shall be dismissed from duty with the same procedure. The number of internal auditors for public administrations, their working procedures

and principles and other related issues shall be arranged through the regulation to be prepared by the Internal Audit Coordination Board and issued by the Council of Ministers upon the proposal of the Ministry of Finance.

### **Internal Audit Coordination Board**

**Article 66-** The Internal Audit Coordination Board affiliated to the Ministry of Finance consists of seven members. One of these members is proposed by the Prime Minister, one by the Minister in charge of the Undersecretariat of Treasury, one by the Minister in charge of the Undersecretariat of State Planning Organization, one by the Minister of Interior and three, including the chairman, by the Minister of Finance, and appointed for a period of five years by the Council of Ministers. Those who will be appointed to the Internal Audit Coordination Board should possess the qualifications necessary to carry out the tasks defined under Article 67. The person to be proposed by the Minister of Finance should be an academician having a doctoral degree in one of the fields including economics, finance, accounting or business administration. Members may be reappointed at the end of their terms of duty.

If necessary, the Internal Audit Coordination Board may invite experts for technical assistance and consultancy with the condition of having no voting right. The working procedures and principles of the Board and other issues shall be arranged through a regulation to be proposed by the Internal Audit Coordination Board and to be issued by the Ministry of Finance.

Those who are assigned to this Board continue to carry out their primary duties. The Chairman and the members shall be paid, not to be more than four times a month, an attendance pay not exceeding the amount calculated by multiplying the index figure (3000) by civil servant monthly coefficient, for every day of meetings.

## **Duties of Internal Audit Coordination Board**

**Article 67-** Internal Audit Coordination Board performs the following duties in order to monitor the internal audit systems of the public administrations and to serve as an independent and impartial body:

- a) To determine internal audit and reporting standards, and to prepare and develop audit guidelines,
- b) To develop risk evaluation methods in line with the international practices and audit standards,
- c) To ensure cooperation with the audit units of public administrations,
- d) To make proposals in order to take necessary measures for eliminating frauds or irregularities,
- e) To make proposals to the public administrations for the specific audits out of the program, which will be carried out by the internal auditors in risky areas,
- f) To organize training programs of the internal auditors,
- g) To contribute to the settlement of conflicts in cases of divergence of opinions between the internal auditors and the top managers,
- h) To evaluate internal audit reports of the administrations and to consolidate their results in an annual report to be submitted to the Minister of Finance, and publicize it,
- i) **(Amendment: 22/12/2005-5436/10 art.)** To determine whether internal auditors shall be appointed for administrations and district and village municipalities considering volume of the transactions and personnel number,
- j) To determine other procedures on the appointment of internal auditors,
- k) To determine ethical rules to be followed by the internal auditors,
- l) **(Annex: 22/12/2005-5436/10 art.)** To prepare quality assurance and development program and to evaluate the internal audit units within this scope.

## **SIXTH PART**

### **External Audit**

#### **External Audit**

**Article 68-** The purpose of the ex post external audit to be performed by the Court of Accounts is to audit the financial activities, decisions and transactions of management in terms of their compliance with the laws, institutional goals, objectives and plans, and to report their results to the Turkish Grand National Assembly within the framework of the accountability of public administrations within the scope of general government.

The external audit is performed in accordance with the generally accepted international audit standards through:

a) Performing financial audit on the reliability and accuracy of financial statements, and determining whether the financial transactions related to revenues, expenditures and assets of public administrations comply with the laws and other legal arrangements, on the basis of public administrations' accounts and relevant documents,

b) Determining whether the public resources are used in an effective, economic and efficient way; measuring the activity results and evaluating them as to their performance.

During the external audit, reports issued by the internal auditors of the public administrations shall be submitted to the Court of Account auditors for information, if requested.

At the end of the audits, the reports on the issues stated in the subparagraphs (a) and (b) of second paragraph of this article shall be consolidated according to the administrations, and a copy shall be submitted to the relevant public administration and replied by the top manager. The Court of Accounts shall prepare the External Audit General Evaluation Report by taking into account the audit reports and replies given thereto, and present it to the Turkish Grand National Assembly.

The finalizations of accounts by the Court of Accounts means taking a decision on whether the revenue, expenditure and asset accounts and related transactions of the public administrations

within the scope of general government are in compliance with the legal provisions.

Other issues on the finalization of external audit and accounts shall be stipulated in the relevant law.

### **Audit on the Court of Accounts<sup>1</sup>**

**Article 69-** Audit on the Court of Accounts is every year conducted on the basis of accounts and related documents, on behalf of the Turkish Grand National Assembly, by a commission which is composed of auditing staff having required professional qualifications and which is appointed by the Chairman's Council of the Turkish Grand National Assembly.

## **SEVENTH PART**

### **Sanctions and Authorized Bodies**

#### **Overspending**

**Article 70-** The authorizing officials who have delivered spending orders which are against the budgets, the detailed expenditure programs or release rates or which are in excess of appropriation amounts stated in appropriation dispatch documents, without causing a public loss, shall be subject to a fine amounting up to two times of the net monthly payment they earn including all kinds of salary, allowance, pay raise and compensation.

#### **Public Loss**

**Article 71- (Amendment first paragraph: 25/4/2007-5628/4 art.)** Public loss is preventing an increase or causing a decrease in the public resource as a result of a decision, transaction or action that violates the legislation and that stems from their intention, fault or negligence.

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, the title "Audit of the Turkish Court of Accounts" has been amended as "Audit on the Turkish Grand National Assembly and the Court of Accounts" and the statement of "the Turkish Grand National Assembly and" has been inserted at the beginning of the Article; while as per Article 55 of the Law No. 6009 of 23/07/2010, "the Turkish Grand National Assembly and" has been omitted.

When determining public loss, the following are considered;

- a) To make payments in excess of the amount determined as the price of works, goods or services,
- b) To make payments without receiving the goods or without having the work done or service provided,
- c) To make excessive or groundless payments in the expenditures in the form of transfers,
- d) To purchase goods, works or services, or to have them done for a price higher than their market price,
- e) Not to impose, accrue or collect the revenues of the administration in accordance with the legislation,
- f) **(Abolishment: 22/12/2005-5436/10 art.)**
- g) To make payments although not envisaged in the relevant legislation.

**(Amendment third paragraph: 22/12/2005-5436/10 art.)** A public loss determined as a result of controls, audits, examinations, final sentence or trial shall be collected from the relevant persons together with its legal interest to be calculated according to the related legislation as of the date of the loss occurred.

Officials who prevent an or cause a decrease in the public resources by issuing false documents where any money, goods or values which have not in fact been received appear to have been received, any services not rendered appear to have been rendered, or any construction, repair or manufacture works not executed or completed appear to have been executed or completed; and officials who deliberately issue, sign or approve such documents shall be subject to a legal action pursuant to the relevant provisions of the Turkish Penal Code or other applicable laws. In addition, those having undertaken such actions shall be subject to a fine amounting up to two times of the net monthly payment they earn including all kinds of salary, allowance, pay raise and compensation.

**(Amendment the last paragraph: 25/4/2007-5628/4 art.)** The procedures and principles regarding the compensation of the public losses from the public official who has caused the mentioned loss or from other real and legal persons shall be governed in a by-

law to be issued by the Council of Ministers upon the proposal of the Ministry of Finance.

### **Unauthorized Collection and Payment**

**Article 72-** No real or legal person may make collections or payments on behalf of the public, unless duly authorized pursuant to the laws.

In the events of unauthorized collection or payment, collection of any donation or grant in exchange of or in connection with a public service by using public authority, or any other collection or payment under similar denominations, such amounts shall be collected from those having performed unauthorized collection or payment, and according to its relevance recorded as revenue in the budget, or recorded in custody accounts to be returned to the concerned persons. In addition, necessary legal and administrative procedures shall be applied to the aforementioned persons pursuant to the relevant laws.

### **Fines and Authorized Bodies**

**Article 73-** The fines stipulated herein shall be imposed by the relevant top managers. Fines shall be collected by deducting one fourth of all payments earned by the relevant persons including all kinds of salary, allowance, pay raise and compensation beginning from the month following imposition of the fine and without requiring any further judgment.

### **Statute of Limitations**

**Article 74-** Public losses and fines that cannot be determined and collected until the end of the tenth year starting from the beginning of the fiscal year following the occurrence of the public loss and of the action to be punished with the fines defined in this Law shall be subject to the statute of limitation; provided that the

general provisions tolling and stopping the statute of limitations are valid.<sup>1</sup>

## **EIGHTH PART Other Provisions**

### **Services to be Provided by the Ministry of Finance**

#### **Article 75- (Abolishment first paragraph: 22/12/2005-5436/10 art.)**

In cases where there is a complete breakdown of the financial management and control system or there are indications of a major corruption or a public loss, upon the request of the concerned minister or upon the direct approval of the Prime Minister; the Minister of Finance may have authorized audit staff inspect the entire financial management and control systems, financial decisions and transactions of the public administrations as to their compliance with the legislation. A copy of the reports to be issued at the end of such inspections shall be sent to the Internal Audit Coordination Board, and another copy to the concerned Minister for taking required actions.

### **Responsibility of the Public Administrations**

**Article 76-** Public administrations shall regularly keep all kinds of records, information and documents related to the financial decisions and transactions.

The public administrations and their officials are obliged to submit the information and documents on the preparation, implementation, finalization, accounting, and reporting of the budget and on the financial management and control systems to the officials authorized to perform audits; and take the necessary measures and provide any assistance and help to ensure duly performance of this duty.

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<sup>1</sup> *As per Article 10 of the Law No. 5436 of 22/12/2005, "provided that the general provisions tolling and stopping the statute of limitations are valid" statement has been inserted at the end of the paragraph after the statement "shall be subject to the statute of limitations".*

## **Social Security Institutions and Local Administrations**

**Article 77-** Preparation and implementation of the budgets of the social security institutions and local administrations and their other financial transactions shall be subject to the provisions of the relevant laws without prejudice to the provisions hereof. However, the detailed expenditure programs and financing programs of the social security institutions and those of local administrations shall be prepared, negotiated and approved together with their budgets, and the appropriations shall be utilized in this framework.

In cases where there is a complete breakdown of the financial management and control system or there are indications of a major corruption or a public loss, upon the request of the relevant governor for the special provincial administrations or of the mayor for the municipalities or upon the direct approval of the Prime Minister; the Minister of Interior may have authorized audit staff inspect the entire financial management and control systems, financial decisions and transactions of the public administrations as to their compliance with the legislation. A copy of the reports to be issued at the end of such inspections shall be sent to the Internal Audit Coordination Board, and another copy to the governor or the relevant mayor for taking required actions.

## **Shares to be Collected from Proceeds of the Institutions**

**Article 78-** An amount up to fifteen percent of the gross proceeds of the state economic enterprises and public corporations shall be collected and recorded as revenue to the general budget. In this respect, the Council of ministers shall determine the institutions and agencies from which such amounts shall be collected and the ratios of the shares to be collected from proceeds and payment place and time of the collection. Shares from proceeds not paid in due time shall be collected according to the Law No. 6183 of 21/7/1953 with a late payment interest at a rate defined by the Council of Ministers. The late payment interest calculated shall be collected from the institution's or agency's officers who are authorized for the payment of such shares.

However, no late payment interest shall be imposed for the additional time granted by the Ministry of Finance.<sup>1</sup>

**(Amendment second paragraph: 22/12/2005-5436/10 art.)**

Revenue surplus of the regulatory and supervisory agencies for quarters shall be transferred to the general budget until the fifteenth of the month following each quarter. This paragraph shall also be applied to the Istanbul Stock Exchange. In the event that the said amounts are not paid in time, the unpaid amounts are followed and collected by imposing a late payment interest as per the provisions of the Law No. 6183.

**Cancellation of the Public Receivables**

**Article 79-** Authority to cancel the public receivables which are recorded in the accounts of the administration but cannot be followed-up and collected due to any imperative or force majeure reasons and which do not exceed the amount specified in the Central Government Budget Law shall be granted to the Minister of Finance for the public administrations within the scope of the general budget and to the heads of public administrations for other public administrations. . Public receivables exceeding specified amounts and envisaged to be cancelled shall be indicated in the schedule annexed to the Central Government Budget Law.

**Authority**

**Article 80-** The Ministry of Finance is authorized to make the necessary regulations for enforcement of the provisions of this Law.

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<sup>1</sup> *As per Article 28 of the Law No. 5335 of 21/04/2005, “indicated in central government budget law” statement in the second sentence of this paragraph has been replaced by the statement of “determined by Council of Ministers”, “stated in central government budget law” statement in the third sentence has been replaced by the statement of “determined by Council of ministers”.*

## **NINTH PART**

### **Annulled Provisions, Provisional Articles and Enactment**

#### **Annulled Provisions**

**Article 81-** Without prejudice to the provisions of the provisional articles of this Law; the following are annulled:

- a) General Accounting Law No. 1050 and supplements and amendments thereof,
- b) Articles 30, 32, 33, 36, and 37, and other provisions of the Court of Accounts Law No. 832 which are contrary to this Law,
- c) Provisions of other laws that stipulate exception to or exemption from application of the General Accounting Law No. 1050, the Travel Allowance Law No. 6245 and the Court of Accounts Law No. 832 for the public administrations within the scope of this Law, with the exception of Articles 98 – 106 of the Law No. 211 of 4/1/1961,
- d) Third paragraph of Article 14 of the Law No. 4749 of 28/3/2002,
- e) Article 15 of the Law No. 4481 of 26/11/1999,
- f) Provisions of other laws which are incompliant with those of this Law.

#### **Annexed Article 1- (Annex: 22/12/2005-5436/11 art.)**

Accounting services of the Turkish Grand National Assembly and the Turkish Court of Accounts shall be executed by the accounting officers appointed by the Speaker of the Turkish Grand National Assembly, whereas those of the Presidency shall be executed by the accounting officers appointed by the General Secretary of Presidency.

#### **Common Fund Account**

##### **Annexed Article 2- (Annex: 1/7/2006-5538/20 art.)**

Any kind of revenues of the funds established by various legislation shall be deposited in the common fund account opened on behalf of the Undersecretariat of Treasury under the supervision of the Central Bank. The Central Bank of Republic of Turkey shall

distribute shares among the funds and make deductions from revenues deposited in the mentioned account as envisaged in the relevant legislation.

The revenues of Support and Price Stabilization Fund remained after deductions shall be recorded as revenue in chart (B) of the general budget. The mentioned fund provides services by utilizing the appropriations allocated in chart (A) of the budget. However, out of revenues of the mentioned Fund; loan capital returns, loan interests, borrowing and proceeds from selling shall be transferred from common fund account to expenditure account of the relevant Fund without recording as revenue in Chart (B) of the general budget.

Revenues and expenditures of the funds which have been put outside the scope shall not be associated with the budget. Nevertheless, the revenues collected in common fund account may be recorded as revenue in the general budget after making deductions at certain ratios and amounts which are determined by approval of the Prime Minister upon the joint proposal of the Minister of Finance and the Minister in charge of the Undersecretariat of Treasury.

Funds execute their services and expenditures in accordance with the procedures and principles in their own legislation. Period, procedures and principles for the collection, follow-up, recording, accounting and audit of the fund revenues shall be jointly determined by the Ministry of Finance and the Undersecretariat of Treasury.

Excluding those established by the and the decree law, the funds whose service fields are no longer exist may be liquidated by approval of the Prime Minister upon the joint proposal of the Minister of Finance and the Minister in charge of Undersecretariat of Treasury. The Minister of Finance and the Minister in charge of the Undersecretariat of Treasury are authorized to make regulations on the mentioned liquidation. Transfer may be made from the expenditure accounts of the funds by approval of the Prime Minister upon joint proposal of the Minister of Finance and the Minister in charge of the Undersecretariat of Treasury.

Transferred amounts shall be transferred to the common fund account, over the revenue account of the fund that the mentioned transfer has been made from, and then all the amount shall be transferred to the expenditure account.

Amounts remained after the deductions from the funds outside the scope of the budget and interfund transfers performed pursuant to its own legislation shall be transferred to the expenditure account of the relevant fund of the Central Bank of Republic of Turkey.

**Provisional Article 1-** In the public administrations of which financial transactions have been conducted by the Ministry of Finance until enactment of this article, the duties required by this Law shall be performed by the Ministry of Finance units until establishment of a financial management and control system defined by this Law in these administrations. When the criteria to be determined by the Ministry of Finance are fulfilled, transfer of authority to the administrations shall be realized upon the proposal of the Ministry of Finance on the basis of each administration.

In the other public administrations, such duties required by this Law with respect to the financial management and control process shall be conducted by the units and officers having similar duties and powers until establishment of a financial management and control system defined by this Law in these administrations. Units and officers having similar duties and powers in these public administrations shall be determined by the relevant top manager upon the positive opinion of the Ministry of Finance.

In the framework of its guidance and coordination duties, the Ministry of Finance shall assist establishment of financial management and control systems in the public administrations.

Transition period shall be completed until 31.12.2007.

**Provisional Article 2-** The by-laws, regulations and other arrangements referred hereto shall be published latest by 31.12.2004.

**Provisional Article 3-** Accounting standards to be applied in the public administrations within the scope of general government shall be defined by the Ministry of Finance until this authority is taken over by the Board referred in Article 49 of this Law.

**Provisional Article 4-** In order to ensure adaptation to the new financial management and control system envisaged by this Law, necessary amendments to the legislation related to the administrations within the scope of this Law and to the By-Law of the Turkish Grand National Assembly shall be made until 31.12.2007 at the latest.

The law that regulates the activities of the public administrations within the scope of general budget, which are defined in the relevant legislation excluding their public duties and services, and that regulates the revenues obtained from their priceable good and service deliveries shall enter into force until 31.12.2007.<sup>1</sup>

**Provisional Article 5- (Amendment: 22/12/2005-5436/9 art.)** As of 31.12.2005 and until 31.12.2007;

a) Those actually working in the positions of the Ministry of Finance as Head of Budget Department, Accounting Director, Revenue Accountancy Office Director, County Revenue Director, Accountancy Office Director, Tax Office Director, Tax Director, Military Treasurer, State Accounting Expert and Accounting Auditor and those who had occupied such positions for at least five years, may be appointed in the public administrations as Accounting Officer and their assistants (except for Assistant Public Accounting Experts and Assistant Accounting Auditors) and those whose cadre title is accountant as Assistant Accounting Officer,

b) Those actually working as principal incumbents in the accounting units of the special budget agencies, of the local administrations and of the social security institutions, and those

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<sup>1</sup> As per Article 10 of the Law No. 5436 of 22/12/2005, the statement of 31.12.2004 in this article has been replaced with "31.12.2007."

having occupied such positions for at least five years as Head of Budget Department, Head of Revenue and Expenditure Department, Head of Accounting Department, Revenue Director, Budget Director and Accounting Director may be appointed as Accounting Officer in the mentioned administrations,

c) Those actually working in the positions of Court of Accounts Auditor, Inspector of Prime Ministry, Auditor of Supreme Audit Board, Finance Inspector, Account Expert, Budget Controller, Accounting Controller, Revenues Controller, National Property Controller, Controller of Liquidation Affairs and Revolving Fund, Treasury Controller and those having occupied such positions for at least five years may be appointed to the public administrations as Internal Auditor,

d) Those who are inspectors or controllers in the Ministries, Undersecretariats, Presidencies or Directorate Generals and those having occupied such positions for at least five years may be appointed as Internal Auditors in their own administrations, special budget agencies, local administrations or social security administrations,

e) Those who are Accounting Auditors, National Property Auditors and Tax Auditors, and those who have been previously at these duties for at least five years, may be appointed to the special budget administrations and local governments; Municipality Inspectors and Accounts Comptrollers and those having occupied such positions for at least five years may be appointed to the local administrations as Internal Auditor.

Those who are carrying out the accounting services of the public administrations as primarily responsible officer as of 31.12.2005 shall carry out their duty as accounting officer of their public administrations starting from 01.01.2006 until a certified accounting officer is appointed. These persons shall be appointed to an appropriate duty in terms of their cadres in the event that they cannot be successful to be awarded with a certificate. However, until the appointment of an accounting officer to the administrations whose accountancy services are carried out by the Ministry of

Finance, accounting services shall be performed by the persons to be determined by the Ministry of Finance.

It is compulsory for those who will be appointed in order to perform duties of the accounting officer mentioned in the clauses (a) and (b) to receive a professional training to be provided by the Ministry of Finance and to successfully pass the examination and to receive a certificate. However, those appointed to the duties mentioned in the clauses (a) and (b) as a result of being successful in the relevant examination are appointed as an accounting officer without the requirement of examination.

Those appointed to the duties mentioned in the clauses (c), (d) and (e) shall be subject to training for implementation of the system envisaged by this Law. In the appointments, consents of the concerned person and his/her administration shall be obtained.

**(Annex: 24/07/2008-5793/37 art.)** It is essential to appoint the accounting officers from those who are awarded with the certificate according to the third paragraph to hold the accounting officer position in public administrations. In the event that those awarded with the certificate cannot be appointed to the mentioned position, the staff determined by the Ministry of Finance in the public administrations within the scope of general budget and by the top managers in the other public administrations according to the principles and procedures defined by the Ministry of Finance shall be appointed to that duty until the Ministry of Finance imposes an obligation for appointing a certified accounting officer.

**Provisional Article 6 – (Abolishment: 22/12/2005-5436/10-c art.)**

**Provisional Article 7 – (Abolishment: 22/12/2005-5436/10 art.)**

**Provisional Article 8-** Chairman and members of the Internal Audit Coordination Board shall be appointed within two months following publication date of this Law.

**Provisional Article 9-** References made by other laws to the provisions of the General Accounting Law No. 1050 shall be deemed to be made to this Law.

**Provisional Article 10-** The external audits on the transactions which the regulatory and supervisory agencies and the special budget agencies perform until 31.12.2005, and which are subject to the audit of the Court of Accounts for the first time with this Law shall continue to be performed according to the provisions of their relevant Laws.

**Provisional Article 11- (Abolishment first paragraph: 24/07/2008-5793/38 art.)**

**(Amendment second paragraph: 22/12/2005-5436/10 art.)** Revolving funds established in the public administrations under the scope of this Law shall be restructured until 31/12/2007.<sup>1</sup>

**(Amendment: 22/12/2005-5436/10 art.)** Until the revolving funds are restructured, preparation, execution, finalization, accounting, control and audit of their budgets shall be governed by the regulation to be enforced by the Ministry of Finance. Accounting of the funds shall be carried out in accordance with the accounting system envisaged by this Law.

**(Abolishment fourth paragraph: 22/12/2005-5436/10 art.)**

**Provisional Article 12-** According to the first paragraph of Article 45, among the immovables that should be registered under the name of the Treasury, those which are owned by the public administrations shall be registered ex officio in the land registry under the name of the Treasury without any need for further transaction and within the six months following the end of legal entity of these public administrations.

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<sup>1</sup> As per Article 38 of the Law No. 5793 of 24/7/2008, the "31.12.2007" statement in this paragraph has been replaced by "31/12/2010".

**Provisional Article 13-** The Ministry of Finance shall determine in which chart each public administration established after the publishing of this Law will be included.

**Provisional Article 14-** For the effective and efficient provision of the services required by this Law, the positions in the List I annexed to this Law shall be created to be used in the Directorate General of Budget and Fiscal Control, Research, Planning and Coordination Board and Ministry of Finance Centre for Higher Training. These positions shall be added to the relevant sections concerning Ministry of Finance in the List I annexed to the Decree Law No. 190, and the positions in the List II annexed to this Law shall be annulled and removed from the sections concerning Ministry of Finance in the List I annexed to the said Decree Law. The vice president to be assigned to Research, Planning and Coordination Board shall be appointed by the approval of the Minister, and shall exercise all the rights provided for deputy director generals in the relevant legislation.

### **Authority to Record as Revenue and Appropriation**

#### **Provisional Article 15 – (Annex: 1/7/2006-5538/21 art.)**

Minister of Finance shall be authorized to record the amounts collected in 2006 to be recorded as special revenue as well as donations and grants collected as per Article 40 as revenue in the chart (B) of the general budget to have them utilized from the appropriations in the budget of the administration allocated for achievement of the goals stated in the relevant legislation, to make transfer from budgeted appropriation to the relevant item considering the revenue realization, to record the unexpended amounts as carried over revenue and appropriation in the budget of the subsequent year (including those carried over in 2005) and to determine procedures and principles regarding the transactions within the framework of these provisions.

**Provisional Article 16 – (Annex: 25/4/2007-5628/5 art.)**

Those working in the positions which are determined in the subparagraphs (c), (d) and (e) of the first paragraph of Provisional Article 5 as of 31/12/2006 and those who had occupied such positions for at least five years may be appointed as internal auditors in accordance with provisions of the mentioned article.

**Provisional Article 17 – (Annex: 25/4/2007-5628/5 art.)**

Appointments shall be made just for once, to the vacant positions titled as financial services expert which were created in accordance with the sixth paragraph of Article 16 of the Law No. 5436 dated 22/12/2005 and allocated to the public administrations, among the candidates who possess the following requirements until 31/10/2007 by the Ministry of Finance according to the results of written examination and placements made by the Student Selection and Placement Centre or the Ministry of National Education Measurement and Assessment Centre so as not to exceed the amount demanded by the relevant public administrations.

In order to attend the mentioned examination and to be appointed to financial services expert cadres, the candidates shall have worked at the cadres included in general administrative services of the following administrations for at least three years on the date of the exam and possess the educational requirements sought for admission to the examination for the financial services assistant expert position:

a) Public administrations where financial services expert cadres, created in accordance with Article 16 of the Law No. 5436, have been allocated;

1) Strategy Development Unit, Strategy Development Department, the directorates providing services regarding strategy development and financial services , Administrative and Financial Affairs Departments, Administrative and Financial Affairs Directorates, and departments or directorates providing accounting and financial services of the administrations except for the revolving fund enterprises,

2) Abolished Research, Planning and Coordination Boards, Research, Planning and Coordination Departments as well as Research, Planning and Coordination Directorates,

b) Ministry of Finance Directorate General of Budget and Fiscal Control, Directorate General of Public Accounts, accounting units of the administrations of which accounting services are executed by the Ministry of Finance Directorate General of Public Accounts including revolving fund enterprises provided that their cadres are affiliated to Ministry of Finance, cash offices and accounting services of fiscal offices in the districts.

The period in which the candidates actually worked at the cadres allocated to the above mentioned units shall be taken into account while calculating the period of service.

Establishment of the examination commission, procedures and principles on those who can attend the exam, examination subjects, the examination and placement as well as on appointments to the mentioned cadres and trainings of those who have been appointed shall be determined the by Ministry of Finance.

In accordance with the Provisional Article 2 of the Law No. 5436 and this Article, those who work in the financial service expert cadres in the administrations, where they were appointed, at least for three years after their appointment may be appointed to the cadres with the same titles in other public administrations upon their demand and consent of the administration.

Ministry of Finance is authorized to eliminate the hesitations with regard to implementation of this article.

**Provisional Article 18- (Annex: 24/07/2008-5793/39 art.)**

Financial statements of the public administrations within the scope of general government may be audited for their compliance to the accounting and reporting standards and to the accounting technique by the Ministry of Finance until 31/12/2012.

**Provisional Article 19- (Annex: 24/07/2008-5793/39 art.)  
(Amended: 06/04/2011-6225/16 art.)**

Leasing period of all kinds of air vehicles from real and legal persons by the Ministry of Environment and Forestry for aerial firefighting leasing period of all kinds of air and sea vehicles from real and legal persons by the Ministry of Health for emergency health services, procurement period of vaccines and biological products for advanced technology transfer which will ensure production of vaccines and biological products in our country and procurement period of high-cost and high-tech medical devices between the years 2008-2015 shall be applied as seven years although it is set out as three years in the Article 28 of this Law.

**Enforcement**

**Article 82-** Following articles of this Law shall enter into force respectively;

- a) Articles 30, 66, 67 and 80 and Provisional Articles 2, 3, 4, 5, 7, 8, 10, 12, 13, 14 and Article 82 and Article 83 on the date of publication,
- b) Clause (e) of Article 81 and Provisional Article 6 on 1/1/2004,
- c) Other provisions on 1/1/2005.

**Execution**

**Article 83-** The provisions of this Law shall be executed by the Council of Ministers.

**CHART NO 1<sup>(1)</sup>(2)(3)(4)(5)(6)**  
**(Amendment: 22/12/2005-5436/12 art.) PUBLIC**  
**ADMINISTRATIONS WITHIN THE SCOPE OF**  
**GENERAL BUDGET**

- 1) Turkish Grand National Assembly
  - 2) Presidency of the Republic
  - 3) Prime Ministry
  - 4) Constitutional Court
  - 5) Supreme Court
  - 6) Council of State
  - 7) Supreme Council of Judges and Public Prosecutors
  - 8) Court of Accounts
  - 9) Ministry of Justice
  - 10) Ministry of National Defence
  - 11) Ministry of Interior
  - 12) Ministry of Foreign Affairs
  - 13) Ministry of Finance
  - 14) Ministry of National Education
  - 15) Ministry of Public Works and Settlement
  - 16) Ministry of Health
  - 17) Ministry of Transport and Communication
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<sup>(1)</sup> As per Article 19 of the Law No. 5538 of 1/7/2006, the statement of “45) Directorate General for Forestry” in this article has been removed and order numbers have been rearranged.

<sup>(2)</sup> As per Article 42 of the Law No. 5502 of 16/5/2006, the statement of “Social Security Institution” has been removed.

<sup>(3)</sup> As per Article 25 of the Law No. 5902 of 29/05/2009, the “39- Emergency Management Agency” has been added subsequent to the statement of “38- Turkish Statistical Institute” and order numbers have been rearranged.

<sup>(4)</sup> As per Article 18 of the Law No. 5952 of 17/02/2010, the “34- Undersecretariat of Public Order and Security” has been added following the statement of “33- Undersecretariat of Marine” and order numbers have been rearranged.

<sup>(5)</sup> As per Article 43 of the Law No. 6001 of 25/06/2010, the statement of “43) Directorate General of Highways” has been omitted and order numbers have been rearranged.

<sup>(6)</sup> As per Article 46 of the Law No. 6807 of 11/12/2010 the “7) Supreme Council of Judges and Public Prosecutors” has been added subsequent to the “6) Council of State” and order numbers have been rearranged.

- 18) Ministry of Agriculture and Rural Affairs
- 19) Ministry of Labour and Social Security
- 20) Ministry of Industry and Trade
- 21) Ministry of Energy and Natural Resources
- 22) Ministry of Culture and Tourism
- 23) Ministry of Environment and Forestry
- 24) General Secretariat of National Security Council
- 25) Undersecretariat of National Intelligence Organization
- 26) General Command of Gendarmeries
- 27) Coast Guard Command
- 28) Directorate General of Security
- 29) Presidency of Religious Affairs
- 30) Undersecretariat of State Planning Organization
- 31) Undersecretariat of Treasury
- 32) Undersecretariat of Foreign Trade
- 33) Undersecretariat of Customs
- 34) Undersecretariat of Maritime Affairs
- 35) Undersecretariat of Public Order and Security
- 36) Secretariat General for the European Union Affairs
- 37) Prime Ministry Supreme Audit Board
- 38) State Personnel Presidency
- 39) Presidency of Administration for Disabled People
- 40) Turkish Statistical Institute
- 41) Emergency Management Agency
- 42) Revenue Administration
- 43) Directorate General of State Hydraulic Works
- 44) Directorate General of Land Registry and Cadastre
- 45) Turkish State Meteorological Service
- 46) Directorate General of Agrarian Reform
- 47) Directorate General for Petroleum Affairs
- 48) Directorate General of Press and Information
- 49) Directorate General of Social Assistance and Solidarity
- 50) Directorate General of Social Services and Child Protection Agency
- 51) Directorate General of Family and Social Research
- 52) Directorate General on the Status of Women

**CHART NO II**  
**(Amendment: 22/12/2005-5436/12 art.)**  
**SPECIAL BUDGET ADMINISTRATIONS**

**A) COUNCIL OF HIGHER EDUCATION, UNIVERSITIES AND  
INSTITUTES OF TECHNOLOGY**

- 1) Council of Higher Education
- 2) Student Selection and Placement Centre
- 3) Istanbul University
- 4) Istanbul Technical University
- 5) Ankara University
- 6) Karadeniz Technical University
- 7) Ege University
- 8) Ataturk University
- 9) Middle East Technical University
- 10) Hacettepe University
- 11) Bogaziçi University
- 12) Dicle University
- 13) Çukurova University
- 14) Anadolu University
- 15) Cumhuriyet University
- 16) İnönü University
- 17) Fırat University
- 18) 19 Mayıs University
- 19) Selçuk University
- 20) Uludağ University
- 21) Erciyes University
- 22) Akdeniz University
- 23) 9 Eylül University
- 24) Gazi University
- 25) Marmara University
- 26) Mimar Sinan Fine Arts University
- 27) Trakya University
- 28) Yıldız Technical University
- 29) 100. Yıl University

- 30) Gaziantep University
- 31) Abant İzzet Baysal University
- 32) Adnan Menderes University
- 33) Afyon Kocatepe University
- 34) Balıkesir University
- 35) Celal Bayar University
- 36) Çanakkale 18 Mart University
- 37) Dumlupınar University
- 38) Gaziosmanpaşa University
- 39) Gebze Institute of Technology
- 40) Harran University
- 41) Izmir Institute of Technology
- 42) Kafkas University
- 43) Kahramanmaraş Sütçü İmam University
- 44) Kırıkkale University
- 45) Kocaeli University
- 46) Mersin University
- 47) Muğla University
- 48) Mustafa Kemal University
- 49) Niğde University
- 50) Pamukkale University
- 51) Sakarya University
- 52) Suleyman Demirel University
- 53) Zonguldak Karaelmas University
- 54) Eskişehir Osmangazi University
- 55) Galatasaray University
- 56) **(Annex: 1/3/2006-5467/5 art.)** Ahi Evran University
- 57) **(Annex: 1/3/2006-5467/5 art.)** Kastamonu University
- 58) **(Annex: 1/3/2006-5467/5 art.)** Düzce University
- 59) **(Annex: 1/3/2006-5467/5 art.)** Mehmet Akif Ersoy University
- 60) **(Annex: 1/3/2006-5467/5 art.)** Uşak University
- 61) **(Annex: 1/3/2006-5467/5 art.)** Rize University
- 62) **(Annex: 1/3/2006-5467/5 art.)** Namık Kemal University
- 63) **(Annex: 1/3/2006-5467/5 art.)** Erzincan University
- 64) **(Annex: 1/3/2006-5467/5 art.)** Aksaray University
- 65) **(Annex: 1/3/2006-5467/5 art.)** Giresun University

- 66) (Annex: 1/3/2006-5467/5 art.) Hitit University
- 67) (Annex: 1/3/2006-5467/5 art.) Bozok University
- 68) (Annex: 1/3/2006-5467/5 art.) Adiyaman University
- 69) (Annex: 1/3/2006-5467/5 art.) Ordu University
- 70) (Annex: 1/3/2006-5467/5 art.) Amasya University
- 71) (Annex: 17/5/2007-5662/9 art.) Karamanođlu Mehmetbey University
- 72) (Annex: 17/5/2007-5662/9 art.) Ađrı Dađı University
- 73) (Annex: 17/5/2007-5662/9 art.) Sinop University
- 74) (Annex: 17/5/2007-5662/9 art.) Siirt University
- 75) (Annex: 17/5/2007-5662/9 art.) Nevşehir University
- 76) (Annex: 17/5/2007-5662/9 art.) Karabük University
- 77) (Annex: 17/5/2007-5662/9 art.) Kilis 7 Aralık University
- 78) (Annex: 17/5/2007-5662/9 art.) Çankırı Karatekin University
- 79) (Annex: 17/5/2007-5662/9 art.) Artvin Çoruh University
- 80) (Annex: 17/5/2007-5662/9 art.) Bilecik University
- 81) (Annex: 17/5/2007-5662/9 art.) Bitlis Eren University
- 82) (Annex: 17/5/2007-5662/9 art.) Kırklareli University
- 83) (Annex: 17/5/2007-5662/9 art.) Osmaniye Korkut Ata University
- 84) (Annex: 17/5/2007-5662/9 art.) Bingöl University
- 85) (Annex: 17/5/2007-5662/9 art.) Muş Alparslan University
- 86) (Annex: 17/5/2007-5662/9 art.) Mardin Artuklu University
- 87) (Annex: 17/5/2007-5662/9 art.) Batman University
- 88) (Annex: 22/5/2008-5765/3 art.) Ardahan University
- 89) (Annex: 22/5/2008-5765/3 art.) Bartın University
- 90) (Annex: 22/5/2008-5765/3 art.) Bayburt University
- 91) (Annex: 22/5/2008-5765/3 art.) Gümüřhane University
- 92) (Annex: 22/5/2008-5765/3 art.) Hakkari University
- 93) (Annex: 22/5/2008-5765/3 art.) Iđdır University
- 94) (Annex: 22/5/2008-5765/3 art.) řırnak University
- 95) (Annex: 22/5/2008-5765/3 art.) Tunceli University
- 96) (Annex: 22/5/2008-5765/3 art.) Yalova University
- 97) (Annex: 1/4/2010-5979-4 art.) Turkish – German University
- 98) (Annex: 14/07/2010 – 6005/2 art.) Yıldırım Beyazıt University
- 99) (Annex: 14/07/2010 – 6005/2 art.) Bursa Technical University

- 100) **(Annex: 14/07/2010 – 6005/2 art.)** Istanbul Civilization University
- 101) **(Annex: 14/07/2010 – 6005/2 art.)** Izmir Katip Celebi University
- 102) **(Annex: 14/07/2010 – 6005/2 art.)** Konya University
- 103) **(Annex: 14/07/2010 – 6005/2 art.)** Kayseri Abdullah Gul University
- 104) **(Annex: 14/07/2010 – 6005/2 art.)** Erzurum Technical University
- 105) **(Annex: 31/03/2011 – 6218/2 art.)** Adana University of Science and Technology

## **B) OTHER SPECIAL BUDGET ADMINISTRATIONS <sup>(1)(2)(3)(4)(5)</sup>**

- 1) Undersecretariat of Defence Industries
- 2) Atatürk Supreme Council for Culture, Language and History
- 3) Atatürk Research Centre **(Annex: 25/6/2009-5917/47 art.)**
- 4) Atatürk Cultural Centre **(Annex: 25/6/2009-5917/47 art.)**
- 5) Turkish Language Institute **(Annex: 25/6/2009-5917/47 art.)**
- 6) Turkish Historical Society **(Annex: 25/6/2009-5917/47 art.)**
- 7) Public Administration Institute for Turkey and the Middle-East
- 8) The Scientific and Technical Research Council of Turkey
- 9) Turkish Academy of Sciences
- 10) Turkish Justice Academy
- 11) Directorate General of Credit and Dormitories Agency

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<sup>(1)</sup> *As per Article 19 of the Law No. 5538 of 1/7/2006, the statement of “11) Directorate General for Forestry” has been inserted after “Directorate General of State Opera and Ballet” and order numbers have been rearranged.*

<sup>(2)</sup> *As per Article 47 of the Law No. 5917 of 25/06/2009, the statement of “3- Atatürk Research Centre, 4- Atatürk Cultural Centre, 5- Turkish Language Institute and 6- Turkish Historical Society” have been inserted after “2- Atatürk Supreme Council for Culture, Language and History” and order numbers have been rearranged.*

<sup>(3)</sup> *As per Article 43 of the Law No. 6001 of 25/06/2010, the statement of “12) Directorate General of Highways” has been inserted after “11) Directorate General of Credit and Dormitories Agency” and order numbers have been rearranged.*

<sup>(4)</sup> *As per Article 31 of the Law No. 5544 of 21/09/2006, the statement of “Vocational Proficiency Authority” has been inserted.*

<sup>(5)</sup> *As per Article 30 of the Law No. 5978 of 24/03/2010, the statement of “Agency for the Turks Living Overseas and Relative Communities” has been inserted.*

- 12) Directorate General of Highways (**Annex: 13/7/2010-6001/43 art.**)
- 13) Directorate General of Youth and Sport
- 14) Directorate General of State Theatres
- 15) Directorate General of State Opera and Ballet
- 16) Directorate General of Forestry
- 17) Directorate General of Foundations
- 18) Directorate General of Health for Borders and Coastal Areas
- 19) Directorate General of Electrical Power Resources Survey and Development Administration
- 20) Directorate General of Mineral Research and Exploration
- 21) Directorate General of Civil Aviation
- 22) Turkish Accreditation Agency
- 23) Turkish Standards Institution
- 24) National Productivity Centre
- 25) Turkish Patent Institute
- 26) National Boron Research Institute
- 27) Turkish Atomic Energy Authority
- 28) Presidency of Development and Support of Small and Medium Size Enterprises Administration
- 29) Centre for Studies for Developing Exports
- 30) Turkish International Cooperation and Development Agency
- 31) Environmental Protection Agency for Special Areas
- 32) Presidency of GAP Regional Development Administration
- 33) Privatization Administration
- 34) (**Annex: 28/9/2006-5548/36 art.**) (**Abolishment: Constitutional Court Decision No. E.: 2006/140, K.: 2008/185 and dated 25/12/2008.**)<sup>1</sup>
- 35) Agency for Workshops in Punishment and Execution Establishments and Custodies
- 36) (**Annex: 21/9/2006-5544/31 art.**) Vocational Proficiency
- 37) (**Annex: 24/3/2010-5978/30 art.**) Agency for the Turks Living Overseas and Relative Communities

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<sup>1</sup> Since Article 36 of the Law No. 5548 of 28/9/2006 has been abolished by the Constitutional Court Decision, the statement of "33-Public Audit Institution" has been omitted.

**CHART NO III<sup>1</sup> (Amendment: 22/12/2005-5436/12  
art.) REGULATORY AND SUPERVISORY  
AGENCIES**

- 1) Radio and Television Supreme Council
- 2) Telecommunication Agency
- 3) Capital Markets Board
- 4) Banking Regulation and Supervision Agency
- 5) Energy Market Regulation Board
- 6) Public Procurement Agency
- 7) Turkish Competition Authority
- 8) Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Authority

**CHART NO IV (Amendment:  
16/5/2006-5502/42 art.) SOCIAL  
SECURITY INSTITUTIONS**

- 1) Social Security Institution
- 2) Directorate General of Turkish Labour Authority

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<sup>1</sup> As per Article 47 of the Law No. 5917 of 25/06/2009, the statement of “2-Telecommunication Agency” is replaced by “2-Information Technologies and Communication Agency” and the statement of “8-Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Authority” by “8-Tobacco and Alcohol Market Regulation Authority”.

## LIST OF ENFORCEMENT DATES OF LEGISLATION AMENDING AND SUPPLEMENTING THE LAW NO. 5018

Amending Law	Amended Articles of Law No. 5018	Date of Enforcement
5263	Chart I	09/12/2004
5273	Chart II	15/12/2004
5286	Chart I	16/03/2005
5335	78	27/04/2005
5345	Chart I	16/05/2005
5429	Chart I	18/11/2005
5431	Chart II	18/11/2005
5436	19, 20, Provisional Article 4, 5 and 11, Charts no (I), (II), (III) and (IV) Provision not inserted to Article 16; For the cadres of Ministry of Finance For the cadres of Head of Budget Department and Deputy Head of Budget Department 2, 3, 10, 11, 13, 14, 17, 18, 21, 23, 27, 28, 30, 31, 33, 34, 35, 37, 41, 42, 44, 47, 49, 50, 55, 56, 57, 58, 59, 61, 62, 63, 64, 65, 67, 69, 71, 74, 75, 76, 78 Provisional Article 1, Provision not inserted to Provisional Article1, 2 and 3	24/12/2005  01/03/2006  31/12/2006  24/12/2005
5467	Chart II	17/03/2006
5502	Charts I and IV	20/05/2006
5538	Annexed Article 2, Provisional Article 15 Charts I and II	12/07/2006  to be valid as of 01/01/2006 12/07/2006
5544	Chart II	07/10/2006
5548	Chart II	01/10/2006
5628	27, 28, 60, 71, Provisional Articles 16 and 17	04/05/2007
5662	Chart II	29/05/2007
5765	Chart II	31/05/2008

5793	9, 10, 27, 28, 40, 44, 51, 52, 53, 61,62, Provisional Articles 5, 11, 18, 19	06/08/2008
5902	Chart No I	17/06/2009
5917	6, Chart No III Chart No II	10/07/2009 01/01/2010
5952	Chart No I	04/03/2010
5978	Chart No II	06/04/2010
5979	Chart No II	10/04/2010
6001	Charts No I and II	13/07/2010
6005	Chart No II	21/07/2010
6009	69	01/08/2010
6087	Chart No I	18/12/2010
6218	Chart No II	14/04/2011
6225	Provisional Article 19	26/04/2011