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ANNEX V

of the Commission Implementing Decision on the Annual action plan in favour of Türkiye for 2024

Action Document for Increasing the Effectiveness and Efficiency of Public Audit Mechanisms through Digital Transformation

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

Title	Increasing the Effectiveness and Efficiency of Public Audit Mechanisms through Digital Transformation Annual action plan in favour of Türkiye for 2024
OPSYS	OPSYS business reference: ACT-62855
ABAC	ABAC Commitment level 1 number: JAD.1655607
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)
Economic and Investment Plan (EIP)	No
EIP Flagship	No
Team Europe	No
Beneficiary of the action	The action shall be carried out in the Republic of Türkiye
Programming document	IPA III Programming Framework
PRIORITY AREAS AND SECTOR INFORMATION	
Window and thematic priority	Window 2: Good Governance, EU Acquis Alignment, Good Neighbourly Relations, and Strategic Communication Thematic Priority 1: Good Governance
Sustainable Development Goals (SDGs)	Main SDG: SDG 17: Partnership for the Goals

	Other significant SDGs: SDG 16: Peace Justice and Strong Institutions SDG 8: Decent work and economic growth			
DAC code(s)	15110 Public sector policy and administrative management (75%) 15130 - Legal and judicial development (25%)			
Main Delivery Channel	Central Government – 12001			
Targets	<input type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Internal markers and Tags	Policy objectives	Not targeted	Significant objective
EIP		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EIP Flagship		YES <input type="checkbox"/>		NO <input checked="" type="checkbox"/>
Tags:		YES		NO
Transport		<input type="checkbox"/>		<input checked="" type="checkbox"/>
Energy		<input type="checkbox"/>		<input checked="" type="checkbox"/>

	Environment and climate resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Digital	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Economic development (incl. private sector, trade and macroeconomic support)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Human Development (incl. human capital and youth)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Agriculture, food security and rural development	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Rule of law, governance and Public Administration reform	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Digitalisation	<input type="checkbox"/>	<input type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION			
Amounts concerned	Budget line: 15 02 01 01.01 Total estimated cost: EUR 7 350 000.00 Total amount of EU budget contribution EUR 7 350 000.00 EUR 7 350 000.00 for indirect management with IPA III beneficiary		
MANAGEMENT AND IMPLEMENTATION			

Implementation modalities (management mode and delivery methods)	Indirect management with the Republic of Türkiye
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2025
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2 Summary of the Action

The Overall Objective/(Impact) of this action is to increase the effectiveness and efficiency of public audit mechanisms.

In that respect *Area of Support No.1, Institutional Capacity Building for Digitalisation of Turkish Court of Accounts (TCA)’s Audit Processes and Parliamentary Oversight Process*, will enhance the oversight process of the Parliament over the public expenditure through the digitalisation and capacity building of audit process of TCA.

The Area of Support No.2, Ledger Risk Scrutiny- Risk Analysis through Electronic Ledger and Increasing Electronic Audit Capacity (DERIN) improves the effectiveness of the financial audit activities by using e-Ledger data in big data for risk analysis and audit activities by extending the digitalisation of taxation process to e-Ledger application.

IPA III Programming Framework priorities public administration reform (PAR), rule of law, economic development, accountability and transparency under Window-2. The key priorities under Window-2 aim to address overall public governance, in particular public administration reform, including digital transformation and public financial management at all levels of government, as well as legislative and institutional alignment with the EU *acquis*.

1.3 Beneficiar(y)/(ies) of the Action

The action shall be carried out in the Republic of Türkiye.

2. RATIONALE

2.1. Context

The IPA III Programming Framework Window 2 “addresses overall public governance, in particular public administration reform, including digital transformation and public financial management at all levels of government, as well as and institutional alignment with the EU *acquis*”. The specific objectives of IPA III in the field of *acquis* alignment and digitalisation includes: the production of sector-specific administrative data and statistics; strategic planning, monitoring and reporting; development of inclusive and evidence-based policies and legislation; and institutional capacity building in terms of appropriate accountability arrangements (auditing/reporting), which are listed among the administrative capacity for these needs.

Additionally, public financial management is an integral part of public administration reform (PAR) and a key priority under PAR will be to support IPA III beneficiaries, with a focus on budget reliability, transparency of public finances, public investment planning, selection and management of assets and liabilities, policy based fiscal strategy and budgeting. Therefore, IPA III aims to bring beneficiaries’ policies and legislation in line with the EU policies and the EU *acquis*, and to build administrative capacity to implement sector policies and the adopted legislation as well as to support the digitalisation efforts fully and effectively.

Additionally, and in the context of Türkiye, the 11th Development Plan (2019-2023), highlights that “increasing the efficiency of public administration through digital transformation is essential for sustainable development”. The plan underscores the need for integrated digital systems that facilitate seamless communication and data exchange between different government bodies.

Since the beginning of the new millennium, Türkiye has implemented numerous financial reforms to ensure the efficient use of public resources within aligning with good European Union practices in this field. The two pivotal reforms are the Public Financial Management and Control Law No. 5018, adopted in 2003, and the Turkish Court of Accounts (TCA) Law No. 6085, adopted in 2010. These laws envisage that the TCA will carry out its external audit duties in accordance with international standards, while enhancing transparency and accountability in public financial management.

TCA's audit scope covers almost all institutions that use public resources. TCA prepared 578 audit reports¹ in 2022 and presented them to the Parliament and relevant public administrations. TCA audited almost all the administrations within the scope of the central government, metropolitan municipalities and administrations affiliated to metropolitan municipalities, both in 2022 and in previous years. For this reason, increasing the efficiency of the TCA's external audit is important for accountability and transparency. To achieve this, a horizontal digitalisation of the existing processes will be required. Digitalising the TCA’s audit processes will involve the development of robust digital infrastructures and services that support seamless and secure data exchange. The EU's Digital Strategy emphasises the importance of robust digital infrastructures and services that can support effective governance. By adopting advanced digital tools and platforms, the TCA can streamline its audit processes, reduce manual errors, and ensure the integrity, security and supervision of audit data. This will also reduce the frequency of the audits through making quarterly interim checks or making comparative analysis between similar organisations for comparable expenditures. In this context, a medium-term digitalisation strategy and roadmap of the TCA will be established to effectively and systematically leverage required technology in audit activities.

¹ It covers all public institutions/bodies that use public budget (e.g. over EUR 275 billion in 2023 alone) such as all ministries and linked institutions, universities, municipalities, directories, agencies, regularity bodies, public entities/companies, public financial institutions, etc.

A key aspect of this transformation is the digitalisation of the information exchange between the TCA and the Parliament. By building institutional capacity for the Digitalisation of TCA's Audit Processes and Parliamentary Oversight Process, reviewing of TCA reports by the Parliament can be digitalised as well. As a result, the accumulated big data on TCA audits will also help to make analysis of new public budgets based on past budget performance.

On the other hand, in the *“Technical Closing Criteria”* of the Chapter 16 (Taxation) determined by Türkiye's Negotiation Framework Document and subject to negotiations, it was stated that Türkiye should demonstrate that it has sufficient administrative capacity to implement national tax legislation, collect taxes and control taxpayers, and the necessary infrastructure at the central and tax offices level is available. The European Union Member States persistently emphasise the need to ensure an economic development and a competitive equality by preventing tax loss and evasion and combating the informal economy - these goals are equally important for Türkiye.

The Fiscal Policy section of the 11th Development Plan outlines that a revision of the tax system and the establishment of an accounting-focused information system infrastructure with technological capabilities will be implemented. Additionally, in the 12th Development Plan's Fiscal Policy section, it is stated that tax equity will be strengthened, the tax base will be expanded, and the tax collection will be increased by considering the balanced distribution of income. The tax system will be developed in a way that will contribute to the development of the digital economy, comprehend the informality in digital activities and increase the attractiveness of the investment environment in accordance with international norms and by protecting the interests of the country to the maximum extent.

In the Economic Reform Programme (2023-2025) published in January 2023, it was stated that *“The fight against the informal economy will continue with determination, and the necessary tax security institutions will be established within the scope of the Action Plan for the Fight Against the Informal Economy. Additionally, the following issues were emphasised; in order to prevent tax losses and evasion, preventive and limiting measures will be implemented by identifying potential risk factors related to the relevant sectors and areas”* and *“With the support of digital infrastructure, the administration's revenue collection performance will be enhanced, and effectiveness in tax audits will be increased through a risk-based audit approach”*. Also, in the Economic Reform Programme (2024-2026), it was stated that *“The physical, human and technological infrastructure of the tax administration will be improved”*, *“The fight against informality will be carried out with the effective participation of all parties by making more use of technological opportunities”* and *“In the process of accession to the European Union, efforts will continue to harmonise with the acquis and the standards set in the tax area by other international organisations of which we are a member.”*

In Türkiye, digital transformation started with the *“e-Transformation Türkiye Project Short-Term Action Plan”* for the 2003-2004 period, prepared by the State Planning Organisation (Abolition) and with the e-return application as of 2005. In the following period, legal regulations containing the procedures and principles for the creation, organisation, transmission, preservation and submission of ledgers and documents electronically have been put into effect. *“Chapter 16: Taxation”* section of the 2022 EU Country Report on Türkiye mentions that the Revenue Administration effectively uses the e-document management system in terms of implementation capacity and transition to the electronic environment. The e-return application, launched in 2004, reached 99.87% in 2021. The tax administration's approach to implementation capacity and transition to a digital environment has paved the way for conducting audit activities electronically with the transition to an e-ledger application.

As a result, the Area of Support No.1 of this Action aims at preparing a strategy and a roadmap for digital transformation of the TTCA' audit processes and the establishment of a digital platform for information exchange with the Parliament, which are strategic and necessary steps to enhance the efficiency, transparency, and accountability of Türkiye's public sector. In this respect, the quality of public sector external auditing will be improved in compliance with the IPA III Programming Framework. This would also serve to deliver greater parliamentary scrutiny as referred to in Chapter 32.

On the other hand, Area of Support No.2 of this Action will enable the assessment of ledger data kept in electronic form, along with other e-documents and financial data, through big data analysis and the execution of digital audit activities. Consequently, risk analysis-based tax audits will be transferred to electronic environment and will contribute to the goal of transforming labour-intensive processes in tax audits into technology-intensive processes

2.2. Problem Analysis

Technological developments offer new opportunities and capabilities that enhance the effectiveness and efficiency of managing the budgetary processes at national level. On the other hand, transaction volumes are increasing with the transformation of business models and processes. This will enable the current administrative processes to carry out the current activities more effectively and efficiently, while increasing their ability to comprehend new areas. Digital transformation will particularly reduce paperwork, increase the speed of actions and decrease the costs of taxpayer compliance and administrative transactions; it will also increase the effectiveness of risk analyses and audits, thus enabling more effective fight against the informal economy.

The problems to be addressed in this Action are given below by two Areas of Support.

Area of Support No.1, Institutional Capacity Building for Digitalisation of TCA's Audit Processes and Parliamentary Oversight Process

The digital technologies offer new opportunities and capabilities that can enhance the effectiveness and efficiency of audit processes for TCA. Therefore, advancing the digitalisation of the audit processes can be expected to better fulfil the TCA's functions while making comparative financial analysis, reducing the paperwork, increase the speed and decrease the administrative costs and contributing to the accountability and transparency in public financial management that ISSAIs promote. Making the TCA audit more efficient will also help the audited institutions to implement the TCA recommendations systematically and swiftly. Coordinated execution of the multidimensional and multi-stakeholder digitalisation activities within the scope of long-term project portfolios consisting of coherent and integrated projects under a strategy and related action plans is a necessity to maximise the benefits of digitalisation projects. Such an approach will ensure that the transformation process can be carried out in a stable manner without being adversely affected by bureaucratic changes. In this respect, the development of the TCA Digital Transformation Strategy and Medium- Term Roadmap in line with the EU best practices is included in the scope of the project.

The existing audits processed have to be adjusted to the increasing use of informational technologies including soaring number of transactions and changing institutional processes in the public administrations, thus requiring more efficient audit processes and available IT tools. In addition, IT audit trainings need to be embedded into the TCA human resources development practices to meet the generally accepted IT audit requirements. One of the most important components in auditing today is the assessment of IT internal control systems. To realise this and to identify risky areas, IT audits should be conducted effectively.

The TCA carries out its audit functions on behalf of the Parliament. However, there is room for improvement in terms of the effectiveness of information exchange practices between the TCA and the Parliament. The TCA produces hundreds of audit reports throughout the financial year and submits these reports to the Parliament in hardcopy. The submitted reports are discussed together with the budget of the new financial year in the Planning and Budget Commission of Parliament. The date between the submission of the audit reports and the start of the work of the Planning and Budget Commission is determined by law. Digitalisation of the report submission to the Parliament by the TCA will increase the effectiveness of Parliamentary oversight. In addition, digital medium will allow the Parliament members to conveniently give their feedback on the reports to the TCA. In addition, with the digitalisation of the process, it will be possible to store the content in databases and to easily access these data whenever required by the TCA and the Parliament. This, in turn, would lead to increased Parliamentary influence on TCA's audit priorities and policies.

In parallel, Türkiye 2023 Report of European Commission mentions that (i) the TCA reports are published online every year, with the exception of those on state-owned economic enterprises, (ii) the TCA reports are only evaluated by parliament during its budget deliberations, (iii) the audited institutions should systematically and swiftly implement the TCA recommendations, (iv) more parliamentary scrutiny of the TCA audit findings and recommendations is needed, (v) there is a need to separate the discussion of budget and audit issues. Setting up a working group between the TCA and the parliament solely dedicated to discussing the performance of public institutions and their spending could be instrumental in this regard.

For multilateral and multidimensional digitalisation efforts to be carried out in an effective and coordinated manner, these efforts should be carried out with the participation of relevant parties. In this context, workshops with the participation of public institutions will contribute to the digital transformation process. Secondly, as reflected in the EU Commission Türkiye Report, the communication channels between the Parliament and the Court of Accounts should be improved to address the findings of the Court of Accounts more effectively and in depth. The workshops with public institutions and Parliament may also cover related laws and regulations as a preliminary study of digitalisation process. This identification will raise issues such as the establishment of a working group between the Parliament and the TCA to discuss the performance of public institutions and their spending as well as a separate publication of audit reports of State-Owned Enterprises that are accessible to the public. Third, it would be beneficial to develop cooperation with counterpart institutions to benefit from good examples in the sector in the digitalisation studies planned to be carried out within the scope of the project, which are currently being carried out with the TCA's own resources. Making this cooperation effective and sustainable requires a willingness of the institutions to cooperate with each other in a transparent manner.

The most important stakeholders of this activity are the TCA, the Parliament, public institutions and the general population. The TCA carries out audits on behalf of the Parliament. As a matter of accountability, the public and the Parliament as a representative of the public, have the right to observe the state of public financial management in the most transparent way.

The Area of Support No.2, DERIN (Ledger Risk Scrutiny- Risk Analysis through Electronic Ledger and Increasing Electronic Audit Capacity). The digital transformation of taxation processes in Türkiye, currently, the Revenue Administration effectively uses the e-document management system in terms of implementation capacity and transition to the electronic environment. Regarding the digitalisation of taxation processes, significant progress has been made in this area with e-notification, e-document and e-ledgers/books applications. However, e-ledgers, which constitute the source of e-returns, are currently not being utilised in big data analysis for risk analysis and assessment studies. This situation increases the tax compliance costs of taxpayers in the fight against the informal economy.

e-Ledgers, e-returns containing the summary of the taxation period, and other fiscal and financial data can be examined by referring to individual taxpayers who are risky in accordance with risk analysis and assessment studies. Therefore, it is not possible to carry out any study, including risk analysis studies on e-ledgers, without an ongoing tax audit. e-Ledger data is used based on individual taxpayers and does not allow risk analysis on big data.

Currently, the electronic ledgers received from taxpayers by the Revenue Administration are kept in compressed format for preservation purposes only. E-ledgers are used on a taxpayer-by-taxpayer basis and only after the taxpayers deemed risky are identified in line with the risk analysis and assessment studies conducted using e-returns and other financial and fiscal data. In other words, e-Ledgers can only be used on an individual basis after a specific taxpayer is identified following a tax audit and cannot be used for risk analysis within the existing big data.

To improve the situation, e-Ledgers should be included in risk analysis studies to be conducted on big data and should be comparable with other data in aggregate. However, since risk analysis units do not have the necessary analytical software and hardware infrastructure, these e-Ledgers cannot be included in risk analysis.

In the context of the current situation described above, this Action mainly aims to respond to the following problems and development needs including additional hardware/infrastructure requirements:

1. e-Ledgers and accounting records are currently kept electronically and not being used for risk analysis and assessments studies based on big data in an aggregated form (e-ledger data are stored on a taxpayer basis and in encrypted form and therefore are not used for aggregated risk analysis).
2. The lack of software and hardware that will enable the use of e-ledger data for risk analysis purposes within the scope of big data. E-Ledger data of each taxpayer is only kept in the cold archive/storage and encrypted at the Revenue Administration. However, it cannot be used in the analysis phase and is only used during tax audits. e-Ledger data should be made suitable for big data analysis with the software to be prepared within the scope of the project and should be stored to ensure the continuity of these analyses.
3. This Action will develop a big data-based risk analysis methodology and a risk analysis software, hardware acquisition and provide related institutional capacity building activities, efficiency and productivity in tax audits in line with the existing EU standards.

The Action will make the available e-ledger data suitable for risk analysis and assessment studies by enabling cross-checking of e-ledger data and by comparing it with other fiscal and financial data within the scope of big data. Thus, it is aimed to contribute to the process of transforming labour-intensive processes in tax audits into technology-intensive processes by increasing the digital audit capacity and moving tax audits to the electronic environment. Additionally, by enabling targeted risk analyses and tax inspections using big data, it is aimed to reduce the compliance costs of taxpayers, as well as to increase the marginal efficiency of the administration and reduce tax revenue losses. The general purpose is to create an administration that is more open to communication and cooperation, where taxpayers' compliance costs are reduced and the possibility of voluntary compliance is increased, where simultaneous access to data is possible and efficiency of tax audits is increased.

2.3. Lessons Learned

It can be said overall that a comprehensive and participatory approach (with public, private, local, social actors) was recognised as a need, with aspects such as legislation, administrative processes, and other branches of institutional capacity development for better harmonisation and implementation. Like most other countries, Türkiye recognises the need for a more conscious resource utilisation in the future. With the increasing global recognition of the benefits of digitalisation, Türkiye has also embarked on promoting the digitalisation in public transactions especially on the evaluations regarding external audit.

Therefore Action, Digitalisation of Processes Required by the Relationship of the Turkish Court of Accounts (TCA) with the Parliament in Terms of ISSAIs will be complementary in the fight against the informal economy and cooperation among public institutions. With this Action, paper consumption and printout usage will decrease. In this way, it will contribute to the protection of the environment. The contribution will also serve the SDGs. Additionally, as oversight of the Parliament on TCA findings becomes more effective, accountability in public financial management will be better than before. Increasing accountability will make institutions stronger and better performing.

On the other hand, ensuring continuity in the fight against the informal economy and cooperation among public institutions are crucial. Within this scope, in line with the main objectives of top policy documents, effective methods of combating the informal economy should be continuously developed and the opportunities provided by technology should be used intensively in this field. In this context, within the scope of the digital transformation of tax processes, significant progress has been made in the areas of acquis alignment and digitalisation with the "Technical Assistance for Strengthening the Audit Capacity and Increasing Inter-Agency Data Sharing within the Scope of Reducing the Informal Economy" project, which started in 2019, funded by the EU and Republic of Türkiye, with the Revenue Administration as the beneficiary. The project aimed to review relevant legislation, analyse legal gaps in the relevant legislation, determine strategies to

combat the informal economy, develop sectoral audit and monitoring plans, develop effective data sharing among institutions, and strengthen the data infrastructure. 19 public institutions/organisations and 32 NGOs took part as stakeholders in the project covering a 23-month period.

Furthermore, important applications such as digital tax office, e-return, e-ledger, pre-filled tax returns system, ledger declaration system, e-document applications, risk analysis and tracking systems related to tax refunds, and “*Digital Tax Assistant*” within the scope of taxpayer services activities have been implemented in the context of the digital transformation of tax administration. Each of these applications has contributed to increasing effectiveness in the fight against the informal economy by providing conveniences for taxpayers in taxation processes.

In addition, although the digital transformation activities of tax administrations consist of harmonised and integrated projects, there are difficulties in the end-to-end project coordination of administrations. Therefore, it causes that the maximum benefit cannot be obtained from the projects. For example, as explained in the problem analysis, although the transition to electronic ledger implementation paved the way for risk analysis and audit activities to be carried out electronically, the delayed software and hardware follow-up projects required to analyse e-ledger data deprived the project of the ability to analyse the ledgers originally envisaged. The project is complementary to the e-transformation process, which contributes to the fight against the informal economy, and will significantly increase the benefits obtained from other projects.

This big data can be utilised in a way that administrations can use it in their analysis capacity and with the existence of a new system infrastructure that has the technological competence to enable the use of artificial intelligence technologies in the future. By serving this purpose, DERIN aims to complete an important step of the e-transformation process, which has a high level of contribution to the effective use of risk analysis capacity in the fight against the informal economy.

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

The Overall Objective/(Impact) of this action is to increase the effectiveness and efficiency of public audit mechanisms.

The Specific Objectives (Outcomes) are:

1. To improve the digital transformation process of TCA audits (AoS 1)
2. To develop the risk analysis capacity over e-ledger big data for taxation process (AoS 2).

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Output 1.1. Contributing to Outcome 1(or Specific Objective 1): Developed strategy and roadmap for the digitalisation of the TCA’s audit systems and Parliament’s oversight process on TCA reports

Output 1.2. Contributing to Outcome 1(or Specific Objective 1): Digitalised information exchange process between the TCA and Parliament on audit reports

Output 1.3. Contributing to Outcome 1(or Specific Objective 1): Improved human resources capacity for IT audits.

Output 2.1. Contributing to Outcome 2 (or Specific Objective 2): Established IT capacity for conducting AI supported risk analysis and audits over big data.

Output 2.2. Contributing to Outcome 2 (or Specific Objective 2): Developed institutional know-how and practices for conducting risk analysis through big data.

The underlying intervention logic for those outcomes is that the outputs will contribute to achieve the outcome and thus the above-mentioned impact under the assumptions mentioned under section 3.4 “Risks and Assumptions”.

3.2. Indicative Activities

Activities related to Output 1.1: Developed strategy and roadmap for the digitalisation of the TCA’s audit systems and Parliament’s oversight process on TCA reports including:

- Current situation analysis for audit processes of the TCA in terms of digitalisation;
- Literature and good practice study via desk research and study visits to the EU for effectiveness and digitalisation of TCA audit processes and TCA-Parliament relations;
- Requirement analysis on legislative and institutional capacity of TCA to increase the efficiency of TCA audit processes and TCA-Parliament relations in the context of digital transformation;
- Workshop with TCA staff to evaluate the draft outputs of the studies for literature and good practice as well as requirement analysis on digital transformation;
- Workshop between the TCA and the Parliament on the evaluation of the draft outputs of studies for literature and good practices as well as requirement analysis on TCA-Parliament relations;
- Development of the Medium-Term Digitalisation Strategy and Roadmap of the TCA;
- Workshop on improving coordination and cooperation among international stakeholders.

Activities related to Output 1.2: Digitalised information exchange process between the TCA and Parliament on audit reports.

- Development of information sharing software with the Parliament integrated to the Audit Management System,

Activities related to Output 1.3: Improved human resources capacity for IT audits

- Increasing the competence of TCA staff in the field of information systems auditing (including CISA or equivalent trainings with certification),

Activities related to Output 2.1: Established IT capacity for conducting AI supported risk analysis and audits over big data:

- Development of software that can perform risk analysis and audit;
- Preparation of reports on risk scenarios with the capacity to perform big data analysis and ensuring integration with related applications (e-ledger, etc.);
- Realisation of software user trainings;
- Procurement of equipment for risk analysis and audit.

Activities related to Output 2.2: Developed institutional know-how and practices for conducting risk analysis through big data:

- Study the literature via desk research and good practices via limited study visits to EU countries to develop the risk analysis and audit methodology;
- Preparation of a training module for developing human resources capacity for risk analysis and audit activities, which includes training curriculum, content, trainee materials and trainer manuals and implementation of the training modules;
- Organisation of workshops and/or trainings to strengthen cooperation with relevant institutions and organisations, organisation of guidance trainings and/or workshops for professionals within the scope of the topics to be determined according to the results of risk analysis and audit reports;
- Providing the necessary training to the relevant technical personnel from the project stakeholders and cooperating with universities and other institutions/organizations for this work when necessary.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

The EU has a longstanding commitment to address environmental concerns in its assistance programmes (as part of a wider commitment to sustainable development). Environmental aspects are always considered in providing EU support and there will be no exception to this rule by ensuring that none of the funded interventions will have a harmful impact on the environment.

More specifically, activities related to the creation of digitalisation of process that will serve as a platform for paperless documentary and the potential to use the platform for an exchange of information will assist environmental dimension for both on governmental side and taxpayers' side. Moreover Environment-friendly materials and equipment will be used throughout the implementation of the Action. Activities of action will be set-up using environmentally friendly materials, to the extent possible. Whenever possible, hybrid events will be organised, to avoid unnecessary costs. Moreover, to avoid higher CO2 emissions caused by its high energy consumption due to the large use and storage of data, energy-efficiency can be minimised, and renewable energy sources might be adopted by the improvement of IT infrastructures through the Action.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G0. This implies that the action is not considered relevant for inclusion of gender equality. Yet the Gender equality shall be provided throughout the implementation of this Action.

Principles of equal opportunity for females and males and non-discrimination on grounds of gender will be considered throughout the implementation of action. Therefore, measures to ensure equal opportunities and no gender-based discrimination are integrated in the design and the implementation of this Action. As such, the AD ensures that both women and men can provide inputs, access, and participate in action activities.

Human Rights

Based on the fundamental principles of promoting equality and combating discrimination, the benefits of the Action will be guaranteed based on equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The principles of equal opportunities will be duly taken into account throughout the project cycle and the Action by promoting an environment that is conducive and enabling to gender equality, ensuring equal participation of women and men while ensuring the participation of people with disabilities.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for inclusion of persons with disabilities. Nevertheless, the disabled people shall be provided the same level of access to the projects as all other participants, via a sensitive design of activities.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
3- Risk related to people and the organisation	Inefficient communication and collaboration among relevant institutions during implementation of the Action	M	M	Stakeholder institutions will give priority to the establishment of a good collaboration between relevant institutions. All stakeholders will be informed about the benefits of the participatory process and will be encouraged to establish a good collaboration medium with their stakeholders during their activities.

5- Risk related to Communication and Information	Failure to communicate with main stakeholders	M	M	Establishing accurate and effective communication with stakeholders and clearly stating the importance of the action
2- Risk related to planning process and systems	Challenges arise due to the development of customized software and integration complexities	M	M	Preparing terms of reference for software and data integration tasks and establishing a competent technical team to manage the implementation process, as well as establishing mechanisms for effective data exchange and coordination with stakeholders
2-Risk related to planning process and systems	Failure of stakeholder institutions to complete their work according to their roles in the Action processes within the stipulated timeframes and lack of coordination among institutions	L	L	Conducting Action progress review meetings and follow-up of process progress by senior administrative authorities
3-Risk related to people and the organisation	Change of personnel working for the Action in stakeholder organizations	M	L	Ensuring substitute personnel and the orientation process of new personnel is completed in a timely manner so as not to cause loss of information

External Assumptions

The external assumptions can be listed as:

- Both Türkiye and the EU recognise the importance of an accountable financial management, effective external audit and protecting the environment.
- Members of the Parliament will also demand effective TCA report oversight.
- The TCA staff will be willing to receive training and certification.
- Adverse effects of and restrictions such as the emergence of a new pandemic do not hamper the DERIN project implementation of some Action activities such as offline trainings, seminars, study visits, etc.
- No major national and/or international policy or institutional change affecting the DERIN implementation occurs.
- Audits based on risk analysis through e-ledgers will increase the effectiveness and efficiency of tax audits.
- Strategy and policies of the stakeholders in tax area are also aligned with the project purpose and scope.

3.5. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Increase in effectiveness and efficiency of public audit mechanisms	Increasing implementation level of the digital actions of the TCA and Ministry of Treasury and Finance	No (2024)	Increasing the digitalisation capacity in existing control and transmissions within the scope of applications and technological opportunities to be developed	The External Audit Evaluation Report of the TCA DG of Risk Analysis Records Project Reports	<i>Not applicable</i>
Outcome 1	Improved digital transformation process of TCA audits	Percentage of TCA reports subjected to parliamentary oversight on digital domain	1 0% (2024)	1. 90% (2 years after the end of implementation)	1.TCA Records, Project Reports	Digitalisation will improve information exchange with Parliament and its oversight capacity
Output 1.1 related to Outcome 1	Developed strategy and roadmap for the digitalisation of the TCA's audit systems and Parliament's oversight process on TCA reports	1.1.1 Availability of Midterm Strategy and Roadmap for Digitalisation of TCA Audit Processes	1.1.1 No (2024)	1.1.1 Yes (by the end of the implementation)	1.1.1 Project Reports	
Output 1.2 related to Outcome 1	Digitalised information exchange process between the TCA and Parliament on audit reports	1.2.1 Availability of software module for secure document transfer to external parties	1.2.1 No (2024)	1.2.1 Yes (by the end of the implementation)	1.2.1 Project Reports	
Output 1.3 related to Outcome 1	Improved human resources capacity for IT audits	1.3.1 Number of auditors trained in internationally accepted IT audit trainings with certification	1.3.1 Under 10 (2024)	1.3.1 150 (by the end of the implementation)	1.3.1 Project Reports	

Outcome 2	Developed risk analysis capacity over e-ledger big data for taxation process	Number of risk analysis reports generated using big data including e-ledger	2.1. 0	2.1. 12 (2 years after the end of the implementation)	2.1. DG of Risk Analysis Records, Project Reports	No major national and/or international policy or institutional change affecting the project implementation occurs. Adverse effects of and restrictions such as the emergence of a new pandemic do not hamper the project implementation of some project activities such as offline trainings, seminars, study visits, etc.
Output 2.1 related to Outcome 2	Established IT capacity for conducting AI supported risk analysis and audits over big data	2.1.1. Number of e-ledgers integrated into the risk analysis software	2.1.1. 0	2.1.1. 120.000 (by the end of the implementation)	2.1.1 DG of Risk Analysis Records, Project Reports	
Output 2.2 related to Outcome 2	Developed institutional know-how and practices for conducting risk analysis through big data	2.2.1. Number of trained staffs on risk analysis methodologies by created training modules 2.2.2. Reached public and private sector professionals by workshops for sectoral cooperation	2.2.1. 0 (2024) 2.2.2. 0 (2024)	2.2.1. 30 (by the end of the implementation) 2.2.2. 120 (by the end of the implementation)	2.2.1/2. DG of Risk Analysis Records, Project Reports	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Türkiye.

4.2. Indicative Implementation Period

The indicative operational implementation period of this Action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures².

4.3.1. Indirect Management with an IPA III beneficiary

This action will be implemented under indirect management by the Republic of Türkiye. The managing authority responsible for the execution of the actions is the NIPAC. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate body for policy management: Turkish Court of Accounts (TCA), the National Parliament and Ministry for Treasury and Finance General Directorate of Risk Analysis. It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: CFCU. It shall ensure legality and regularity of expenditure.

4.3.2. Changes from indirect to direct management mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section 4.3.1 cannot be implemented due to circumstances beyond the control of the IPA III beneficiary, the modality of implementation can be changed either to Indirect Management with an Entrusted Entity and/or Direct management (procurement) for AoS 1.

² [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The selection criteria to choose this Entity are expertise in public governance, track record in supporting socio-economic development by building capacity of the public sector, particular experience in developing public financial management capacities, work on public internal financial control systems.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Methods of implementation – cf. section 4.3	
Outcome 1: Institutional Capacity Building for Digitalisation of TCA's Audit Processes and Parliamentary Oversight Process , composed of	4 350 000
Indirect management with the Republic of Türkiye – cf. section 4.3.1.	4 350 000
Outcome 2: DERIN (Ledger Risk Scrutiny- Risk Analysis through Electronic Ledger and Increasing Electronic Audit Capacity) , composed of	3 000 000
Indirect management with the Republic of Türkiye - cf. section 4.3.1.	3 000 000
Indirect management with the Republic of Türkiye	7 350 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	may be covered by another Decision
Strategic Strategic Communication and Public Diplomacy – cf. section 6	will be covered by another Decision
Totals	7 350 000

4.6. Organisational Set-up and Responsibilities

The Managing Authority (MA) in the field of Good Governance, Administrative capacity and EU acquis alignment is National IPA Coordinator (NIPAC). The IBPMs of the activities are Turkish Court of Accounts (TCA) and Ministry for Treasury and Finance General Directorate of Risk Analysis.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management (IBFM): CFCU.

Each outcome defined in this document will establish its management units for a smooth implementation of the activities. Day-to-day management and coordination of the activities will be carried out by the Action Coordination Units (ACU).

A Steering Committee (SC) will be established for each outcome and will be mainly composed of the representatives of the MA, IBPMs, IBFM, the stakeholders of the outputs, National IPA Coordinator (NIPAC), Presidency of Strategy and Budget as well as the European Union Delegation to the Republic of Türkiye (EUD). The SC will act as the advisory body that will provide high-level strategic guidance and oversight on activity implementation. SC will be gathered at regular intervals and additionally whenever deemed necessary.

Furthermore, a Sectoral Monitoring Committee (SMC) which is one of the highest decision taking platforms in terms of effective management of the funds provided by the EU, will meet regularly to solve the problems encountered during the programming, implementation and monitoring and give recommendations for effective utilisation of funds. SMC will be mainly composed of the representatives of the Commission/EU Delegation to Türkiye, MA, IBPMs, IBFM, the stakeholders of the activities, the Presidency of Strategy and Budget, NIPAC and if necessary relevant line ministries especially.

The functions of Sectoral Monitoring Committee are as follows:

- Review at each meeting the progress made towards achieving the specific targets of the Programme on the basis of the basic documents,
- Examine at each meeting the results of implementation, particularly the achievement of the targets set for each priority axis and measures and interim evaluations,
- Examine the sectorial annual and final reports on implementation.

SMC will meet at least twice a year at the initiative of NIPAC. The issues to be followed up will cover the period between two Committee meetings and the Committee Members will be informed about the current situation with regards to those issues.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

The Managing Authority and IBPMs/Co-Beneficiaries/Stakeholders of the activities are given below:

Area of Support	Managing Authority	IBPM/Co-Beneficiaries/Stakeholders
1- Institutional Capacity Building for Digitalisation of TCA’s Audit Processes and Parliamentary Oversight Process	NIPAC	IBPM: Turkish Court of Accounts (TCA) Stakeholder: Parliament
2- DERIN (Ledger Risk Scrutiny- Risk Analysis through Electronic Ledger and Increasing Electronic Audit Capacity	NIPAC	IBPM: Ministry for Treasury and Finance General Directorate of Risk Analysis

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time

of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the log frame matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- Monitoring tasks undertaken by the implementing partners/ beneficiary country, under the coordination of NIPAC Office, and NAO Office for financial monitoring, will consist of collecting and analysing data with the aim of informing on the use of resources and progress towards planned results, feeding the management of the action's decision-making processes.
- Monitoring tasks undertaken by the EU Delegation shall complement the implementing partners'/ beneficiary country's monitoring system, especially in key moments of the action cycle. It will also support follow-up of recommendations stemming out of external monitoring and will be used for informing the EU management. This monitoring could take different forms and methodologies (meetings with implementing partners, action steering committees, on the spot checks ...), to be decided based on specific needs and resources at hand. Reporting will be done according to methodologies and tools included in DG NEAR guidelines on linking planning/programming, monitoring and evaluation, including the use of standard checklists.

Both types of internal monitoring are meant to inform and provide support to external monitoring:

- External monitoring / Results Oriented Monitoring (ROM)

The Commission and/or NIPAC may undertake additional project monitoring in line with the European Commission rules and procedures set in the Financing Agreement through independent consultants recruited directly by the Commission/NIPAC for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission/NIPAC for implementing such reviews). These reviews might be composed of monitoring of the action, results data collection or any other task that is identified in the most recent EC guidelines.

The Steering Committees will be established at activity level in order to steer the implementation of activities, achievement of results against indicators in the action document, to discuss monitoring findings (including ROM findings) and agree on corrective actions as appropriate. The Steering Committees will be composed of the representatives of end beneficiaries, Lead Institution, NIPAC Office, Contracting Authority and the EU Delegation.

Monitoring will be an integral feature of managing for results to support and facilitate proactive management, continuous improvement, lessons learned and knowledge management. The monitoring of progress against the Logical Framework Matrix, including progress indicators and assumptions, will be conducted in connection with annual and final progress reports.

5.2. Evaluation

Having regard to the nature of the action, evaluation(s) may be carried out for this action or one of its Areas of Support by the beneficiary via independent consultants. The evaluations will be carried out as prescribed by the DG NEAR guidelines on linking planning/programming, monitoring and evaluation.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination.³ The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [Communicating and raising EU visibility: Guidance for external actions](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

7. SUSTAINABILITY

In the Indirect Management System in Türkiye, DEUA, as NIPAC, acts as the counterpart of the Commission and bears key responsibilities in the overall process of strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA assistance.

There has been no project related to the functions carried out by TCA in the recent past. However, TCA closely follows Türkiye reports of the European Commission. TCA carefully follows up the recommendations and noted deficiencies regarding public financial management and external audit, especially in chapter 32 named Financial Control. The action specified in this document will be carried out by considering the priorities included in both the Türkiye reports of the European Commission and the IPA III Programming Framework. The subject of this action is to digitalise the process for submitting TCA reports to the Parliament for oversight.

Once this is achieved, audit of the TCA and the oversight of the Parliament on the TCA findings will be more effective. Increasing the effectiveness of these two elements will also increase accountability in public financial management. The development of accountability will contribute to the audited institutions to implement the TCA recommendations in a systematic and swift way. Thanks to the workshops and seminars to be held during the implementation of the action, the deficiencies and needs of the related law and regulations will be analysed. Identifying the needs and deficiencies in this regard are expected to eliminate the deficiencies mentioned by the European Commission in its Türkiye 2023 Report.

As a result of this Action, TCA auditing will become more compliant with generally accepted international standards and, as a public institution, will better serve the public.

³ See best [practice of evaluation dissemination](#)

On the other hand, the Action aims to contribute to the development of e-ledger data. As a result, the Action will contribute to reducing tax losses and evasion in Turkey, increasing the collection capability and realising structural reforms in the fight against the informal economy.

The Government will ensure the sustainability and the maintenance of the software following the results of the Action. In addition, the new software will be introduced into the Ministry's system together with continuous training activities to its staff.