

PEMPAL TCOP THEMATIC GROUP ON PUBLIC SECTOR  
ACCOUNTING AND REPORTING

**TURKISH ACCOUNTING SYSTEM IN THE**  
**RECENT ERA AND HARMONIZATION**  
**PERIOD TO INTERNATIONAL PUBLIC**  
**ACCOUNTING STANDARDS**

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# THE TASKS OF THE GENERAL DIRECTORATE OF PUBLIC ACCOUNTS

- To improve accounting standards,
- To compile and publish financial statistics;
- To calculate and pay salaries (all civil servants in Turkey)
- To determine the financial processes, to carry on accounting services of revolving funds that is connected to general and special budget public administrations.
- To report and publish final results of central administrative budget application.
- To prepare draft of final accounting legislation.
- To calculate and pay the shares which will be transferred to local administrations and other institutions.
- To produce, analyze, design, and direct new projects according to legal arrangements in order to implement public expenditure policies more efficiently,
- To regulate the structure and functioning of the public financial management.



# THE PUBLIC FINANCIAL MANAGEMENT AND CONTROL LAW No. 5018

The Public Financial Management and Control Law No. 5018 was adopted in 2004 and enforced with all provisions in 2006 in order to harmonize Turkish public financial management system to modern financial management principles and practices such as efficient, economic and effective usage of public resources, transparency, accountability, accrual based government accounting, analytical budget system, internal auditing. The Public Financial Management and Control Law No. 5018, which restructured Turkish public financial management system, made radical changes in government accounting and brought changes. Accordingly, revenues and expenses were recorded on cash basis before the law; but after the law, public revenues and expenditures were recorded in the period in which they accrued, i.e. on accrual basis in new government accounting system.



The purpose of The Public Financial Management and Control Law is to regulate the structure and functioning of the public financial management, the preparation and implementation of the public budgets, the 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.



## PUBLIC ACCOUNTING STANDARDS BOARD / TURKEY

Accounting and financial reporting standards such as IPSAS are required in order to refer public assets and liabilities as well as revenues and expenses, make explanations on points that are not clearly mentioned on financial statements, and make appropriate comparisons regarding financial statements.

**International Public Sector Accounting Standards** refers international accounting standards implemented in terms of financial reporting generally for public sector institutions of a country. In Turkey, The Public Financial Management and Control Law require the government to adopt international accounting standards for the public sector. Based on this law, the government issued a public accounting regulation for central government entities and established a **Public Accounting Standards Board**. The Board has published 22 Government Accounting Standards until now by making adaptations from IPSAS; but these standards have not been come into effect yet. The numbers and contents of these standards are almost same as the IPSAS standards. These standards will be implemented in the public sector soon.



## **THE PROBLEMS IN THE PERIOD OF HARMONIZATION TO INTERNATIONAL PUBLIC ACCOUNTING STANDARDS**

The standards have not been properly implemented in Turkey yet. In a number of and in big volumes “others” items are seen in financial statements that are published by the public sector. This case, which does not comply with full explanation concept of the accounting, indicates the importance of footnotes and explanations, which are inseparable part of financial statements, in accordance with IPSAS. Therefore, implementation of IPSAS standards in Turkey is significantly important at least in terms of transparency of accounts and fulfilling full explanation function of accounting.



# SCOPE OF PUBLIC FINANCIAL MANAGEMENT AND CONTROL LAW

## PUBLIC ADMINISTRATIONS WITHIN THE SCOPE OF GENERAL GOVERNMENT

Public Administrations  
Within The Scope of  
Central Government

Social Security  
Institutions

Local  
Administrations

General Budgeted  
Public Administrations

Special Budgeted  
Public Administrations

Regulatory and  
Supervisory Agencies

One of the problems encountered during harmonization process of the IPSAS standards in Turkey is at the point of determining the context of “State”. The Public Financial Management and Control Law No. 5018 makes differences in terms of reporting and implementation of standards since the law differentiates general budget and central government budget, State Legal Entity is defined in the general budget as a single legal entity, and the principle of the Unity of Treasury is implemented.





The implementation of the IPSAS in Turkey will increase internationally comparability and transparency of prepared financial statements. Above all, however, it is significantly important that the regularity authority (Public Accounting Standards Board) that adapts the IPSAS in Turkey should be formed by members of a profession being competent at least on international accounting standards (IFRS).



**THANKS FOR  
YOUR INTEREST**

