



**MINISTRY OF TREASURY AND FINANCE  
BOARD OF TREASURY CONTROLLERS**

**CLIMATE AND DISASTER RESILIENT CITIES PROJECT**

**Implemented by**

**MINISTRY OF ENVIRONMENT, URBANISATION AND CLIMATE CHANGE  
PRESIDENCY OF URBAN TRANSFORMATION**

**Financed Under International Bank for Reconstruction and Development  
(IBRD) Loan Agreement Numbered 9443 - TR**

**As of December 31, 2024 and For the Year Then Ended**

**Prepared by**

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**Report's Number**

**80/9 - 68/13 - 48/12 - 37/6**



**INDEPENDENT AUDITOR'S REPORT**

**June 23, 2025**



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## **EXECUTIVE SUMMARY**

## EXECUTIVE SUMMARY

### A. Project Summary

The Climate and Disaster Resilient Cities Project 's Loan Agreement (9443-TR) was signed between the Republic of Türkiye and the International Bank for Reconstruction and Development (IBRD) on December 30, 2022. The Urban Transformation Department of the Ministry of Environment, Urbanization and Climate Change (MoEUCC) is responsible for the implementation of the project. A PIU was established within Presedency of Urban Transformation to control and execute all aspects of project implementation in all components of the project. The loan agreement was signed on December 30, 2022 and accordingly the Project has become effective as of April 18, 2023; where the closing date is October 31, 2028.

The objectives of the Project are to increase access to seismic and climate resilient housing, municipal infrastructure and services in Project Provinces in Türkiye, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

The Project consists of the following parts:

#### **Part 1. Institutional strengthening to enable conditions for urban resilience**

Provision of goods, consulting services, non-consulting services, and Training to MoEUCC and local authorities in Project Provinces and other provinces, vulnerable to disaster risks, to strengthen their capacity to develop, implement, and monitor green and resilient urban transformation programs, including, inter alia:

- A. Preparation of municipal urban transformation strategies for municipalities vulnerable to climate and disaster hazards, jointly with local authorities (including city-wide climate and disaster risk assessments to inform spatial plans and investment prioritization, definition of financing modalities, implementation plans, and citizen engagement strategies for green and resilient urban transformation);
- B. Improvement of systems and procedures for managing, monitoring, and evaluating urban transformation programs with the involvement of relevant stakeholders at national and local levels (including spatial hazard and climate risk datasets);



C. Preparation and execution of targeted capacity building programs (including training, knowledge exchange, and study tours) for MoEUCC and local authorities on relevant topics (including conducting disaster and climate risk assessments, enhancing building code enforcement, integrating energy efficiency measures into resilient housing design, and using green and nature-based solutions to mitigate climate and disaster risks in the urban environment); and

D. Strengthening of the capacity of MoEUCC to provide technical support to owners interested in applying for the resilient housing sub-loans under Part 2 of the Project ("Resilient Housing Sub-loans"), particularly on technical and legal matters, and on carrying out technical verifications and inspections for housing reconstructions and retrofits.

## **Part 2. Expanding access to resilient housing**

Provision of support to MoEUCC to provide Resilient Housing Sub-loans to eligible owners ("Resilient Housing Sub-borrowers") in Project Provinces to finance civil works required for seismic resistant and climate-resilient retrofitting and in-situ reconstruction (which may include demolition) of the Resilient Housing Sub-borrowers' housing or commercial units in risky residential or mixed-use buildings ("Resilient Housing Subprojects") to meet Turkish Building Earthquake Code requirements and energy efficiency standards acceptable to the Bank.

## **Part 4. Project Management, Monitoring, and Evaluation**

A. Provision of goods, consulting services, non-consulting services, and Operating Costs to MoEUCC for Project management and supervision, including for the carrying out of Project procurement, financial management, environmental and social compliance, monitoring and evaluation, reporting, grievance redress mechanisms, and communication and outreach activities to ensure awareness of owners that may be eligible for Resilient Housing Sub-loans in Project Provinces; and the provision of support for annual performance assessments of the resilient housing retrofitting or reconstruction mechanisms to identify adjustments and course-correction as needed.

## **Part 5. Contingent Emergency Response**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

The project is financed through a loan agreement (Loan No. 9443-TR) signed between the Republic of Türkiye and IBRD. The total budget allocated under this loan is € 330.500.000,00, fully funded by the IBRD. Total opening balance of the Central Bank of the Republic of Türkiye (TCMB) designated account for loan, as of January 01, 2024 is € 981.666,94 and closing balance as of December 31, 2024 is € 17.677.782,38. According to the Project Financial Statements, € 5.303.884,56 was disbursed in this audit period and € 5.322.217,62 was disbursed cumulatively.

## **B. Objectives of Audit**

The objective of the audit is to express an opinion on the Financial Statements of the Climate and Disaster Resilient Cities Project for the period ended 31 December 2024. The audit includes but not limited to the following tasks.

In evidencing compliance with agreed project financing arrangements, we are expected to carry out tests to confirm that:

- (a) The funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include the Loan Agreement numbered 9443-TR.
- (b) All expenditure has been incurred in accordance with the Loan Agreement numbered 9443-TR, including specific provisions of the World Bank Procurement Guidelines.
- (c) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE).
- (d) Respective reports issued during the period were in agreement with the underlying books of account.

## **C. Scope of Audit**

The audit was conducted in accordance with International Standards on Auditing. Those Standards require that the auditor plans and performs the audit to obtain reasonable



assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There was no limitation in our scope for the Project's audit.

#### **D. Audit Methodology**

##### **Financial Statements**

Verified that the financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Audited all SOE submitted to the World Bank in support of requests for periodic replenishment of the project designated account.

Examined expenditures for eligibility based on criteria defined in the terms of the loan agreement. In addition, we examined;

- (a) SOEs have been prepared in accordance with the provisions of the relevant financing agreement;
- (b) expenditures have been made wholly and necessarily for the realization of project objectives;
- (c) information and explanation necessary for the purpose of the audit have been obtained;
- (d) supporting records and documents necessary for the purpose of the audit have been retained, and
- (e) SOEs can be relied upon to support the related withdrawal applications.

##### **Review of designated accounts**

During the audit of the project financial statements, we reviewed the activities of the project's designated account(s) such as deposits received, payments made, interest earned, and reconciliation of period-end balances.

**Internal controls**

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

**Compliance with agreement terms and applicable laws and regulations**

Reviewed, assessed and reported on compliance with the terms and conditions of the Loan Agreement numbered 9443-TR.

**Representations by implementing agency**

Obtained specific written representations from management.

**E. Audit Results**

For the financial statements of Project, our audit resulted with an unmodified opinion. In addition, other reporting responsibilities about the project is included under the heading of Report on Other Legal and Regulatory Requirements.

**F. Management Recommendation**

A management letter containing comments and recommendations related to internal control deficiencies and other matters dated 20.06.2025 has been prepared and shared with the Ministry of Environment, Urbanisation and Climate Change, Presidency of Urban Transformation. We believe these matters warrant management's attention.



**INDEPENDENT AUDIT REPORT'S & FINANCIAL  
STATEMENTS OF THE PROJECT**



## INDEPENDENT AUDITOR'S REPORT

**TO MINISTRY OF ENVIRONMENT, URBANISATION AND CLIMATE CHANGE,**

**Presidency of Urban Transformation**

### Opinion

We have audited the accompanying financial statements of the Climate and Disaster Resilient Cities Project as of December 31, 2024 and for the period then ended, which comprise the Withdrawal Application Summary Statement, Statement Of Sources And Uses Of Funds, Statement of Comparison Budget And Actual Amount, Statement of Designated Account and the Notes to the Project Financial Statements including the summary of significant accounting policies. The financial statements have been prepared by Presidency of Urban Transformation based on financial reporting provisions of the Loan Agreement Numbered 9443-TR.

In our opinion;

a) The accompanying the Withdrawal Application Summary Statement, Statement of Sources and Uses of Funds, Statement of Comparison Budget And Actual Amount, Statement of Designated Account present fairly, in all material respects, the financial position and cash flows of the Climate and Disaster Resilient Cities Project as of December 31, 2024 and for the period then ended in accordance with the provisions of the Loan Agreement Numbered 9443-TR.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent of the Presidency of Urban Transformation within the meaning of "IFAC Code of Ethics for Professional Accountants" and ethical requirements and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





### **Emphasis of Matter in the Financial Statement**

Without modifying our opinion, we draw attention to Note “2” to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist (Institution) to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose.

### **Going Concern**

The Project’s financial statements have not been prepared using the going concern basis of accounting. The project will be completed on October 31, 2028.

### **Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements**

Presidency of Urban Transformation is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 9443-TR and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Presidency of Urban Transformation’s financial reporting process.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

The conclusions drawn from audits conducted within the scope of other reporting requirements are as follows:





REPUBLIC OF TÜRKİYE  
MINISTRY OF TREASURY AND FINANCE  
The Board of Treasury Controllers

a) Presidency of Urban Transformation, as of December 31, 2024 has complied with, in all material respects, the requirements of the Loan Agreement Numbered 9443-TR.

b) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and these expenditures are eligible for financing under the World Bank Loan Agreement numbered 9443-TR.

Okan SÜLER  
Chairman of  
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU  
(Audit Partner)  
Vice Chairman

Engin YAŞAR  
Treasury Controller

Melda Nur NOGAY KURT  
Treasury Controller

Yavuz Selim BAYRAKÇI  
Treasury Controller

Anıl Edip ASLAN  
Treasury Controller

Date: 23.06.2025

Address: Ministry of Treasury and Finance  
The Board of Treasury Controllers  
ANKARA/TÜRKİYE

## **ANNEX I: FINANCIAL STATEMENTS**

| Ministry of Environment, Urbanization and Climate Change, Presidency of Urban Transformation<br>The Climate And Disaster Resilient Cities Project<br>LOAN NO: 9443 TR<br>Withdrawal Application Summary<br>For the Period: 01.01.2024-31.12.2024 |            |   |                                 |                                      |                   |            |          |               |  |
|--|------------|---|---------------------------------|--------------------------------------|-------------------|------------|----------|---------------|--|
| Withdrawal application number  | Date       | Category 1<br>(Works, Goods, services and<br>Inputs, Consultancies) | Category 2<br>Resilient Housing | Documented Total<br>(Local Currency) | Advance Requested | Value date | Rejected | Net paid      |  |
| In local currency - EUR  |            |   |                                 |                                      |                   |            |          |               |  |
| <b>Section A: Payment method - Advance/Replenishment</b>   |            |   |                                 |                                      |                   |            |          |               |  |
| Approved withdrawals   |            |   |                                 |                                      |                   |            |          |               |  |
| 002 - (P173025) (Advance)  | 27.03.2024 |   |                                 |                                      | 12.000.000,00     | 5.04.2024  |          | 12.000.000,00 |  |
| 003 - (CDRC-002) (Documented)  | 16.07.2024 | 21.709,73   |                                 | 21.709,73                            |                   | 17.07.2024 |          |               |  |
| 004 - (CDRC-003) (Documented)  | 16.07.2024 | 54.193,61   |                                 | 54.193,61                            |                   | 17.07.2024 |          |               |  |
| 005 - (CDRC-001) (Documented)  | 17.07.2024 | 18.333,06   |                                 | 18.333,06                            |                   | 23.07.2024 |          |               |  |
| 006 - (CDRC-004) (Documented)  | 16.07.2024 | 83.434,24   |                                 | 83.434,24                            |                   | 23.07.2024 |          |               |  |
| 007 - (CDRC-005) (Documented)  | 3.10.2024  | 18.527,10   |                                 | 18.527,10                            |                   | 15.10.2024 |          |               |  |
| 008 - (CDRC-006 - RevisedV2) (Documented)  | 22.10.2024 | 18.151,02   | 325.965,79                      | 344.116,81                           |                   | 22.10.2024 |          |               |  |
| 009 - (CDRC-007 - RevisedV2) (Documented)  | 22.10.2024 | 14.386,80   | 730.252,00                      | 744.638,80                           |                   | 22.10.2024 |          |               |  |
| 0010 - (P173025-TR9443-2) (Advance)  | 26.11.2024 |   |                                 |                                      | 10.000.000,00     | 4.12.2024  |          | 10.000.000,00 |  |
| Pending Submission   |            |   |                                 |                                      |                   |            |          |               |  |
| Sub-Total (A)  |            | 228.735,56  | 1.056.217,79                    | 1.284.953,35                         | 22.000.000,00     |            | -        | 22.000.000,00 |  |
| <b>Section B: Payment method - Reimbursement</b>   |            |   |                                 |                                      |                   |            |          |               |  |
| Approved withdrawals   |            |   |                                 |                                      |                   |            |          |               |  |
| Pending Submission   |            |   |                                 |                                      |                   |            |          |               |  |
| Sub-Total (B)  |            | -   | -                               | -                                    | -                 |            | -        | -             |  |
| <b>Section C: Payment method - Direct Payment</b>  |            |   |                                 |                                      |                   |            |          |               |  |
| Approved withdrawals   |            |   |                                 |                                      |                   |            |          |               |  |
| Pending submission   |            |   |                                 |                                      |                   |            |          |               |  |
| Sub-Total (c)  |            | -   | -                               | -                                    | -                 |            | -        | -             |  |
| TOTAL (A+B+C)  |            | 228.735,56  | 1.056.217,79                    | 1.284.953,35                         | 22.000.000,00     |            | -        | 22.000.000,00 |  |

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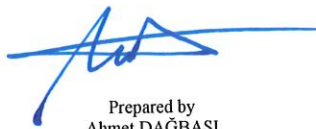


**Ministry of Environment, Urbanization and Climate Change, Presidency of Urban Transformation**  
**The Climate And Disaster Resilient Cities Project**  
**Loan No: 9443-TR**  
**STATEMENT OF SOURCES and USES of FUNDS**  
**As of December 31, 2024 and For The Year Then Ended.**  
**(In EURO)**

|   | Notes | Current Period       | Previous Period  | Cumulative           |
|---|-------|----------------------|------------------|----------------------|
| <b>I-SOURCES OF FUNDS</b>   |       |                      |                  |                      |
| A- IBRD Loan  | 5     | 22.000.000,00        | 0,00             | 23.000.000,00        |
| I.Net Advance   |       | 20.715.046,65        | 1.000.000,00     | 21.715.046,65        |
| I.a) Advance  | 5     | 22.000.000,00        | 1.000.000,00     | 23.000.000,00        |
| I.b) Recovery of Advance (-)  |       | (1.284.953,35)       | 0,00             | (1.284.953,35)       |
| II.SOE Procedures   | 5     | 1.284.953,35         | 0,00             | 1.284.953,35         |
| <b>Total Funds Received</b>   | 5     | <b>22.000.000,00</b> | <b>0,00</b>      | <b>23.000.000,00</b> |
| <b>II-A USES OF FUNDS by COMPONENT</b>  |       |                      |                  |                      |
| <b>I-Investment Costs</b>   |       |                      |                  |                      |
| <i>Component 1 Institutional strengthening to enable conditions for urban resilience</i>  |       | 0,00                 | 0,00             | 0,00                 |
| A.Preparation of municipal urban transformation strategies in cooperation with local governments for municipalities vulnerable to climate and disaster risks                                    |       | 0,00                 | 0,00             | 0,00                 |
| B.Improvement of systems and procedures for the management, monitoring and evaluation of urban transformation programs  |       | 0,00                 | 0,00             | 0,00                 |
| C.Preparation and implementation of targeted capacity building programs for the Ministry of Environment, Urbanization and Climate Change (MOEUCC) and local authorities in relevant areas       |       | 0,00                 | 0,00             | 0,00                 |
| D.Provision of approvals and reviews for beneficiaries, especially on technical and legal issues, and implementation of technical procedures, including housing reconstruction and retrofitting |       | 0,00                 | 0,00             | 0,00                 |
| <i>Component 2 expanding access to resilient housing</i>  | 4     | 5.010.062,18         | 0,00             | 5.010.062,18         |
| <i>Component 4 Project management , monitoring and evaluation</i>   | 4     | 293.822,38           | 18.333,06        | 312.155,44           |
| A.Provision of goods, consulting services, non-consulting services and operating costs to MoEUCC for project management and supervision   | 4     | 293.822,38           | 18.333,06        | 312.155,44           |
| <b>Total Investment Costs</b>   |       | <b>5.303.884,56</b>  | <b>18.333,06</b> | <b>5.322.217,62</b>  |
| <b>II-Recurring Costs</b>   |       |                      |                  |                      |
| A- Front-End-Fee  |       | 0,00                 | 0,00             | 0,00                 |
| <b>Total Recurring Costs</b>  |       | <b>0,00</b>          | <b>0,00</b>      | <b>0,00</b>          |
| <b>Total Uses of Funds by Component</b>   |       | <b>5.303.884,56</b>  | <b>18.333,06</b> | <b>5.322.217,62</b>  |
| <b>II-B USES OF FUNDS by CATEGORY</b>   |       |                      |                  |                      |
| - Category 1 Goods, works, non-consulting services, and consulting services, Training and Operating Costs for Part 1 and 4.A of the Project   | 4     | 293.822,38           | 18.333,06        | 312.155,44           |
| - Category 2 Resilient Housing  | 4     | 5.010.062,18         | 0,00             | 5.010.062,18         |
| - Category 3 Emergency Expenditures   |       | 0,00                 | 0,00             | 0,00                 |
| <b>Total Uses of Funds by Category</b>  |       | <b>5.303.884,56</b>  | <b>18.333,06</b> | <b>5.322.217,62</b>  |

|                                     |            |               |
|-------------------------------------|------------|---------------|
| Cash at the beginning of the period | 1.01.2024  | 981.666,94    |
| Cash at the end of the period       | 31.12.2024 | 17.677.782,38 |

The foreign exchange buying rate at the payment date of the bank where the special account is kept was used.



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Financial specialist



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Head of External Finance  
Department



Approved by  
Oguzhan YAYLACI  
Real Estate and Resource  
Development General Manager

| STATEMENT of COMPARISON BUDGET AND ACTUAL AMOUNT  |       |                |               |                 |  |            |               |                |            |
|---|-------|----------------|---------------|-----------------|--|------------|---------------|----------------|------------|
| Ministry of Environment, Urbanization and Climate Change, Presidency of Urban Transformation  |       |                |               |                 |  |            |               |                |            |
| Loan No : 9443 TR   |       |                |               |                 |  |            |               |                |            |
| The Climate And Disaster Resilient Cities Project   |       |                |               |                 |  |            |               |                |            |
| 01.01.2024-31.12.2024   |       |                |               |                 |  |            |               |                |            |
| Reporting Rate  |       |                |               |                 |  |            |               |                |            |
|   | NOTES | Current Period |               |                 |  | Progress % | Cumulative    |                |            |
|   |       | Actual         | Final Budget  | Original Budget |  |            | Actual        | Planned        | Progress % |
|   |       | 1              | 2             |                 |  | 3=1/2      | 4             | 5              | 6=4/5      |
| Sources of Funds  |       |                |               |                 |  |            |               |                |            |
| IBRD Loan   | 5     | 22.000.000,00  | 22.000.000,00 | 22.000.000,00   |  | 100,00%    | 23.000.000,00 | 330.500.000,00 | 6,96%      |
| Total Sources of Funds  | 5     | 22.000.000,00  | 22.000.000,00 | 22.000.000,00   |  | 100,00%    | 23.000.000,00 | 330.500.000,00 | 6,96%      |
| Uses of Funds   |       |                |               |                 |  |            |               |                |            |
| 1 By components   |       |                |               |                 |  |            |               |                |            |
| Component 1 Institutional strengthening to enable conditions for urban resilience   |       | -              | -             | -               |  | 0,00%      | -             | 6.500.000,00   | 0,00%      |
| A.Preparation of municipal urban transformation strategies in cooperation with local governments for municipalities vulnerable to climate and disaster risks                                    |       | -              | -             | -               |  | 0,00%      | -             | -              | 0,00%      |
| B.Improvement of systems and procedures for the management, monitoring and evaluation of urban transformation programs  |       | -              | -             | -               |  | 0,00%      | -             | -              | 0,00%      |
| C.Preparation and implementation of targeted capacity building programs for the Ministry of Environment, Urbanization and Climate Change (MOEUCC) and local authorities in relevant areas       |       | -              | -             | -               |  | 0,00%      | -             | -              | 0,00%      |
| D.Provision of approvals and reviews for beneficiaries, especially on technical and legal issues, and implementation of technical procedures, including housing reconstruction and retrofitting |       | -              | -             | -               |  | 0,00%      | -             | -              | 0,00%      |
| Component 2 Expanding access to resilient housing   | 4     | 5.010.062,18   | 5.010.062,18  | -               |  | 100,00%    | 5.010.062,18  | 317.000.000,00 | 1,58%      |
| Component 4 Project management , monitoring and evaluation  | 4     | 293.822,38     | 293.822,38    | -               |  | 100,00%    | 312.115,44    | 7.000.000,00   | 4,46%      |
| A.Provision of goods, consulting services, non-consulting services and operating costs to MoEUCC for project management and supervision   |       | 293.822,38     | 293.822,38    | -               |  | 100,00%    | 312.115,44    | 7.000.000,00   | 4,46%      |
| Total   |       | 5.303.884,56   | 5.303.884,56  | -               |  | 100,00%    | 5.322.177,62  | 330.500.000,00 | 1,61%      |
| 2 By expenditure category   |       |                |               |                 |  |            |               |                |            |
| - Category 1 Goods, works, non-consulting services, and consulting services, Training and Operating Costs for Part 1 and 4.A of the Project   | 4     | 293.822,38     | 293.822,38    | -               |  | 100,00%    | 312.115,44    | 13.500.000,00  | 2,31%      |
| - Category 2 Resilient Housing  | 4     | 5.010.062,18   | 5.010.062,18  | -               |  | 100,00%    | 5.010.062,18  | 317.000.000,00 | 1,58%      |
| - Category 3 Emergency Expenditures   |       | -              | -             | -               |  | 0,00%      | -             | -              | 0,00%      |
| Total   | 4     | 5.303.884,56   | 5.303.884,56  | -               |  | 100,00%    | 5.322.177,62  | 330.500.000,00 | 1,61%      |

Prepared by

Ahmet DAĞBAŞI  
Financial specialist

Controlled by

Behçet Kaan BOLAT  
Head of External Finance  
Department

Approved by

Oğuzhan YAĞLIACI  
Real Estate and Resource  
Development General Manager

**Ministry of Environment, Urbanization and Climate Change,  
Presidency of Urban Transformation  
The Climate And Disaster Resilient Cities Project  
SPECIAL ACCOUNT STATEMENT  
ACCOUNT NO: 9443 TR  
For the year ended. December 31, 2024  
(In EURO)**

|                                 |  |              |               |
|---------------------------------|--|--------------|---------------|
| Opening Balance (01.01.2024)    |  |              | 981.666,94    |
|                                 |  |              |               |
| Reimbursements to SA            |  | 0,00         | 22.000.000,00 |
|                                 |  |              |               |
| Refunds to SA                   |  | 0,00         | 0,00          |
|                                 |  |              |               |
| Available Funds                 |  | 0,00         | 22.981.666,94 |
|                                 |  |              |               |
| Payments Made for Expenditures  |  | 5.303.884,56 |               |
|                                 |  |              |               |
| Service charges for the account |  | 0,00         |               |
|                                 |  |              |               |
| Total Project Investments       |  | 5.303.884,56 | 5.303.884,56  |
|                                 |  |              |               |
| Closing Balance (31.12.2024)    |  |              | 17.677.782,38 |

  
Prepared by

Ahmet DAĞBAŞI  
Financial speciliast

  
Controlled by

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Department

  
Approved by

Oğuzhan YAYLACI  
Real Estate and Resource  
Development  
General Manager



REPUBLIC OF TÜRKİYE  
MINISTRY OF ENVIRONMENT, URBANIZATION AND CLIMATE CHANGE,  
PRESIDENCY OF URBAN TRANSFORMATION  
THE CLIMATE AND DISASTER RESILIENT CITIES PROJECT  
LOAN NO : 9443 TR

NOTES TO THE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD ENDING  
DECEMBER 31,2024

1. PROJECT OBJECTIVES AND STRUCTURE

The Climate and Disaster Resilient Cities Project's Loan Agreement (9443-TR) was signed between the Republic of Türkiye and the International Bank for Reconstruction and Development (IBRD) on December 30, 2022. The project will end on November 30, 2028.

The Urban Transformation Department of the Ministry of Environment, Urbanization and Climate Change(MoEUCC) is responsible for the implementation of the project. A PIU was established within Presidency of Urban Transformation to control and execute all aspects of project implementation in all components of the project. While the project is being carried out, it will be carried out in 1 center and 6 pilot provinces in total. The center province is Ankara and the pilot provinces are; Istanbul, Izmir, Manisa, Kahramanmaraş, Tekirdağ and Kocaeli. The PIU is chaired by the Head of the External Financing Department of the Presidency Of Urban Transformation A total of 19 members serve in the PIU. 9 of them are Presidency Of Urban Transformation staff; the remaining 10 PIU members are; at the center province a procurement expert, two financial expert, two social expert, a lawyer and an occupational health and safety expert, a monitoring and evaluation specialist. At the pilot province a social expert and an environmental expert.

PROJECT DESCRIPTION

The objectives of the Project are to increase access to seismic and climate resilient housing, municipal infrastructure and services in Project Provinces in Türkiye, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1. Institutional strengthening to enable conditions for urban resilience

Provision of goods, consulting services, non-consulting services, and Training to MoEUCC and local authorities in Project Provinces and other provinces, vulnerable to disaster risks, to strengthen their capacity to develop, implement, and monitor green and resilient urban transformation programs, including, inter alia:

A. Preparation of municipal urban transformation strategies for municipalities vulnerable to climate and disaster hazards, jointly with local authorities (including city-wide climate and disaster risk assessments to inform spatial plans and investment prioritization, definition of financing modalities, implementation plans, and citizen engagement strategies for green and resilient urban transformation);

B. Improvement of systems and procedures for managing, monitoring, and evaluating urban transformation programs with the involvement of relevant stakeholders at national and local levels (including spatial hazard and climate risk datasets);

C. Preparation and execution of targeted capacity building programs (including training, knowledge exchange, and study tours) for MoEUCC and local authorities on relevant topics (including conducting disaster and climate risk assessments, enhancing building code enforcement, integrating energy efficiency measures into resilient housing design, and using green and nature-based solutions to mitigate climate and disaster risks in the urban environment); and

D. Strengthening of the capacity of MoEUCC to provide technical support to owners interested in applying for the resilient housing sub-loans under Part 2 of the Project ("Resilient Housing Sub-loans"), particularly on technical and legal matters, and on carrying out technical verifications and inspections for housing reconstructions and retrofits.

#### Part 2. Expanding access to resilient housing

Provision of support to MoEUCC to provide Resilient Housing Sub-loans to eligible owners ("Resilient Housing Sub-borrowers") in Project Provinces to finance civil works required for seismic resistant and climate-resilient retrofitting and in-situ reconstruction (which may include demolition) of the Resilient Housing Sub-borrowers' housing or commercial units in risky residential or mixed-use buildings ("Resilient Housing Subprojects") to meet Turkish Building Earthquake Code requirements and energy efficiency standards acceptable to the Bank.

#### Part 4. Project Management, Monitoring, and Evaluation

- A. Provision of goods, consulting services, non-consulting services, and Operating Costs to MoEUCC for Project management and supervision, including for the carrying out of Project procurement, financial management, environmental and social compliance, monitoring and evaluation, reporting, grievance redress mechanisms, and communication and outreach activities to ensure awareness of owners that may be eligible for Resilient Housing Sub-loans in Project Provinces; and the provision of support for annual performance assessments of the resilient housing retrofitting or reconstruction mechanisms to identify adjustments and course-correction as needed.

#### Part 5. Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

Project Duration : The closing date is November 30,2028

Project Budget : Republic of Türkiye and IBRD signed a financing agreement for loan of EUR 330.500.000,00 to assist in financing the project as described above parts.





| Category  | Amount of the loan allocated (expressed in EUR) | Percentage of expenditures to be financed (inclusive of taxes) |
|---|---|--|
| (1) Goods, Works, Non-Consulting Services And Non-Consulting Services, Training And Operating Cost For Parts 1 And 4.a Of The Project | 13,500,000                                      | 100%   |
| (2) Resilient Housing   | 317,000,000                                     | 100%   |
| (3) Emergency Expenses  | 0   | 100%   |
| Total   | 330,500,000                                     |  |

## 2. MAIN ACCOUNTING POLICIES

(a) The accounting system of climate and disaster resilient cities Project is based on funds accounting since the aim of the accounting is to monitor the funds allocated and used funding sources. The accounting procedure of projects financed by external loans from the World Bank is kept on a cash basis since the Presidency Of Urban Transformation is a special budget public institution. According to the cash basis accounting; it is essential that the invoice is paid or that the funds and expenditures are formed in cash. Income is recorded when cash is received, expenses are recorded when cash is paid out.

(b) Eligible expenditures shall be made either as direct payments from the loan account or through payments from the special account (advance) as per the disbursement letter.

(c) Within the climate and disaster resilient cities Project, the transactions from the International Bank for Reconstruction and Development (IBRD) Loan Agreement are recorded and monitored in terms of EUROS. Transactions made in other currencies are converted into EUROS taking as basis the currency-selling exchange rate of the Central Bank of the Republic of Türkiye effective one day before the interim payment date.

(d) Project sources and uses of funds are monitored in line with the chart of accounts recommended by the Board of Treasury Controllers integrated a computerized accounting system. Expenditures of the project are booked in the accounting software and project financial tables and statements are automatically from the accounting software. Electronic archiving of the accounting journals and supporting documents is also kept in the accounting software. Back-up of accounting data on accounting

Software is set up in the up-in the Ministry's main server and is being backed up automatically at midnight daily.



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### 3. FINANCIAL STATEMENTS

In accordance with the Loan Agreement, funds provided under the project are restricted to project purposes only. The project funds remaining unused at the end of the project will be returned in per the relevant provisions of the loan agreement. Unaudited interim financial statements regarding project uses of funds for each calendar quarter are submitted to the World Bank.

### 4. IBRD LOAN

The Climate and Disaster Resilient Cities Project 's Loan Agreement (9443-TR) was signed between the Republic of Türkiye and the International Bank for Reconstruction and Development (IBRD) on December 30, 2022. The project will end on November 30, 2028.

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 330.500.000,00 EUR.

During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 22.000.000 EUR was withdrawn and 5.303.884,56 EUR was spent from the source withdrawn to the special account year to date.

As the end of the review period 23.000.000,00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 5.322.217,62 EUR was spent from the source withdrawn to the special account cumulatively to date.

The use of the loans for the period as of 1 January - 31 December 2024 are as follows:

|  | Notes | Current Period | Previous Period | Cumulative  |
|--|-------|----------------|-----------------|-------------|
| <b>II-A USES OF FUNDS by COMPONENT</b>   |       |                |                 |             |
| <b>I-Investment Costs</b>  |       |                |                 |             |
| <b><i>Component 1 Institutional strengthening to enable conditions for urban resilience</i></b>  |       | <b>0,00</b>    | <b>0,00</b>     | <b>0,00</b> |
| <i>A.Preparation of municipal urban transformation strategies in cooperation with local governments for municipalities vulnerable to climate and disaster risks</i>                              |       | 0,00           | 0,00            | 0,00        |
| <i>B.Improvement of systems and procedures for the management, monitoring and evaluation of urban transformation programs</i>  |       | 0,00           | 0,00            | 0,00        |
| <i>C.Preparation and implementation of targeted capacity building programs for the Ministry of Environment, Urbanization and Climate Change (MOEUCC) and local authorities in relevant areas</i> |       | 0,00           | 0,00            | 0,00        |

|  |   |                     |                  |                     |
|--|---|---------------------|------------------|---------------------|
| <i>D.Provision of approvals and reviews for beneficiaries, especially on technical and legal issues, and implementation of technical procedures, including housing reconstruction and retrofitting</i> |   | 0,00                | 0,00             | 0,00                |
| <b>Component 2 expanding access to resilient housing</b>   | 4 | <b>5.010.062,18</b> | <b>0,00</b>      | <b>5.010.062,18</b> |
| <b>Component 4 Project management , monitoring and evaluation</b>  | 4 | <b>293.822,38</b>   | <b>18.333,06</b> | <b>312.155,44</b>   |
| <i>A.Provision of goods, consulting services, non-consulting services and operating costs to MoEUCC for project management and supervision</i>   | 4 | 293.822,38          | 18.333,06        | 312.155,44          |
| <b>Total Investment Costs</b>  |   | <b>5.303.884,56</b> | <b>18.333,06</b> | <b>5.322.217,62</b> |
| <b>II-Recurring Costs</b>  |   |                     |                  |                     |
| A- Front-End-Fee   |   | 0,00                | 0,00             | 0,00                |
| <b>Total Recurring Costs</b>   |   | <b>0,00</b>         | <b>0,00</b>      | <b>0,00</b>         |
| <b>Total Uses of Funds by Component</b>  |   | <b>5.303.884,56</b> | <b>18.333,06</b> | <b>5.322.217,62</b> |
| <b>II-B USES OF FUNDS by CATEGORY</b>  |   |                     |                  |                     |
| <i>- Category 1 Goods, works, non-consulting services, and consulting services, Training and Operating Costs for Part 1 and 4.A of the Project</i>   | 4 | 293.822,38          | 18.333,06        | 312.155,44          |
| <i>- Category 2 Resilient Housing</i>  | 4 | 5.010.062,18        | 0,00             | 5.010.062,18        |
| <i>- Category 3 Emergency Expenditures</i>   |   | 0,00                | 0,00             | 0,00                |
| <b>Total Uses of Funds by Category</b>   |   | <b>5.303.884,56</b> | <b>18.333,06</b> | <b>5.322.217,62</b> |

## 5. SOURCES OF FUNDS

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 330,500,000.00 EUR. During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 22,000,000 EUR was withdrawn and 5,303,884,56 EUR was spent from the source withdrawn to the special account year to date. As the end of the review period 23,000,000.00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 5.322.217,62 EUR was spent from the source withdrawn to the special account cumulatively to date

The uses from the loan sources for the period as of 1 January 31 December 2024 are as follows

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|                                     | Notes | Current Period       | Previous Period     | Cumulative           |
|-------------------------------------|-------|----------------------|---------------------|----------------------|
| <b>I-SOURCES OF FUNDS</b>           |       |                      |                     |                      |
| A- IBRD Loan                        | 5     | 22.000.000,00        | 1.000.000,00        | 23.000.000,00        |
| <i>I.Net Advance</i>                |       | 20.715.046,65        | 1.000.000,00        | 21.715.046,65        |
| <i>I.a) Advance</i>                 | 5     | 22.000.000,00        | 1.000.000,00        | 23.000.000,00        |
| <i>I.b) Recovery of Advance (-)</i> |       | (1.284.953,35)       | 0,00                | (1.284.953,35)       |
| <i>II.SOE Procedures</i>            |       | 1.284.953,35         | 0,00                | 1.284.953,35         |
| <b>Total Funds Received</b>         | 5     | <b>22.000.000,00</b> | <b>1.000.000,00</b> | <b>23.000.000,00</b> |

## 6. PENDING APPLICATIONS

As of the end of the review period there is no any pending applications.

## 7. CASH BALANCES

As the review period, opening balance of the Central Bank of the Republic of Türkiye (TCMB) designated account for loan, as of January 1, 2024 is 981,666.94 EUR and closing balance as of December 31, 2023 is 17,677,782,38 EUR.

Other than deposit in the special account, there is no cash held under the project. The existing cash balance expressed in Euro on 31 December 2024 is as follows:

|                              |                   |
|------------------------------|-------------------|
| Designated Account 941432030 | IBRD Fund         |
| Closing Balance (31.12.2024) | 17,677,782.38 EUR |

The only bank account is the Euro denominated Designated Account opened at the Central Bank of Türkiye to execute project transactions. Project Special Account is the designated bank account opened in the Central Bank of the Republic of Türkiye Administrative Center of the General Directorate of Operations Funds and Banking Operations Directorate. The account numbers is 941432021 (Euro).

The Climate and Disaster Resilient Cities Project (9443-TR) Advance balance ceiling amount is 50,000,000.00 EUR.

The Project has no other bank account.

## 8. WITHDRAWAL APPLICATIONS

The project is distributed through traditional distribution methods. The authorized signatories for distributions from the loan account to the Authorized Account at the Central Bank are the Presidency of Urban Transformation, General Manager of Real Estate and Resource Development, and Head of External Financing Department. The methods that can be applied for expenditure from the loan are defined in the Distribution Letter as Direct Payment, Special Commitment, Refund and Advance. At the beginning of the review period, a total of EUR 1,000,000.00 was withdrawn from the IBRD Loan 9443-TR Loan Account to the project special account numbered 941432030 and the opening balance was EUR 981,666.94. During the review period, a total of EUR 22,000,000.00 was withdrawn from the



IBRD Loan 9443-TR Loan Account to the project special account numbered 941432030 and a total of EUR 5,303,884.56 was spent from the said special account during the review period.

The account balance of the special account at the end of the review period is 17,677,782.38 EUR.

During the review period; 22,000,000.00 EUR advance withdrawal from IBRD 9443-TR Loan is done in the said period, progress payments were made for Climate and Disaster Resilient Cities Project 's consultancy, resilient housing and purchase of goods and services contracts. All withdrawals from World Bank are completed in the World Bank's Client Connection System by filling an electronic form. The application is electronically signed by authorized officials and submitted to the World Bank. For withdrawal applications, the form in the Authorized Signatures Disbursement Letter is filled and submitted to the World Bank. Transfer of funds from the Designated Account is done with two authorized signatories.

Advance Payment -On 27.03.2024, P173025 in the amount of EUR 10,000,000.00 was submitted to World Bank through client connection system. WB transferred EUR 10,000,000.00 to the designated account on 05.04.2024 and On 26.11.2024, P173025 -P9443 -2 in the amount of EUR 12,000,000.00 was submitted to World Bank through client connection system. WB transferred EUR 12,000,000.00 to the designated account on 04.12.2024

#### 9. REFUNDS TO THE ACCOUNTS

As of the end of the review period there is no any refunds to the accounts.

#### 10. AMOUNTS WITHDRAWN NOT CLAIMED YET

As of the end of the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 23,000,000.00 EUR was withdrawn from the loan account cumulatively until the review period. At the end of the review period, EUR 5,322,217.62 was spent from the designated account and ELUR 1,284,953.35 was documented as statement of expenditure declaration to the World Bank but not claimed for the replenishment of the advance amount. Although Euro 4,037,264,27 has been spent from designated account, the claim and documentation was not made as of December 31, 2024 to the World Bank.



Prepared by  
Ahmet DAGBAŞI  
Financial speciliast

18/06/2025



Controlled by  
Behçet Kaan BOLAT  
Head of External Finance  
Department



Approved by  
Oğuzhan YAYLACI  
Real Estate and Resource  
Development General  
Manager





**MINISTRY OF TREASURY AND FINANCE  
BOARD OF TREASURY CONTROLLERS**

**CLIMATE AND DISASTER RESILIENT CITIES PROJECT**

**Implemented by  
MINISTRY OF ENVIRONMENT, URBANISATION AND CLIMATE CHANGE  
PRESIDENCY OF URBAN TRANSFORMATION**

**Financed Under International Bank for Reconstruction and Development  
(IBRD) Loan Agreement Numbered 9443 - TR**

**As of December 31, 2024 and For the Year Then Ended**

**Prepared by**

**Engin YAŞAR  
Treasury Controller**

**Melda Nur NOGAY KURT  
Treasury Controller**

**Yavuz Selim BAYRAKÇI  
Treasury Controller**

**Anıl Edip ASLAN  
Treasury Controller**



**MANAGEMENT LETTER**

**Ref: Independent Auditor Report's dated June 23, 2025**





## MANAGEMENT LETTER

### TO MINISTRY OF ENVIRONMENT, URBANISATION AND CLIMATE CHANGE Presidency of Urban Transformation

We have audited the financial statements of "The Climate And Disaster Resilient Cities Project" (IBRD Loan Agreement Numbered 9443 – TR) as of December 31, 2024, and for the year then ended.

According to International Standards on Auditing the auditors are required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risk of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

We prepared this Management Letter in order to communicate appropriately to those charged with governance and management deficiencies in internal control that we have identified during the audit and that, in our professional judgement, are of sufficient importance to merit their respective attentions. For this purpose, our recommendations in order of priorities are attached to this Letter.

Our letter is intended solely for Presidency of Urban Transformation, Ministry of Treasury and Finance, and IBRD, and should not be distributed or used by other parties.

Okan SÜLER  
Chairman of  
The Board of Treasury Controllers

Akıf Bülent BOYACIOĞLU  
(Audit Partner)  
Vice Chairman

Engin YAŞAR  
Treasury Controller

Melda Nur NOGAY  
KURT  
Treasury Controller

Yavuz Selim  
BAYRAKÇI  
Treasury Controller

Anıl Edip ASLAN  
Treasury Controller

Date: 23.06.2025

Address: Ministry of Treasury and Finance

The Board of Treasury Controllers, 06420, Dikmen, ANKARA/TÜRKİYE





## AUDIT FINDINGS OF THE CURRENT YEAR

|   |  |  |  |
|---|--|--|--|
| FINDING NUMBER :  | 1  |  |  |
| FINDING   | Incomplete Dating and Improper Archiving of Documents in Expenditure and Payment Processes |  |  |
| IMPORTANCE  | Middle   |  |  |
| CONDITION   |  |  |  |
| During the audit of the project's operations and transactions for the year 2024, the following deficiencies were identified:  |  |  |  |
| <u>Missing Signature Dates:</u>   |  |  |  |
| Documents related to payment requests, progress payment reports and their annexes, as well as acceptance certificates, were signed by the relevant parties; however, the signature dates were not included on these documents.  |  |  |  |
| <u>Lack of Timesheets and Missing Authorized Approvals:</u>   |  |  |  |
| Timesheets for certain consultants engaged under the project could not be provided. For consultants whose timesheets were available, the documents lacked the signature of an authorized official to confirm and approve the reported working hours.  |  |  |  |
| <u>Delayed Approval of Payment Orders:</u>  |  |  |  |
| In three payments made in 2024 - to consultants “Baran Hayati AVŞAR” and “Ali KINCAL”, and to the contractor “Kubbealtı Organizasyon İnş. San. ve Tic. Ltd. Şti.” - it was identified that the approval dates on the payment order documents were later than the actual dates the payments were executed.   |  |  |  |
| CRITERIA - CAUSE – IMPACT   |  |  |  |
| CRITERIA  |  |  |  |
| Project Operational Manuel (POM)  |  |  |  |
| “8.19. Documentation and records maintenance  |  |  |  |
| All records evidencing expenditures under the project are retained for five years and six months after the Closing Date, such records to include: the MoEUCC/UTP’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders).  |  |  |  |
| MoEUCC/ UTP will be responsible for maintaining the procurement files/records. Separate files should be maintained for each contract (including both hard copy and electronic copy). All the procurement documents (including bids, technical and financial proposals of consulting services, etc.) should be kept until the end of the project and then transferred to the Government Archives. The originals of various valuable documents (such as bid security, performance guarantee, advance guarantee) will be kept in the safe by the MoEUCC/ UTP. The MoEUCC/ UTP will furnish such documentation to the World Bank upon request for examination by the World Bank or by its consultants/auditors. Documents with respect to procurement subject to post review will be furnished to the World Bank upon request.” |  |  |  |



## ***“Financial Management Manual***

### ***Chapter Seven – Correspondence and Archiving***

*All correspondence and archiving related to the activities and transactions carried out under the Climate and Disaster Resilient Cities Project in Türkiye shall be followed and managed by the Project Management Unit (PMU). In these processes, the folder code established by the Directorate General of Urban Transformation shall be used.*

*Tender and payment files under the project shall be retained for a minimum of 10 years from the year following the date on which the debt or receivable is fulfilled, taking into consideration the debtor-creditor relationship and in accordance with the provisions of the Turkish Code of Obligations No. 6098.*

*The types of documents and correspondence subject to filing and archiving are listed below. These documents may also be generated and stored in electronic format, as applicable.*

*(...)*

- *Expenditure/Payment Document Files: All documents and correspondence related to payments made to individuals, institutions, and organizations for goods and services procured under Components 1 and 4-a, as well as documents related to the amounts transferred to banks that have signed protocols on behalf of beneficiaries receiving credit under Component 2, shall be kept in these files.*

*(...)”*

## ***“CHAPTER NINE***

### ***Expenditure Documents***

*State expenditures must be based on documents that serve as proof, bear the signatures of the responsible parties, and are prepared in accordance with pre-established standard forms, in order to be available for review by authorized authorities and individuals.*

*(...)*

- *Supporting/Justifying Documents to Be Attached to Payment Documents:*

*The payment order document, expenditure document, and supporting documents—prepared under the authority of the responsible personnel within the Project Management Unit (PMU)—shall be signed by the authorizing officer and the expenditure officer. Following this, the payment will be processed through the Central Accounting Unit of the Presidency.”*

## ***CAUSE***

*The identified issues are mainly due to insufficient implementation of internal control procedures related to documentation, approval, and archiving processes within the Project Management Unit (PMU). The lack of effective monitoring mechanisms during document preparation and approval stages has also contributed negatively to the occurrence of these deficiencies.*

## ***IMPACT***

*The lack of signature dates and missing approvals makes it difficult to verify the accuracy and timing of expenditures. This may affect the traceability and transparency of project operational and financial transactions.*





#### **RECOMMENDATION**

It is recommended that measures be considered to ensure that all project documents include complete signature and date information, consultant timesheets are properly maintained, and payment approvals are obtained before disbursement. Raising awareness among project staff and, where necessary, using supporting systems to enhance compliance with documentation and archiving procedures may also be beneficial.

#### **RESPONSE OF THE AUDITEE**

The deficiencies identified during the audit have been carefully evaluated. Within the scope of the findings regarding signature dates and timelines, relevant personnel have been informed about the necessity of ensuring that documents and expenditure approval processes include complete date and signature information. Accordingly, these aspects are being carefully addressed in newly prepared documents.

Work has been initiated on technical adjustments to ensure that consultants' timelines are prepared completely and verifiably, that existing documents are stored in accordance with archiving standards, and to enhance the traceability of transactions in digital environments.

Regarding the finding on payment order approval dates, it has been noted that, considering the accounting unit was recently restructured and lacks an adequate number of experienced personnel, some documents required additional checks and adjustments. As a result, timing discrepancies occurred in the approval processes. The date differences mentioned in your finding stem from this reason, and based on your report, the accounting unit will be duly informed on the matter.

The identified issue regarding the payment order approval dates is that, considering the accounting unit was recently restructured and lacked an adequate number of experienced personnel at the time, additional checks and adjustments were required for some documents. As a result, instead of correcting the accounting records, payment orders were inadvertently canceled and rejected during the approval process. The discrepancies in dates related to this finding stem from this reason, and based on your report, the accounting unit will be duly informed on the matter.

#### **FINAL OPINION OF THE AUDITORS**

##### **OPEN**

Technical adjustments have been made to address the deficiencies, and relevant personnel have been informed accordingly. It is understood that efforts to improve document management, approval processes, and archiving practices are ongoing. Therefore, the effectiveness and compliance of these measures will be reassessed in future audit periods.





REPUBLIC OF TÜRKİYE  
MINISTRY OF TREASURY AND FINANCE  
The Board of Treasury Controllers

|   |  |  |
|---|--|--|
| <b>BULGU NO:</b>  | 2  |  |
| <b>FINDING</b>  | Restrictive Elements in Tender Technical Specifications and Deficiencies in Asset Management |  |
| <b>IMPORTANCE</b>   | High   |  |
| <b>CONDITION</b><br>As part of the audits conducted in 2024, a tender titled “Procurement of Computers for Supervision of the Project” was carried out, resulting in the purchase of a total of 12 laptops (4 units of TYPE B and 8 units of TYPE A). The total contract value is 1,189,128.00 TRY. The following situations were identified during the audits: <ul style="list-style-type: none"><li>• The technical specifications of the tender included references to specific brands and models,</li><li>• The technical features of the requested laptops may exceed the actual needs of the Project Implementation Unit,</li><li>• Software support services that could be provided by the Ministry of Environment, Urbanization and Climate Change were also included in the scope of the tender.</li></ul> Additionally, 2 of the 4 TYPE B laptops procured were delivered to Oğuzhan YAYLACI and Hakkı ALP, who are not assigned to the Project Implementation Unit, and delivery documents were prepared. However, no documentation was issued regarding the delivery of the remaining 2 laptops.  |  |  |
| <b>CRITERIA - CAUSE – IMPACT</b><br><b>CRITERIA</b><br><i>“World Bank Procurement Regulations for IPF Borrowers (November 2020)”</i><br><i>Standards and Technical Specifications</i><br><i>5.26 Standards and technical specifications in applicable Procurement Documents shall promote the broadest possible competition, while ensuring performance or other requirements for the procurement. To the extent possible, in international competitive procurement, the Borrower shall specify internationally accepted standards with which the equipment, materials or workmanship shall comply. When such international standards do not exist or are inappropriate, national standards may be specified. In all cases, the Procurement Documents shall state that equipment, material, or workmanship meeting other standards that are at least substantially equivalent to the specified standards will also be accepted.</i><br><i>Use of Brand Names</i><br><i>5.27 Specifications shall be based on relevant technical characteristics and/or performance requirements. References to brand names, catalogue numbers, or similar classifications shall be avoided. If it is justified to specify a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words ‘or</i> |  |  |



*equivalent' shall be added after such a reference to permit the acceptance of offers for Goods that have similar characteristics and performance at least substantially equivalent to those specified."*

**"Financial Management Manual**

**Chapter Six – Accounting Transactions, Financial Statements, and Reporting**

*(...)*

*Fixed assets acquired under the project shall be recorded based on the asset registration documents (Inventory Transaction Slips) received from the relevant implementing unit. In addition to the payment information included in the accounting records, these assets will be compiled annually in Excel format and maintained accordingly. The related invoices and inventory transaction slips will be documented annually and kept separately within the Project Management Unit.*

*(...)"*

**"Asset Transactions Manual – 2021**

**4.3 Allocation of Durable Assets to Individuals or for Shared Use**

*Durable assets, excluding facilities, vehicles, and construction machinery, shall be requested by submitting an Asset Request Form. The requested durable assets shall be delivered for use by preparing an Asset Delivery Form, using Form No. 6/A.*

*(...)*

*Based on the Asset Delivery Form, the relevant entries shall be made in the Durable Asset Register. The first copy of the form shall be kept in the file, and the second copy shall be handed over, along with the Asset Delivery Form, to the personnel to whom the asset has been assigned.*

*(...)"*

**CAUSE**

The inclusion of references to specific brands or models in the technical specifications may have had a restrictive effect on competition. The technical features requested appear to exceed the actual needs of the Project Implementation Unit, which may have reduced the necessity of the procurement. Furthermore, the separate procurement of software support services that could have been provided by the Ministry of Environment, Urbanization and Climate Change has led to inefficient use of loan resources. The lack of delivery documentation for some of the laptops also indicates a weakness in the control mechanisms during the delivery process.

**IMPACT**

Due to risks of restricted competition and procurement exceeding actual needs, loan resources may not have been used efficiently. The duplicate procurement of software support services has imposed unnecessary burdens on the budget. The lack of delivery documentation has negatively affected the traceability and accountability of the assets.

**RECOMMENDATION**

It has been recommended that procurement activities be aligned with the overall objectives of the project to ensure that purchases are economical, efficient and based on actual needs. It has also been recommended that, for future procurements, technical specifications be prepared in





accordance with real requirements, without referencing specific brands or models. Furthermore, it has been advised that services which may be provided by public institutions be thoroughly evaluated before opting for external procurement. In line with the principle of asset protection, it has also been recommended that the four Type B laptops be physically and administratively safeguarded within the Project Implementation Unit and utilized in alignment with the project's objectives.

#### **RESPONSE OF THE AUDITEE**

The computers procured within the project scope have been designated for use in construction projects related to the transformation/strengthening of at-risk structures under the World Bank project implemented by our Presidency. For these projects, high-capacity hardware devices were required to examine performance analyses, review technical drawings, and conduct accurate engineering evaluations.

Software such as AutoCAD, İdecad, Probinda, Sta4Cad, and ETABS are used for drafting, designing reinforced concrete and steel structures, and performing performance analyses of existing buildings. It is evident that these programs demand high processor and graphics performance. Considering the system requirements of the technical software likely to be used during the project, computers capable of running these programs and similar ones without issues have been selected.

Regarding your finding on the inclusion of software support services within the tender scope, domain registration is mandatory for software services provided by the Ministry. This registration process may prevent the devices from operating at full capacity, particularly during field visits, and could lead to performance degradation. Therefore, additional service procurement was necessary to ensure the computers can be used effectively and efficiently in the field.

Additionally, as noted in your previous finding, two of the four Type B laptops procured through the tender have been assigned to our Urban Transformation President, Mr. Hakkı ALP, and our General Director, Mr. Oğuzhan YAYLACI. Our senior executives are high-level diplomatic representatives to the World Bank and are also designated as authorized representatives for the project in the Client Connection system.

To evaluate the delivery of the remaining two computers, an official letter has been sent to the Project Coordinator who was in office during the procurement period. Based on the said document, the remaining 2 computers have been delivered to the Project Management Unit together with appropriate delivery documents. Within this framework, the mentioned devices have been provided to our executives to enable them to perform their duties effectively.

#### **FINAL OPINION OF THE AUDITORS PARTIALLY ADRESSED**

It has been noted that two laptops have been returned to the Project Implementation Unit. The administrative and operational use of these laptops will be monitored by the Project Implementation Unit in accordance with the project objectives. Additionally, procurement activities will be followed to ensure they align with the project goals, are economical, efficient, and based on actual needs. Technical specifications will be prepared without referencing specific brands or models, public institution-provided services will be prioritized for evaluation, and the physical and administrative safeguarding of project assets will also be monitored.