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MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS

EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS

Implemented by

MINISTRY OF FAMILY, LABOR AND SOCIAL SERVICES

DIRECTORATE GENERAL OF INTERNATIONAL LABOR FORCE

Financed Under International Bank of Reconstruction and Development Grant Agreement Numbered TF-A5478

As of December 31, 2019 and For the Year Then Ended

Prepared by

Ekrem ALBAYRAK
Senior Treasury Controller

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Treasury Controller

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Junior Treasury Controller

Report's Number

65/5 34/4 9/5

INDEPENDENT AUDITOR'S REPORT

October 9, 2020

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

A. Project Summary

Grant Agreement numbered TF-A5478 of "Employment Support Project for Syrians under Temporary Protection and Turkish Citizens" was signed between Republic of Turkey and International Bank of Reconstruction and Development (IBRD) on December 21, 2017.

Employment Support Project for Syrians under Temporary Protection (SuTP) and Turkish Citizens has been carried out within the scope of European Union Facility for Refugees in Turkey (EU FRIT/FACILITY) by Ministry of Family, Labor and Social Services (MoFLSS) and ISKUR in order to improve the employability of SuTP and Turkish citizens in the places selected from the regions where SuTP live intensively.

Grant Agreement's amount, numbered TF-A5478, signed between IBRD and Republic of Turkey (represented by MoFLSS) is **€ 45.450.000** (forty five million and four hundred fifty thousand Euro).

In terms of project, in 2019, **271.299,33 €** was disbursed from MoFLSS' portion.

B. Objectives of Audit

The objectives of our audit are;

a) To give an opinion on whether the financial statements, prepared as of December 31, 2019, and for the year then ended, present fairly, in all material respects, the financial position of the Project in accordance with the cash receipts and disbursements basis of accounting,

b) To determine, as of December 31, 2019, whether MoFLSS has complied, in all material respects, with the rules and procedures of the Grant Agreement numbered TF-A5478,

c) To examine whether adequate supporting documentation has been maintained to support expenditures incurred and to evaluate eligibility of these expenditures for financing under the IBRD Grant Agreement numbered TF-A5478.

C. Scope of Audit

We have performed an audit of financial statements of the Employment Support Project for Syrians under Temporary Protection and Turkish Citizens as of December 31, 2019 in accordance with the cash receipts and disbursements basis of accounting. We have also performed a compliance audit on whether Project activities are in line with Grant Agreement.

Our audit was conducted in accordance with the International Standards on Auditing published by International Federation of Accountants.

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

D. Audit Results

For the financial statements of project, our audit resulted with an unqualified opinion.

In addition, as of December 31, 2019, MoFLSS has complied, in all material respects, with the rules and procedures of the Grant Agreement numbered TF-A5478.

With respect to expenditures, adequate supporting documentation has been maintained to support expenditures incurred from Special Account; and these expenditures are eligible for financing under the IBRD Grant Agreement numbered TF-A5478

E. Management Recommendation

A management letter, dated October 9, 2020, to the attention of the MoFLSS was issued separately from this report. The objective of this Management Letter is to enable the auditors to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditors have identified during the audit and that, in the auditors' professional judgment, are of sufficient importance to merit their respective attentions. For this purpose, our recommendations are attached to the Letter.

INDEPENDENT AUDIT REPORT'S & FINANCIAL STATEMENTS OF THE PROJECT

REPUBLIC OF TURKEY
MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

INDEPENDENT AUDITOR'S REPORT

TO MINISTRY OF FAMILY, LABOR AND SOCIAL SERVICES

Directorate General of International Labor Force

ANKARA

Opinion

We have audited the Statement of Sources and Uses of Funds, Statement of Cumulative Investments, Statement of Requests for Reimbursement (SOE Statement) and Statement of Special Account of the "Employment Support Project for Syrians Under Temporary Protection and Turkish Citizens Project" as of December 31, 2019, and for the period then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by Ministry of Family, Labor and Social Services (MoFLSS) based on financial reporting provisions of the Grant Agreement Numbered TF-A5478.

In our opinion;

a) The accompanying Statement of Sources and Uses of Funds, Statement of Cumulative Investments, Statement of Requests for Reimbursement (SOE Statement) and Statement of Special Account present fairly, in all material respects, the financial position and cash flows of the "Employment Support Project for Syrians Under Temporary Protection and Turkish Citizens Project" as of December 31, 2019 and for the period then ended in accordance with the provisions of the Grant Agreement Numbered TF-A5478.

b) MoFLSS, as of December 31, 2019 has complied with, in all material respects, the requirements of the Grant Agreement Numbered TF-A5478.

c) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Grant Agreement Numbered TF-A5478.

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 MoFLSS within the meaning of *"IFAC Code of Ethics for Professional Accountants"* 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 General Directorate of State Railways 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 Projects financial statements have not been prepared using the going concern basis of accounting. The project will end on December 2020.

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

MoFLSS is responsible for the preparation and fair presentation of these financial statements in accordance with Grant Agreement Numbered TF-A5478, 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 MoFLSS' 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 skepticism 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.

Ahmet TUTAL
Chairman of
Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Ekrem ALBAYRAK
Senior Treasury Controller

Meryem KOŞAR
Treasury Controller

Ezel Malik ZENGİN
Junior Treasury Controller

Date: October 09, 2020
Addres: Ministry of Treasury and Finance
Board of Treasury Controllers 06510, Emek, ANKARA/TÜRKİYE

MINISTRY OF FAMILY LABOUR AND SOCIAL SECURITY

DIRECTORATE GENERAL OF INTERNATIONAL LABOUR FORCE

EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS

(GRANT NO. TF0A5478)

STATEMENT OF SOURCES AND USES OF FUNDS

As of December 31, 2019 and For The Year Then Ended

(In EUROs)

		Actual		Planned		Variance	
	Notes	YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
I-SOURCES OF FUNDS							
A-Government Contributions		0,00	0,00	0,00	0,00	0,00	0,00
B-Other Sources of Funds		0,00	0,00	0,00	0,00	0,00	0,00
C-IBRD Grant		419.204,19	419.204,19	450.000,00	450.000,00	-30.795,81	-30.795,81
1-Direct Payments		*0,00*	*0,00*				
2-Special Account	5	*419.204,19*	*419.204,19*				
a) Advance (Net)		*300.000,00*	*300.000,00*				
b) SOE Procedures		119.204,19	119.204,19				
D-Refunds to Special Account		0,00	0,00				
Total Funds Received		**419.204,19**	**419.204,19**	**450.000,00**	**450.000,00**	**-30.795,81**	**-30.795,81**
II-USES OF FUNDS							
Component 2B: Institutional Support for DGILF		271.299,33	271.299,33	271.299,33	271.299,33	0,00	0,00
Total Project Investments		**271.299,33**	**271.299,33**	**271.299,33**	**271.299,33**	**0,00**	**0,00**
Cash at the beginning of the period		0,00					
Cash at the end of the period	5	147.904,86					

Metehan ÖZCAN
Assistant Project Coordinator

Sadettin AKYIL
General Director

MINISTRY OF FAMILY LABOUR AND SOCIAL SECURITY
DIRECTORATE GENERAL OF INTERNATIONAL LABOUR FORCE
EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS - (GRANT NO. TF0A5478)
STATEMENT OF CUMULATIVE INVESTMENTS
As of December 31, 2019 and For The Year Then Ended
(In EUROs)

1- INVESTMENTS

		Actual		Planned		Variance	
	Notes	YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
I-Investment Costs							
Component 2B: Institutional Support To MoFLSS		**271.299,33**	**271.299,33**	**271.299,33**	**271.299,33**	**0,00**	**0,00**
Component 2B: Institutional Support To MoFLSS		*271.299,33*	*271.299,33*	*271.299,33*	*271.299,33*	*0*	*0*
Total Investment Costs		**271.299,33**	**271.299,33**	**271.299,33**	**271.299,33**	**0,00**	**0,00**
II-RECURRING COSTS		0,00	0,00	0,00	0,00	0,00	0,00
Project Investments		**271.299,33**	**271.299,33**	**271.299,33**	**271.299,33**	-	-

2- INVESTMENTS BY SUB-CATEGORIES

	Actual		Planned		Variance	
Category Name	YTD	Cumulative	YTD	Cumulative	YTD	Cumulative
1.Non-consulting Services	0,00	0,00	0,00	0,00	-	-
2.Goods	0,00	0,00	0,00	0,00	-	-
3.Consultants' Services	23.086,84	23.086,84	23.086,84	23.086,84	-	-
4. Small Works	180.022,98	180.022,98	180.022,98	180.022,98	-	-
5.Operating Expense	68.189,51	68.189,51	68.189,51	68.189,51	-	-
TOTAL	**271.299,33**	**271.299,33**	**271.299,33**	**271.299,33**	-	-

Metehan ÖZCAN
Assistant Project Coordinator

Sadettin AKYIL
General Director

MINISTRY OF FAMILY LABOUR AND SOCIAL SECURITY
DIRECTORATE GENERAL OF INTERNATIONAL LABOUR FORCE
EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS - (GRANT NO. TF0A5478)
STATEMENT OF REQUESTS FOR DISBURSEMENT (SOE STATEMENT)
As of December 31, 2019 and For The Year Then Ended
(In EUROs)

I. Request Reimbursed

Application Date	Number	2. Goods, non-consulting services, consulting services, Training and Operating Costs under Part 2 (b) of the Project	Total	Amount Paid	Date of Payment
26.11.2019	UIGM-002	119.204,19	119.204,19	119.204,19	5.12.2019
Sub-total		**119.204,19**	**119.204,19**	**119.204,19**	

II. Request Pending Reimburstment

Application Date	Number	2. Goods, non-consulting services, consulting services, Training and Operating Costs under Part 2 (b) of the Project	Total	Amount Paid	Date of Payment
Sub-total		**0,00**	**0,00**	**0,00**	

TOTAL AMOUNT REQUESTED

2. Goods, non-consulting services, consulting services, Training and Operating Costs under Part 2 (b) of the Project	Total
119.204,19	119.204,19

Metehan ÖZCAN
Assistant Project Coordinator

Sadettin AKYIL
General Director

MINISTRY OF FAMILY LABOUR AND SOCIAL SECURITY

DIRECTORATE GENERAL OF INTERNATIONAL LABOUR FORCE

EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS - (GRANT NO. TF0A5478)

SPECIAL ACCOUNT STATEMENT

ACCOUNT NO AT CENTRAL BANK: 940732049

As of December 31, 2019 and For The Year Then Ended
(In EUROs)

	Note	
Opening Balance		*0,00*
Reimbursements to SA		*419.204,19*
a) Advance		300.000,00
b) SOE Procedure		119.204,19
Interest Income and FX Gains		*0,00*
Refunds to Special Account		*0,00*
Available Funds		*419.204,19*
Payments Made for Expenditures		*271.299,33*
Bank fees charged		*0,00*
Total Project Investments		*271.299,33*
Closing Balance	5	*147.904,86*

Metehan ÖZCAN
Assistant Project Coordinator

Sadettin AKYIL
General Director

MINISTRY OF FAMILY, LABOUR AND SOCIAL SERVICES

DIRECTORATE GENERAL OF INTERNATIONAL LABOUR FORCE

EMPLOYMENT SUPPORT PROJECT FOR SYRIANS UNDER TEMPORARY PROTECTION AND TURKISH CITIZENS NR. TF0A5478

NOTES RELATED TO PROJECT FINANCIAL STATEMENTS AS OF THE PERIOD ENDING ON 31.12.2019

1. OBJECTIVES AND STRUCTURE OF THE PROJECT

Employment Support Project for Syrians under Temporary Protection (SuTP) and Turkish Citizens (the Project) has been carried out within the scope of European Union Facility for Refugees in Turkey (EU FRiT) by Ministry of Family, Labour and Social Services (MoFLSS) and İŞKUR (Turkish Employment Agency) in order to improve the employability of SuTP and Turkish citizens in the places selected from the regions where Syrians under Temporary Protection (SuTP) live intensively.

The entire project is funded with a grant of 45.45 million Euros provided according to the Grant Agreement signed between Republic of Turkey and International Bank of Reconstruction and Development (IBRD) on 21 December 2017 and entering into force on 21 March 2018. The closing date of the Project is determined as 31.12.2020.

Beneficiaries of the Project

The main beneficiaries of the Project will be working age (15 – 64 ages) SuTP and Turkish citizens living in the selected regions where SuTP live intensively. The companies and public sector employers, which will benefit from subsidised labour force, will also be the indirect beneficiaries of the Project.

Communities where project beneficiaries live will be indirect beneficiaries of the project via improvements in public services and infrastructure through improvements in İŞKUR's services and labour market transition programmes which will be conducted within the scope of the project.

In addition, institutional support will be given to MoFLSS (DGILF) and İŞKUR.

The Project has two main components:

Component 1 – Employment Services and Active Labour Market Programmes (ALMP)

Component 2A – Institutional Support for Employment Services and ALMPs

Component 2B- Institutional Support to DGILF

Component 1 includes language training, labour market transition programmes, skills training courses, applied training programmes for SuTP, various active labour market measures such as covering work permit fees of project beneficiaries who are employed, and support for employment services such as evaluation, counselling and matching.

Component 2 will give institutional support to İŞKUR and MoFLSS for the services which will be rendered for SuTP. This support includes human resources support for project coordination and implementation, IT support, development of work permit automation system, support for communication, monitoring and evaluation and activities such as improvement of physical infrastructure.

Budget of the Project and Financing

The entire project will be funded by a Grant of 50 million Euros provided by European Union within the scope of EU FRIT which is a special fund for supporting Turkish Government during the socio-economic integration of SuTP. The Grant in question will be managed as a composite Trust Fund with sections run by the Recipient (MoFLSS) and the World Bank (the Bank).

In accordance with the Administrative Agreement for Trust Fund, total amount of usable fund is 48 million Euros, after deducing an administrative fee of 4 per cent for the Bank.

The Recipient-executed Trust fund (RETF) will amount to 45.45 million Euros and finance the activities stated in the Grant Agreement and the Project Appraisal Document (PAD). 1.2 million Euros of this amount is allocated to DGILF. The remaining 44.25 million Euros of the Grant amount is allocated to İŞKUR by the Recipient as per the Subsidiary Agreement stipulated in the Grant Agreement.

2. MAIN ACCOUNTING POLICIES

(a) Transactions related to the project are accounted on cash basis. On this basis, funds are recorded as resource when they are received, and recorded as expenditure when they are used.

(b) Eligible expenditures can be made through designated account (advance) in accordance with the disbursement letter. For withdrawal with advance method, a Designated Account in Euro currency (with upper-limit of 300.000 Euros and managed

by MoFLSS PIU) was opened in Central Bank of the Republic of Turkey which is one of the banks acceptable by the World Bank.

(c) Transactions related to the project are recorded as and followed in terms of EURO. Transactions realised in other currencies are converted into EURO using valid buying exchange rate of the Central Bank of the Republic of Turkey on the transaction date.

(d) Fund resources and disbursements as well as other transactions related to the project are kept in Excel sheets and Client Connection.

3. FINANCIAL STATEMENTS

In accordance with the provisions of the relevant Agreement, utilisation of funds provided within the project is limited to the project objective. Projects funds, which are not yet used at the end of the project, will be returned in accordance with the relevant provisions of the agreement. Regarding utilisation of the project funds, unaudited interim financial statements covering each three-month calendar period are prepared and submitted to the World Bank.

4. CASH AT HAND

The funds received within the scope of the project are kept in a designated account and no cash at hand is held.

5. PROJECT DESIGNATED ACCOUNT

The bank account in Euro with TR390000100100000940732049 IBAN number, which has been opened at the Central Bank of the Republic of Turkey Ankara Branch, is used as a Designated Account.

Advance balance ceiling has been determined as 300 thousand Euros in the disbursement letter, and as of the end of the review period, 419.204,19 Euros have been taken into the designated account and 271.299,33 Euros have been spent from the designated account. The balance of designated account at the end of the period is 147.904,86 EUR.

For all resource withdrawals from the World Bank, an electronic form is filled in via the World Bank Client Connection system and the application is electronically signed

by the authorities and sent to the World Bank. In the withdrawals, additional forms mentioned in the Disbursement Letter and bearing authorized signatures and certain supporting documents depending on the nature of the withdraw are presented to the World Bank.

To report eligible expenditures paid from the Designated Account:

- i. Statement of Expenditure prepared in the format provided for expenditures / contracts related to the purchase of goods and services, education and operating costs,
- ii. Designated account reconciliation notification and related bank account statement are submitted.

Within the scope of the project, due to the Ruling dated 24.05.2018 and numbered 68851 and annexed VAT Exemption Certificate dated 24.05.2018 and numbered KDV.IPA.CERT.2018/E.149 received from the Revenue Administration, invoices or documents equivalent to invoice made out by the relevant parties for payments are issued without VAT. The mentioned certificate and letter were renewed twice due to the change of the Ministry's official name and extension of the project.

- The Ruling dated 01.02.2019 and numbered 16305 and its annex, the certificate dated 01.02.2019 and numbered KDV.IPA.CERT.2019/E.37
- The Ruling dated 01.07.2019 and numbered 93346 and its annex, the certificate dated 01.07.2019 and numbered KDV.IPA.CERT.2019/E.199.

Ebru Öztüm TÜMER
Daire Başkanı V.
28/08/2020

Sadettin AKYIL
Genel Müdür V.
28/08/2020