

# AUDITS OF DEBT CONTRACTING

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## What is the public debt contracting? / How do we define public debt contracting?

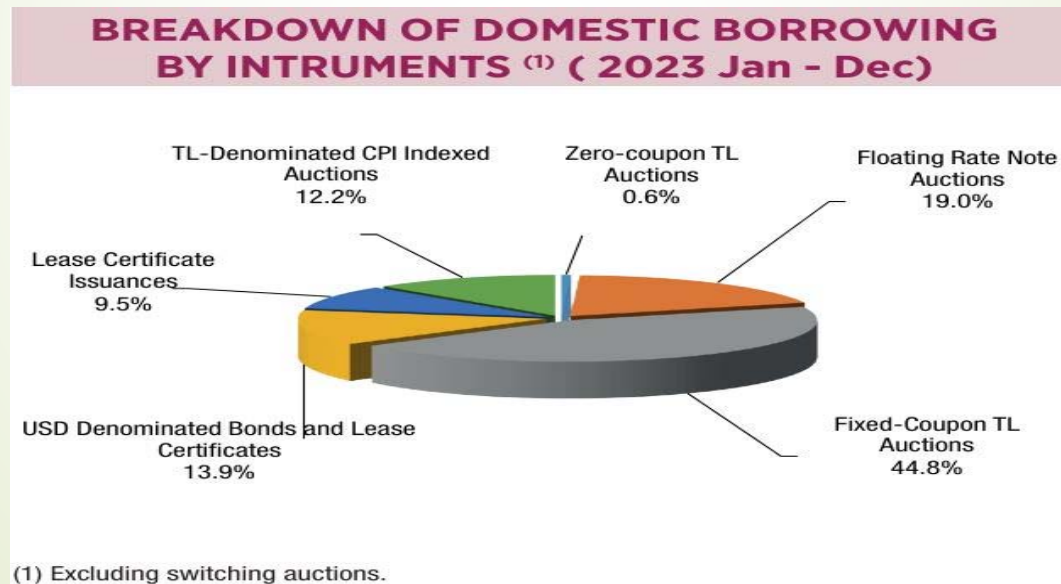
- Public debt agreements are contracts between a government and lenders which the government borrows money in exchange for the promise of repayment with interest at a future date.
- Governments issue bonds, treasury bills and other debt securities or make loan agreements to raise funds from investors, both domestically and internationally.



# In what ways are public debt agreements made?

## 1) Domestic Borrowing

- a. Government Domestic Borrowing Securities: Government Bonds and Treasury Bills
- b. Lease Certificates





## 2) External Borrowing

- a. Eurobond Issuances
- b. Lease Certificate Issuances

EXTERNAL DEBT											
EUROBOND AND LEASE CERTIFICATE ISSUANCES IN 2023											
Issue Type	Issue Date	Maturity	Currency	Amount (million)	Amount (million USD)	Notional Amount	Coupon/Lease Rate (%)	After Swap Coupon	Issue Price (%)	Yield to Investor (%)	Yield to Investor (Spread)
Global \$	19.01.2023	19.01.2033	USD	2,750	2,750	-	9.375	-	97.638	9.750	UST + 619.2 bp
Global \$	14.03.2023	14.03.2029	USD	2,250	2,250	-	9.375	-	99.438	9.500	UST + 516.7 bp
Global \$ (Green)	13.04.2023	13.07.2030	USD	2,500	2,500	-	9.125	-	99.117	9.300	UST + 596.8 bp
Lease Certificate \$	14.11.2023	14.01.2029	USD	2,500	2,500	-	8.5091	-	100.000	8.500	UST + 394.4 bp
<b>Total:</b>				<b>10,000</b>							

bp : Basis point (100 bp = %1.00)  
 UST : United States Treasury Bond Yield



## 2) External Borrowing

### c. Loan Agreements of Central Government Budget

#### LOAN AGREEMENTS OF CENTRAL GOVERNMENT BUDGET

Project Name / Credit Name	Program Credit / Project Credit Distinction	Lender / Lead Managers	Borrower	Implementing Agency	Agreement Date	Agreement Currency	Agreement Amount	Amount in Terms of USD
Mersin-Adana-Osmaniye-Gaziantep Railway Project	Program Credit	JP Morgan Chase Bank under UKEF guaranteed	Ministry of Treasury and Finance	Ministry of Transport and Infrastructure	17 Feb 2023	EURO	295,036,446	313,859,771
Financing Projects in line with Türkiye's Climate Change Policy Objectives	Program Credit	KfW	Ministry of Treasury and Finance	TKYB	06 Apr 2023	EURO	100,000,000	109,480,000
Financing Renewable Energy, Energy Efficiency and Climate-oriented Investments Throughout Türkiye	Project Credit	KfW	Ministry of Treasury and Finance	TSKB	06 Apr 2023	EURO	100,000,000	109,480,000
Yerköy – Kayseri High Standard Railway Project	Project Credit	MUFG Securities EMEA Plc., Led certain other financial institutions	Ministry of Treasury and Finance	Ministry of Transport and Infrastructure	28 April 2023	EURO	220,000,000	243,012,000
Yerköy – Kayseri High Standard Railway Project	Project Credit	Certain other financial institutions under UKEF guaranteed	Ministry of Treasury and Finance	Ministry of Transport and Infrastructure	28 April 2023	EURO	1,027,917,299	1,135,437,449
Supporting Türkiye's Post-Earthquake Recovery	Program Credit	Council of Europe Development Bank	Ministry of Treasury and Finance	Ministry of Health	25 Jul 2023	EURO	250,000,000	277,325,000
Türkiye Climate Resilient Forests Project	Project Credit	IBRD	Ministry of Treasury and Finance	General Directorate of Forestry	31 Jul 2023	EURO	364,200,000	399,782,340
Türkiye Green Industry Project	Project Credit	IBRD	Ministry of Treasury and Finance	Ministry of Industry and Technology	01 Aug 2023	EURO	22,800,000	25,141,560
Istanbul Seismic Risk Mitigation and Emergency Preparedness Project-Additional Finance	Project Credit	AiIB	Ministry of Treasury and Finance	Istanbul Project Coordination Unit	27 Sep 2023	EURO	150,000,000	158,865,000
Türkiye Earthquake Recovery and Reconstruction Project	Project Credit	IBRD	Ministry of Treasury and Finance	Ministry of Environment, Urbanization and Climate Change, Ministry of Health, İller Bankası	01 Sep 2023	EURO	910,500,000	990,806,100
Türkiye Water Circularity and Efficiency Improvement Project	Project Credit	IBRD	Ministry of Treasury and Finance	State Hydraulic Works	20 Sep 2023	EURO	320,750,000	342,977,975
Public and Municipal Renewable Energy Project	Project Credit	IBRD	Ministry of Treasury and Finance	Ministry of Environment, Urbanization and Climate Change	20 Sep 2023	EURO	250,000,000	267,325,000
Land Management Infrastructure for Green and Sustainable Development Project	Project Credit	IBRD	Ministry of Treasury and Finance	General Directorate for Land Registry and Cadastre	18 Oct 2023	EURO	77,800,000	82,079,000
Türkiye Post-Earthquake Reconstruction Project	Project Credit	European Investment Bank	Ministry of Treasury and Finance	İlbank	15 Nov 2023	EURO	400,000,000	428,400,000
<b>Total</b>								<b>4,883,971,195</b>





### 3) Contingent Liabilities

#### a. Treasury Guaranteed Debt Agreements

#### TREASURY GUARANTEED DEBT AGREEMENTS (2023 Jan - Dec)

Borrower	Credit Name / Project Name	Lender	Agreement Date	Agreement Amount	Guarantee Ratio	Currency	Maturity (Year)	Grace Period (Year)	Amount in USD
Türkiye Wealth Fund	Financing of Türkiye Wealth Fund	Consortium of Banks led by ICBC and Emirates NBD Capital Limited	16 Mar 2023	790,000,000	100%	EUR	2	2	843,957,000
TPAO	Sakarya Gas Field Development Project	Exfin (Citibank, N.A., London Branch as coordinator)	30 May 2023	368,780,395	100%	USD	10	0	368,780,395
TPAO	Sakarya Gas Field Development Project	A Banking Consortium (Citibank, N.A., London Branch coordinators)	30 May 2023	242,905,054	100%	USD	10	0	242,905,054
KOSGEB	Türkiye: Post-Earthquake Micro, Small and Medium Enterprises (MSME) Recovery Project	IBRD	01 Aug 2023	450,000,000	100%	USD	10,5	5	450,000,000
KOSGEB	Türkiye Green Industry Project	IBRD	01 Aug 2023	250,000,000	100%	USD	10,5	5	250,000,000
TÜBİTAK	Türkiye Green Industry Project	IBRD	01 Aug 2023	175,000,000	100%	USD	10,5	5	175,000,000
İller Bank	Türkiye Water Circularity and Efficiency Improvement Project	IBRD	20 Sep 2023	75,000,000	100%	EUR	30	5	80,197,500
İller Bank	Public and Municipal Renewable Energy Project	IBRD	20 Sep 2023	250,000,000	100%	EUR	16	3	267,325,000
Türk Eximbank	Türk Eximbank Earthquake Response Project	Asian Infrastructure Investment Bank (AIIB)	04 Dec 2023	100,000,000	100%	USD	10	3	100,000,000
TKYB	Post-Earthquake Recovery and Agrifood Project (PERAS)	Islamic Development Bank (IsDB)	05 Dec 2023	100,000,000	100%	USD	10	3	100,000,000
TSKB	Türkiye Green Finance Project	IBRD	12 Dec 2023	155,000,000	100%	USD	24	12	155,000,000
TSKB	Post-Earthquake Economic Recovery Project (PEER)	Islamic Development Bank (IsDB)	19 Dec 2023	100,000,000	100%	USD	10	3	100,000,000
KOSGEB	Post-earthquake Support Project for Micro, Small and Medium Enterprises	Japan International Cooperation Agency (JICA)	20 Dec 2023	20,000,000,000	100%	JPY	40	10	138,465,799
TKYB	Financing of Renewable Energy and Energy Efficiency Projects	Japan Bank for International Cooperation Agency (JBIC)	21 Dec 2023	200,000,000	100%	USD	12	3.5	200,000,000
İller Bankası	Strengthening Municipal Resilience Against Natural Disasters Project	Council of Europe Bank (CEB)	21 Dec 2023	200,000,000	100%	EUR	15	3	219,140,000
TSKB	Earthquake Region Support and Financing of Renewable Energy and Energy Efficiency Projects	Japan Bank for International Cooperation Agency (JBIC)	22 Dec 2023	200,000,000	100%	USD	12	4.5	200,000,000
<b>Total</b>									<b>3,890,770,748</b>



### 3) Contingent Liabilities

#### b. Loans Subject to Debt Assumption Agreements ( Public-Private Partnerships-PPPs )

LOANS SUBJECT TO DEBT ASSUMPTION AGREEMENTS					
Project Name	PPP Model	Debt Assumption Agreement Date	Total Project Cost	Loan Amount	Loan Amount (USD equivalent)
Eurasia Tunnel	Build-Operate-Transfer	11 Dec 2012	\$1,239,863,000	\$960,000,000	960,000,000
Gebze - Orhangazi - İzmir Motorway (including the İzmit Gulf Crossing)	Build-Operate-Transfer	5 Jun 2015	\$6,312,392,047	\$4,956,312,328	4,956,312,328
Çanakkale - Malkara Motorway (including 1915 Çanakkale Bridge)	Build-Operate-Transfer	16 Mar 2018	€ 3,159,721,036	€ 2,265,000,000	2,799,993,000
Ankara - Niğde Motorway	Build-Operate-Transfer	7 Jun 2018	€ 1,462,628,902	€ 1,114,962,012	1,310,749,341
Northern Marmara Motorway - Kurtköy - Akyazı Section	Build-Operate-Transfer	16 Sep 2019	\$3,661,656,404	\$2,840,000,000	2,840,000,000
Northern Marmara Motorway - Kinalı - Odayeri Section	Build-Operate-Transfer	16 Sep 2019	\$2,072,257,009	\$1,595,000,000	1,595,000,000
Northern Marmara Motorway - Odayeri - Paşaköy Section (including Third Bosphorus Bridge)	Build-Operate-Transfer	2 Dec 2021	\$3,456,244,239	\$1,198,302,550	1,198,302,550
Aydın-Denizli Motorway	Build-Operate-Transfer	30 Dec 2021	€ 1,118,643,935	€ 769,939,998	869,416,246
		15 Sep 2023	€ 173,560,000	€ 100,000,000	107,340,000
				<b>Total</b>	<b>16,637,113,464</b>



## 4) Other Public Debt Agreements

### a. Debt Restructuring and Refinancing

Governments may restructure existing debt agreements to modify the terms and conditions of the debt, such as extending maturity dates, reducing interest rates, or restructuring payment schedules.

### b. Treasury Non-guaranteed Loan Agreements of Public Sector

Institutions can sign these agreements without a treasury guarantee, by obtaining permission from the ministry of treasury and finance.





# Function of the TCA

## ➤ **Audit Function**

- The TCA carries out regularity (financial and compliance) and performance audits. The authority given to us by our Presidency is based on annual auditing.

## ➤ **Judicial Function**

- TCA is a supreme audit institution, which performs audit on behalf of the Parliament with the aim of ensuring the power of the purse and has judicial authority.



# Audit of Debt Contracting

## 1) Planning the Audit

- Obtaining Information About the Audited Institution
- Determination Materiality
- Determination of Account Areas
- Risk Assessment and Problem Analysis
- Determination the Audit Approach
- Determination the Transactions to be Examined and Sampling
- Preparation of the Audit Plan



# Audit of Debt Contracting

## 2) Conducting the Audit

- Evaluation of Controls
  - i. Collection of Sufficient Audit Evidence
  - ii. Review of Financial Reports and Statements
  - iii. Obtaining Internal and External Confirmation
  - iv. Review of Previous Year Reports
- Evaluation of Findings



# Audit of Debt Contracting

## 3) Reporting and Follow-Up

- Preparation of The Draft Report
- Receiving Auditee's Opinion
- Writing The Final Report
- Submission of The Report To Relevant Parties
- Follow-Up



## Case Study



### Audit of Loan Agreements of Central Government Budget

<b>Loan Type</b>	Program Credit
<b>Project</b>	Supporting Türkiye's Post-Earthquake Recovery
<b>Lender / Lead Managers</b>	CEB - Council of Europe Development Bank
<b>Borrower</b>	Ministry of Treasury and Finance
<b>Implementing Agency</b>	Ministry of Health
<b>Agreement Date</b>	25 July 2023
<b>Agreement Currency</b>	Euro
<b>Agreement Amount</b>	250.000.000

## Case Study



### To be Considered in the Audit

<b>Is the debt agreement regulated by law?</b>	Yes. Law No. 4749
<b>Has the debt agreement been made by authorized personnel as defined in the law?</b>	Yes. According to the article of the law, it was made by Presidential Decree.
<b>Has the approval of the Presidency's Strategy and Budget Directorate been received for foreign financing?</b>	Yes, it is included in the investment program.
<b>Have risk assessments and cash flow statements regarding debt repayment been created?</b>	Yes, risk assessments were made. Cash flow statements and repayment plans were created.
<b>Is it possible to obtain information regarding debt information from other institutions, organizations or parties for the purpose of cross-checking information?</b>	Yes, credit information has been verified with the Council of European Development Bank.

## Case Study



### To be Considered in the Audit

<b>Are the public debt reports published regularly by the institution?</b>	Yes, loan agreement amounts and information are reflected in the Public Debt Management Report.
<b>Are the documents kept regularly?</b>	Yes, documents are kept regularly by the public finance unit of the ministry.
<b>Is the contract amount, principal and interest of debt agreement been recorded in the accounting?</b>	Yes, records are made at the correct exchange rate.
<b>Are payments made in accordance with the legislation?</b>	When the usage and payments made in 2023 were examined, it was seen that they were in compliance with the legislation.



THANK YOU