



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

SAFE SCHOOLING AND DISTANCE EDUCATION PROJECT

**Implemented by
MINISTRY OF NATIONAL EDUCATION**

Financed Under World Bank Loan Agreement Numbered 9152 - TR

As of December 31, 2023 and For the Year Then Ended

Prepared by

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MANAGEMENT LETTER

Ref: Independent Auditor's Report dated June 25, 2024



MANAGEMENT LETTER

TO THE MINISTRY OF NATIONAL EDUCATION (MoNE) General Directorate of Innovation and Educational Technologies

We have audited the financial statements of "Safe Schooling and Distance Education Project" (Loan Agreement Numbered 9152 - TR) as of December 31, 2023, 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 have 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 Ministry of National Education, Ministry of Treasury and Finance and World Bank and should not be distributed or used by other parties.

Okan SÜLER
Acting Chairman of
The Board of Treasury Controllers

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Date: 25.06.2024

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



AUDIT FINDINGS OF THE CURRENT YEAR

FINDING NUMBER : 1	MoNE - General Directorate of Innovation and Educational Technologies
FINDING	Not using the approved tender method
CONDITION <p>In the tender list submitted to our Audit Team, it was seen that the tender type for the procurement of PAM (Privileged Account Management) license with tender code GO-C1.3-99 was Single Source method. During the examination of the documents related to the tender, it was stated in the tender approval document dated 28.02.2023 that the tender procedure was RFQ (Request for Quotations). However, it was determined that the documents below which are required for this tender method was not included in the tender dossier.</p> <ul style="list-style-type: none">- Approximate cost calculation,- Establishment of the tender commission and the commission decision made by the commission,- Bid opening minutes,- Envelope opening minutes <p>It was understood that a market price research was conducted, unit price offer letters were sent to 15 companies via e-mail, offers were received from 5 companies and the contract was signed with the company which offered the lowest offer.</p> <p>However, the purchasing process was not made according to the RFQ procedure, as approved by the World Bank.</p>	
CRITERIA - CAUSE - IMPACT	
Criteria	
Project Operational Manual	
"4.2.6. PIU Procurement Management	
<i>Functioning under the DGIET, the PIU shall be responsible for all procurements within the Project and contract management items. The PIU, through the Procurement Unit ensures that the Procurement Plan as cleared by World Bank is pursued and implemented in accordance with the procedures specified in the Loan Agreement. To that end, PIU Procurement Unit shall;</i>	
<i>(...)</i>	
<i>(ii) Prepare/update the procurement plan and submit to the World Bank on the STEP System and ensure that procurement of all goods, works, non-consulting services and consulting services are undertaken in accordance with the approved Procurement Plan."</i>	
Cause and Impact	
Failure to conduct the tender process correctly and using a tender method other than the method approved by the World Bank shows the inadequacy of institutional capacity and the inexperience of the PIU. This situation may negatively affect the purchasing process and competition and may lead to doubts regarding the transparency and impartiality of the processes. This situation may cause the cancellation of other tenders to be made.	



RECOMMENDATION

It is recommended that the tender processes should be conducted by experienced staff in accordance with the World Bank rules, control mechanisms should be developed and institutional capacity should be increased.

RESPONSE OF THE AUDITEE

This happened right after our procurement specialist Süha Barlas didn't renew his contract for 2023 due to drastically below-market salary offer. Accordingly, immediately recruiting another external specialist was not plausible at those salary levels. The reason was that the General Director of that period didn't favor utilization of external specialists and intended for utilizing ministry's own personnel for procurement in the context of Bank funded activities. However, internal procurement team didn't have experience with Bank's procurement methods.

In the context of PAM procurement, the activity is submitted into STEP appropriately and the bidding documents in compliant with the RFQ method was prepared and used. However, in receiving the bids, an unintentional non-compliance with those steps of RFQ method (as mentioned in the finding) realized due to inexperience of the procurement team, who normally only deal with activities funded under domestic budget. A mitigating aspect was, as verified by emails from the Bank's experts, it was a highly cost-effective procurement.

This is the single procurement before the establishment of a specialized (i.e. only assigned for Bank activities) procurement sub-unit under the PIU. By the Bank's request and approval, project manager also assumed the role of procurement expert. Afterwards, all the procurement activities are submitted and implemented in accordance with the Bank's procurement provisions. Recently, three external specialists (respectively, for procurement, financial management, and monitoring & evaluation) have been recruited within PIU. Thanks to this, Project Manager now will be able to concentrate more on the control function.

SSDE Project also started to support the institutional capacity development in Bank's procurement procedures throughout governmental organizations as seen from below link. ETKİM Ed-Tech Hub founded by SSDE Project hosted a four-day training by Bank's procurement for 45 procurement officials from various governmental organizations: <http://meb.ai/UWUYcAL>

In sum, above recommendation is agreed and is being and will be applied as suggested.

FINAL OPINION OF THE AUDITORS

The Auditee's response to the finding has been taken into account. This finding will be followed up in the next audit period.



FINDING NUMBER : 2	MoNE - General Directorate of Innovation and Educational Technologies
FINDING	Inconsistency between planned expenditures and realizations

CONDITION

The project implementation period ends on 30.06.2025. The total budget of the project is 143.800.000,00 Euros. As shown in the table below, 37.327.390,14 Euros of the total budget have been spent as of 31.12.2023. The budget planned to be spent as of the same date is 91.439.550,49 Euros. It was observed that approximately 41% of the planned budget was spent as of 31.12.2023.

Table 1. Interim Financial Report (IFR) (as of 31.12.2023)

Sources of Funds			
	Actual (€)	Planned (€)	Progress
World Bank Loan	51.763.493,86	143.800.000,00	0,36
Expenditures by Component			
By components	Actual (€)	Planned (€)	Progress
Component 1 - Emergency Connectivity and IT Infrastructure for Education In Emergencies	34.468.217,12	86.013.245,95	0,40
Component 2 - Digital Content and Pedagogy for Safety and Quality	1.752.043,44	3.421.060,36	0,51
Component 3 - Institutional Capacity for Education Technology Resilience	1.107.099,58	2.005.244,18	0,55
Bank Charge Fee	30,00	-	-
Total	37.327.390,14	91.439.550,49	0,41

Besides, the actual expenditure falls behind the budget planned as outlined in the PAD.

CRITERIA - CAUSE - IMPACT

Criteria

The World Bank Procurement Regulations for Investment Project Financing Borrowers

Annex XI. Contract Management

"2. Requirements

2.1 *Effective contract management requires systematic and efficient planning, execution, monitoring, and evaluation to optimize performance while managing risks to ensure that both parties fulfill their contractual obligations with the ultimate goal of achieving value of money (VfM) and results on the ground."*

Loan Agreement between the Republic of Türkiye and International Bank for Reconstruction and Development

"Article II – Loan

...

2.04. *The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance."*



Project Appraisal Document of the Project

Expected Disbursements (in US\$, Millions)

<i>WB Fiscal Years</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>Annual</i>	<i>15.00</i>	<i>60.00</i>	<i>60.00</i>	<i>25.00</i>
<i>Cumulative</i>	<i>15.00</i>	<i>75.00</i>	<i>135.00</i>	<i>160.00</i>

Cause and Impact

Project expenditures falling behind the planned indicates that the PIU does not effectively fulfill its execution, monitoring and evaluation activities within the scope of the project.

Considering that, there are 18 months left until the end of the implementation period of the project (30.06.2025), including the extension received, it is considered risky to realize the project activities and spend the remaining part of the budget. On the other hand, the remaining balance of the loan, which has not yet been withdrawn, is causing financial strain as per provision 2.04 of the Loan Agreement.

RECOMMENDATION

It is recommended to proactively identify factors that could lead to delays and implement preventive measures in order to mitigate potential risks and ensure the project's successful completion without financial loss.

RESPONSE OF THE AUDITEE

This finding, from our perspective, needs to be reconsidered. PAD is not the appropriate document anymore for tracking expected disbursements because the project is restructured on 28th Feb 2023, and the "Restructuring Paper" is the actual document that should be taken as the reference. Note that this project was suspending due to major restructuring of the size of 95 million USD, and the exact list of new and continuing items was not clear until the restructuring was completed. The project did not originally involve any intervention in any school, however, after restructuring, 51,000 interactive boards were installed in more than 5000 schools, and digital skills labs were to be built in 3500 different schools. It is especially important to take into attention that it was not just merely a time extension for the same procurement plan.

The expected disbursement targets in the Restructuring Paper (page 17):

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2020	0.00	0.00
2021	5,500,000.00	5,000,000.00
2022	22,500,000.00	5,080,000.00
2023	75,000,000.00	56,920,000.00
2024	57,000,000.00	43,000,000.00
2025	0.00	50,000,000.00

Source: [Disclosable Restructuring Paper - Safe Schooling and Distance Education Project - P173997 \(worldbank.org\)](#)

Note that above are USD terms and reflect the total of (i) disbursement from the Bank into the project account and (ii) direct payments to contractors by the Bank (i.e., disbursement as defined and reported in the STEP system.). However, the disbursement mentioned in the IFR Interim Report are the sum of the disbursements to the individual contractors. Disbursement



from the Bank into the project account also cover the *disbursements to contractors which are in the pipeline* in addition to the funds already paid to contractors.

Also note that even the payments of small-scale activities take on average 3 months from bidding date to payment date to the contractor (i.e. the date of disbursement to the contractor). Hence, if you evaluate the 2023 performance based solely on disbursement to the contractor in 2023, you will be evaluating only 6 months; i.e. half a year of performance. Ideally, if we are evaluating the performance in terms of disbursements to contractors in a certain year, the unpaid but in the pipeline disbursements from the previous year plus disbursements to contractor in the actual year are added up. However, as the project was on halt in 2022, there were nothing to pay from activities contracted in 2022. Note that in 2024 we will be disbursing to contractors the remaining funds from 2023 contracts and also disbursing to contractors from 2024 together. We expect that the difference between the *overall disbursements to contractors* and *overall disbursements from Bank to the project* will diminish. Thus our projections indicate that we will achieve more than 100 million USD cumulative disbursement to contractors at the end of 2024, i.e. more than the expected amount.

A fair indicator for 2023 contract management performance in the above context shall be the contracted amount (i.e. realization) in 2023, which is 53.74 million USD as presented in Annex-1. Including the wage payments to specialists, the contracted amount was 54 million USD. Contracted amount can be thought as the *disbursement in the pipeline*. "The expected disbursement in the Restructuring Paper is 56.92 million USD within 2023, hence actual to planned ratio is 95 per cent in 2023. On the other hand, the expected overall disbursement until the end of 2023 is 67 million USD and the actual overall disbursement was 62.5 million USD, hence the overall actual to period ratio is 93.2 per cent. At the end of 2024, even the disbursements to the contractors are expected to be higher than what is projected in the Restructuring Paper.

Another rationale to think about contracted amounts is that the amount of maximum disbursement to contractors is limited by the yearly project budget assigned to this project in the Yearly Investment Plan. In 2023, the yearly allocation (budget quota) was 1.28 Billion Turkish Liras, which was 41.5 million USD when the majority of payments were made. We managed to add some unused funds from other projects and the final maximum quota for disbursements to contractors were 44.5 million USD. Hence we utilized 107 per cent of allocated funds. This is also another indicator about the performance of the PIU.

Based on above explanations, we request reconsideration of this finding in terms of performance assessment of PIU in using funds.

FINAL OPINION OF THE AUDITORS

The Auditee's response to the finding has been taken into account. However, the project is scheduled to close on 30.06.2025, and there are still a large amount of funds that have not been transferred or spent. In the next audit period, it will be monitored whether the necessary transfers and expenditures have been completed, and whether they are accurately reflected in the IFRs.



FINDING NUMBER : 3	MoNE - General Directorate of Innovation and Educational Technologies
FINDING	Failure to prepare progress reports
CONDITION It has been seen that semi-annual Project Progress Reports and Financial Management quarterly reports that must be submitted to the World Bank within the scope of the project have not been prepared since 2022.	
CRITERIA - CAUSE - IMPACT Criteria Loan Agreement between the Republic of Türkiye and International Bank for Reconstruction and Development Schedule 2 Project Execution "B. Project Operational Manual ("POM") <i>1. The Borrower, through MoNE, shall, ... adopt and maintain throughout the period of Project implementation a POM, in form and substance satisfactory to the Bank, that sets forth the operational and administrative procedures and requirements for Project implementation ...</i> <i>2. The POM may not be assigned, amended, abrogated or waived, or permitted to be assigned, amended, abrogated or waived, or any provision thereof, in a manner which, in their option of the Bank, may materially and adversely affect the implementation of the Project; the POM may only be amended in consultation with, and after approval of, the Bank.</i> <i>...</i> Project Operational Manual "5.3.1 Reporting Arrangements <i>138. The M&E Unit of the PIU is responsible for preparation and submission of semi-annual Project Progress Reports and the FM quarterly reports in an acceptable format to the Bank, to demonstrate the progress achieved in both a qualitative and quantitative manner during the reporting period against the Project Results Framework. The Progress Reports also include detailed elaboration on key bottlenecks encountered and proposed corrective measures.</i> <i>139. Progress reports are submitted to the World Bank every semester within forty-five (45) calendar days after the end of each calendar semester, covering the calendar semester."</i> Cause and Impact The fact that the reports mentioned in the "Condition" part were not prepared indicates the weakness of the PIU in fulfilling its reporting, monitoring and control responsibilities in the scope of the project. This also poses a risk that project activities may not be completed on time.	



RECOMMENDATION

It is recommended that monitoring and control activities should be carried out in a complete and timely manner and financial progress reports should be prepared as soon as possible.

RESPONSE OF THE AUDITEE

Interim Financial Reports have been prepared and submitted to the Bank quarterly regularly. From now-on we will also report the linkages between financial and physical developments to demonstrate the progress achieved in both a qualitative and quantitative manner during the reporting period against the Project Results Framework.

Semi-annual progress reports were not prepared until march 2023 since the progress came to a hold in the project. It was a period where the project was fundamentally redesigned. Actually it is redesigned three times until a common ground was formed among World Bank, MoNE, MoTF and SBO. Restructuring Paper describes the rationale of the redesign as well as what was added and what was discontinued. Hence mentioned report can also be regarded as the progress report for that period.

After the restructuring, on the first week of October 2023, a high level delegate (including the Euro-Asia leader of education responsible for 28 countries) visited and audit SSDE project. In January, a three-week Bank mission was held, and a large team of Bank auditors in-depth assessed again including extensive site-visits and presentations. Hence the progress was closely and in-depth communicated to the Bank. However, three crucial experts (procurement, financial and monitoring & evaluation) who play a role in preparation of formal progress report could only join PIU recently; and thus beforehand the formal report that involve those important sections could not be prepared and submitted. Nonetheless, progress reports on the Edtech Ecosystem Activities (component 2) have been prepared since March 2024 monthly (see Annex-2) both in English and Turkish. These will form a part of the semi-annual report.

PIU now on will prepare and submit progress reports routinely and on-time in a comprehensive manner.

FINAL OPINION OF THE AUDITORS

The Auditee's response to the finding has been taken into account. This finding will be followed up to verify whether the PIU prepares progress reports regularly and comprehensively and submit them in a timely manner.