



ANNUAL REPORT

2020



2020 | ANNUAL REPORT



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CONTAS



TECHNICAL INFORMATION

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- [“Informação estatística e indicadores”](#)
- [“Relatório de Atividades da Sede”](#)
- [“Relatório de Atividades da Secção Regional dos Açores”](#)
- [“Relatório de Atividades da Secção Regional da Madeira”](#)



INTRODUCTORY NOTE

The approval and disclosure of the Court of Auditor's Annual Report is a key moment in the obligation to account for the performance (accountability) of this Sovereignty Body. The exercise of collection and consolidation of all information necessary for the preparation of the Annual Report is always a period of reflection on the Court's *raison d'être* and the value of its work, as well as an opportunity to draw lessons from the year's activity.

In this context, the 2020 Annual Report reflects, in a methodical and transparent way, the work the Court has done in favour of good public management and the adequate use of public assets (*Res publica*) and values.

At the time of disclosure of this document, we must mention that 2020 was for everyone, and also for the Court of Auditors, a year marked by the Covid-19 pandemic. The health emergency led to significant changes in the internal and external environment, which were tackled in all their dimensions, including in relation to the adjustment of scheduled works, in line with Society's expectations.

Thus, aware that we have accomplished our mission, without losing sight of the objective of continuous improvement, we now disclose the Court of Auditors' Annual Report for 2020.

In 2020, the Court of Auditors issued all Opinions and reviews as provided for in the Law, monitored more than € 283 billion of public expenditure, performed 1,826 *a priori* acts and contracts, carried out 40 audits and other control actions, examined 503 accounts of public bodies and ruled on 28 proceedings for clearing financial liabilities. The Court also validated 6,556 accounts, concluded the analysis of 218 complaints and carried out 17 specific audits to enforce any financial liabilities, while permanently and systematically monitoring the acceptance of its recommendations.

The Court and its Support Services have endeavoured to shift to new working conditions as a result of the pandemic, with the widespread development of remote work and articulated collaboration with the entities audited by electronic platforms, always aiming, in the current scenario, not to overload the provision of public service.

Recognizing the effort and intense work that has been developed, I am sure that the Court of Auditors will continue its mission to promote good public management.

The President

José F. F. Tavares



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THE PORTUGUESE COURT OF AUDITORS



WHO WE ARE


The Portuguese Court of Auditors is the Supreme Audit Institution which carries out *a priori*, concomitant and successive control of public finances and trials and enforces financial liabilities for financial offences.

WHAT WE DO

It falls to the Court of Auditors to control the legality and sound management of public resources.

HOW WE EXERCISE OUR POWERS

The Court of Auditors has powers of surveillance and control over all public administrative and corporate entities and organisms, state-owned companies and all private companies that are concessionaires of public works and services or that receive public money, including funds from the European Union.



These powers are pursued in different ways; generally speaking, there are three major areas identified: the *a priori* control, the successive control and the enforcement of financial liabilities. It is also worth noting the concomitant control, which falls on the financial activity performed before the closure of the respective profit and loss account, in particular on the expenditure arising from acts and contracts that are not subject to *a priori* control.

The Court of Auditors covers the entire Portuguese judicial system, both on national territory and abroad.

At the Headquarters, it comprises three specialized Chambers, which are particularly responsible for:

- 1st Chamber – Examining and ruling on cases sent for *a priori* control and exercising concomitant control competencies;
- 2nd Chamber – Performing concomitant and successive control competencies by issuing Opinions, namely on the General State Account and Social Security Account, and conducting audits and external verifications of accounts and enforcing financial liabilities;
- 3rd Chamber – Enforcing financial liabilities

The Regional Chambers of the Court of Auditors operate in the Azores and Madeira Autonomous Regions. They perform all the control actions described above, and conduct trials aimed to enforce financial liabilities.



| | | |
|-------------------------|---------|---|
| STRATEGIC GOALS 2020-22 | MISSION | <p>WHAT IS OUR MISSION?</p> <p>The mission of the Portuguese Court of Auditors is, in accordance with the Constitution and the Law, to control the legality and the regularity of public revenue and expenditure; rule on the Accounts as required by the Law; deliver opinions on the General State Account and on the Accounts of the Autonomous Regions; assess the quality of public financial management; enforce financial liabilities and exercise such other powers as assigned by Law (Article 214 of the Constitution; Article 1 of the OPLCA).</p> <p>Furthermore, it is the responsibility of the Court to certify the General State Account from financial year 2023 (Article 66, no. 6 of Law 151/2015, of September 11th, as amended by Law 37/2018, of August 7th).</p> <p>In fulfilling its mission, the Court contributes to the sustainable development of public finances.</p> |
| | VISION | <p>WHAT DO WE WANT?</p> <p>Promote accountability, quality and responsibility in public finances.</p> |
| | VALUES | <p>PRINCIPLES THAT GOVERN US</p> <p>Independence, Integrity, Responsibility and Transparency.</p> |
| | | <ol style="list-style-type: none">1 Contribute to citizens' trust in public financial management2 Contribute to sustainable public finances3 Make managers of public money and assets accountable for their management4 Reinforce the Court's impact, by strengthening quality, relevance and effectiveness of its activity |

MAIN RESULTS | IMPACTS

| | | |
|---|--|--|
| 283.294 M€ Controlled expenditure | 837 Controlled entities | 1.826 Previously controlled acts and contracts |
| 31 Contracts to which the seal approval was refused | 811 Analysed additional contracts | 6.556 Entered and validated accounts |
| 503 Controlled accounts | 7 Issued opinions on 2019 accounts (GSA, AARA, MARA, ARA, PRA, ALAAAR and ALAMAR) 39 preparatory acts 69 recommendations | 40 Audits and Other Control Actions 279 recommendations |
| 17 Audits for enforcing liabilities, if any 15 recommendations | 22 Analysed internal control reports | 218 Concluded reporting, explanatory statements, complaints and claims |
| 28 Enforcement of financial liabilities (cases decided) | 13 Accompanied ECA Audits | |

INTRODUCTION

The Annual Report is the key tool of accountability and reporting of results of the Court of Auditors to other sovereign bodies and citizens, as provided for in article 43 of the OPLCA. In addition, in accordance with the OPLCA (article 113), the Consolidated Account is attached to this report, together with the opinion of the External Auditor and the External Account Verification Report carried out by the Court, in an exercise of full accountability.

The results of our activity and its impact on society and, in particular, on public finances and the public sector in general are described below, while providing an overview of the institution's Governance model and its resources for the pursuit of its goals and accomplishment of its mission.

YEAR HIGHLIGHTS

POINTS IN TIME

The preparation and approval of the Codes of Conduct

Considering the provisions of Law 52/2019, of July 31st, and after a lively and active debate, the Court Members Code of Conduct was adopted in May.



According to the said diploma and a process that included contributions from many of those working in the Support Services, the Support Services Code of Conduct was also approved.

Paulo Nogueira da Costa, Law Professor and legal expert at the Court of Auditors nearly 18 years ago, was appointed Director-General, taking office in the midst of the pandemic, at a reserved ceremony.



The Court of Auditor's President and Judge Member, who is also the rapporteur of the opinion on the General State Account, were heard on the matter at the Budget and Finance Committee by videoconference.

The Court of Auditors was also heard at the Assembly of the Republic at the Committee on Economy, Innovation and Public Works (CEIOP), on the Audit Report No. 1/2020 of 2nd Chamber - **Operacionalidade de Infraestruturas e Transportes** (*Operation status of Infrastructure and Transports*).



After examining the risks and reassessing the external and internal environment, especially with regard to the expectations of Society at large, the General Plenary decides on the readjustment of the plans in view of the pandemic.

Termination of the mandate of Vítor Caldeira, President of the Court of Auditors



"(...) It has been an immense privilege and honour to have been able to serve the Court of Auditors and Portugal in this noble mission and to have done so with a competent and dedicated, impartial and professional team, with whom I have had the opportunity to work and learn over these past four years. As I usually point out, the Court is made by everyone who works in it and to whom I thank all the close and loyal cooperation I have received. Thank you very much to everyone!"

Vítor Caldeira"

Swearing-in ceremony of the President of the Court of Auditors José F. F. Tavares



"It is an honour to preside over an institution that has just completed 630 years of history and which addresses its activity to more than 6000 public entities through a collegiate operating model. (...)"

Throughout my mandate and based on concrete actions, always engaged in regular dialogue, I will always do my best for an independent, impartial and free Court, with high ethical and professional standards, attentive to the world around it and with a strong pedagogical sense in relation to public entities under its jurisdiction and control." José F. F. Tavares

Rui Ochoa / Presidency of the Republic

Delivery of the Opinions on the State General Account, on the Accounts of the Autonomous Regions, on the Account of the Assembly of the Republic and on the Accounts of the Legislative Assemblies of the Autonomous Regions



The Organization of the Courts of Auditors within the Community of Portuguese Speaking Countries (CPLP) celebrates its 25th anniversary.



A virtual ceremony was organized to commemorate the date, with the Presidents of the various member countries participating in the event on the added-value and knowledge that this organization brings to each Court of Auditors.

2020: A YEAR MARKED BY THE COVID-19 PANDEMIC

Virtually all of 2020 was affected by the unusual circumstances associated with the Covid-19 pandemic, which was declared on March 11th. Portugal entered a state of emergency on March 18th, with the establishment of a general lockdown duty, which lasted all year round, with stricter or more flexible rules that depended on how the health situation evolved.

The Court of Auditors was caught up by the effects of the health situation. Almost all workers started working from home, and a plan readjustment process that had been approved less than 4 months before began quickly.

These events also took place in audited entities in different manners, according to the respective remits. In some cases, there were even temporary closures; in others, intense pressure and focus on combating the disease and its impacts, as was the case of sectors such as health, education, internal administration, defence, social security and local authorities. In addition, exceptional legislation entered into force, namely the exemption from *a priori* control and the suspension of judicial and administrative deadlines.

All this led to the need to very quickly find solutions to dematerialize proceedings in terms of submission for *a priori* control. There were also major difficulties in developing audit fieldwork and obtaining information and feedback from entities subject to control.

Control activities were adapted to the new scenario, namely through digital platforms with remote access to data residing in information systems, both of the Court and of the audited entities, electronic interaction between teams and with external entities (intensive use of collaborative platforms with videoconference) and increased electronic document verifications to the detriment of physical verifications.

As mentioned above, the extension of the health crisis and its social, economic and financial impacts generated a new control context, which gave rise to the readjustment of all the Court's strategic and operational instruments in the medium and short term.

Against this background, great efforts were into monitoring the crisis and its consequences on public finances, as will be reported in the paragraphs that follow, in terms of the various control modalities.

Nevertheless, the most relevant actions developed in this context are highlighted below:

Issuance of Court resolutions and guidelines for the electronic submission of proceedings for *a priori* control

The Court set up rules on the momentum, initiation and conduct of proceedings for *a priori* control through electronic platforms and issued instructions and guidelines on this decisive matter during lockdown.



This new regulation highlights the profound change that took place in the form of submission of these cases to the Court for *a priori* control. From the middle of the year, these cases became exclusively electronic-based, including communications between the Court of Auditors and the audited entities. It is worth noting that, because this process was already being implemented, the pandemic forced its conclusion in a short period of time so as to guarantee the health safety of all stakeholders.



Monitoring of Contracts Covered by the Exception Regime provided for in Law no. 1-A/2020, including those exempted from *A Priori* Control

The contracts free from *a priori* control¹ published on the BASE Portal, for the period under review in the two

¹ The contracts exempted from *a priori* control (EPC) are those (within the framework of “Covid-19 Contracts” and “Other contracts”) have a contractual price equivalent to or higher than 350,000.00 m€, until 24.07.2020 and to 750,000.00 m€, from 25.07.2020 (as amended in article 48 of the OPLCA (Organizational and Procedural Law of the Court of Auditors), by article 7 of Law no. 27-A/2020, of 24.07).

reports² (March 12th to September 30th 2020), which cover the full duration of the CO-VID19 pandemic, represented only 3% of the total number of contracts, but 78% of the overall contracts that amounted to approximately 586 M€, in a total of 408 contracts. In this period, the Base Portal contained 13,554 contracts which amounted to 750 M€.

As regards contracts exempted from seal approval, there was an increase in the amount contracted from March to April and then a downward trend until August, with the increase resuming its pace in September 2020.

The highest amount contracted and exempted from seal approval (460 M€) was recorded in "Other contracts"³, i.e. in those contracts exempted from seal approval because they were entered into by the entities referred to in article 7 of Decree-Law no. 10-A/2020.

The Court of Auditors found deficiencies and shortcomings in the publication on the BASE Portal and in the communication of contracts to this institution. Although *a priori* control is not required, the contracts must be published and sent to the Court, in this case for informational purposes only, within 30 days after their conclusion. These insufficiencies and shortcomings detected in both reports affected a better and more refined assessment of the contracts, and therefore motivated the repeated formulation of recommendations addressed to the awarding entities so as to proceed with better records of information. As a result, the Assembly of the Republic approved Resolution no. 133/2021 of April 30th, suggesting to the Government to fully implement the recommendations of the Court of Auditors.

Risks in the use of public funds for emergency management (Covid-19)

The Court mapped the major risks and decided to issue a warning to public officials to the need to look at these risks and mitigate them. In June 2020, the Court disclosed a report based on international recommendations and the outcomes of audits and other previously conducted control actions.

Through this document, the Court called the attention of the entities that manage public money to take great care to the risks detected and to consider to put mitigation measures in place, namely in terms of:

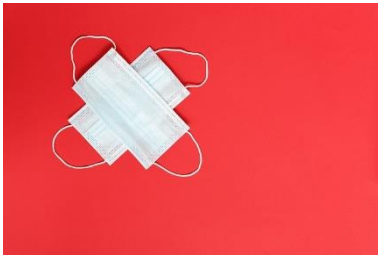
- clarity and consistency of legislation and regulation;
- issuance of guidelines for the harmonized implementation of measures;
- establishment of monitoring mechanisms;

² Reports no. 3 and 6/2020-OCA.

³ As opposed to the "Covid-19 Contracts", which include all those described, in terms of object and procedure, in articles 1, no. 2, 2 and 2-A, of Decree-Law 10-A/2020.

- definition and coordination of responsibilities;
- avoidance of duplication of support;
- the importance of adequately setting up parameters for information systems and strengthening computer security systems;
- the need to value and safeguard the integrity, transparency and publicity of processes and actions;
- the obligation to report and substantiate all processes and maintain basic controls;
- the reporting and disaggregated recording of all actions implementing Covid-19 measures, for the purposes of measurement and analysis.

Covid-19- Measures and Reporting in the early 3 months – Follow-up of budget execution



The Court approved a report in July, which aimed to provide an overview of the measures adopted, the form of governance, the information systems involved, the procedures in place and the figures reported so as to combat and mitigate the effects of the pandemic.

Amongst other things, the Court has identified that:

- there is a large number of public and private entities involved in the implementation of measures and related amounts;
- the information on budget execution only allowed for knowing the impacts that result into financial flows (payments and receipts); however, for instance, the non-collection of revenue or the deferral of payment deadlines and unpaid expenses are not disclosed.
- the information disclosed by the Ministry of Finance was insufficient, as the impact of adopted measures could not be identified;
- the application of the two budget/fiscal measures established by the Directorate-General for Budget (DGB) to identify pandemic-related expenditures was not consistent, did not allow for disaggregated information to be obtained for each measure, and excluded expenditures for which procedures were initiated prior to being disclosed.

The Court recommended to the government, in particular, to quantify the disaggregated impact of all measures taken in connection with the Covid-19 pandemic, including uncollected revenue; to be consistent in the use of related budget/fiscal measures; to disclose complete information, including financial and physical data (such as the number of beneficiaries) and outcome indicators.

- **Covid-19 – Impact on National Health System (NHS) activity and access**

In October, the Court released a report on the impact of the pandemic on the activity and access to the National Health Service, and concluded as follows:

- The activity of the NHS providers from March to May 2020 decreased, as compared to the same period of 2019, as a result of measures to suspend scheduled activity, which were taken to ensure response capacity to the Covid-19 pandemic;
- The median waiting times for users on waiting lists worsened, but the response improved for the most urgent cases;
- The resumption of non-urgent activity took place within the framework of measures that potentially promote effectiveness and efficiency in resource allocation, but there were risks in terms of implementation;
- The upturn in unrealized activity (which, in June, occurred, but only partially) would justify the extraordinary introduction of specific incentives in the NHS financing system;
- It may be appropriate to recognize the best administrative practices in the NHS to engage in the reorganization of services and to review and adjust contingency plans so as to understand and evaluate the resource allocation trade-off to treat patients with Covid-19 in view of the needs for diagnosis and treatment of other, but non-urgent, diseases.



- **Impact of measures adopted under the Covid-19 pandemic in entities of Local Administration in Mainland Portugal**

In December, the Court approved a report on the mitigation measures for the effects of the Covid-19 pandemic taken by local administration entities in mainland Portugal, which also included public procurement. The report concluded, namely, that at the local level:

- These measures involved, until September 2020, a net expenditure of 166.1 M€;
- In this period, and according to the Base Portal, 5,529 contracts were signed, 87% of which by municipalities, with 98.7% preceded by direct negotiation;
- The contracts signed by 86 municipalities lacked information in the Base Portal, which made the Court express reservations about the universality of the data



contained in that Portal, considering the relative size of missing municipalities and the fact that many already had hundreds of Covid-19 cases in their municipality;

- The municipalities in the districts of Lisbon and Porto concentrated 66% of the amount of the pandemic-related contracts;
- Large discrepancies were found in the number of contracts signed by municipalities, both in absolute and relative terms, per resident or per no. of Covid-19 cases;
- There were signs of concentration in the contracting entities, which justifies greater scrutiny and strengthening of transparency mechanisms.

- **Programa Operacional de Apoio às Pessoas Mais Carenciadas (POAPMC)**
(Operational Support Programme for the Most Needed)

The POAPMC audit, with its report approved in October 2020, was foreseen within the scope of the control of the application of European funds in Portugal. The Programme execution plan was affected by the social crisis resulting from the pandemic. The corresponding European Fund underwent changes in the rules and financial reinforcements by the European Union, so that the increased needs and difficulties found on the ground for food delivery could be catered for.

The audit found expenses and procedures in the context of the adoption of individual protection measures in activities such as distribution and adaptation of control mechanisms. Although foreseen in EU regulations, a logistical model for delivering food and essential goods through vouchers or electronic cards had not yet been implemented in Portugal; this would allow, among other aspects, for strengthening the local economy and ensuring greater safety during the Covid-19 pandemic period.

The follow-up of measures related to the Covid-19 pandemic will continue, and several control actions related to the impact of COVID-19 are in progress, both at the headquarters and the Regional Chambers of the Azores and Madeira.

THE ACTIVITY IN 2020

The Court activity is essentially exercised through *a priori*, concomitant and successive financial control. The following summarizes what is considered to be the most relevant aspects of the activity carried out for these types of control, and in terms of enforcement of financial liabilities.

3.1. A PRIORI FINANCIAL CONTROL

In the context of *a priori control*, the Court examines the financial legality of the acts, contracts and other instruments that generate expense or represent financial liabilities, before they are performed.

5,388 M€ controlled

The *a priori* controlled amount decreased 10.7%, in line with the number of cases brought before the Court (-17.9%), with a decrease of 19.2% in controlled cases.

In the year at issue, *a priori* control activities were particularly affected by the Covid-19 pandemic which hit the country at the end of the first quarter of 2020.

This constraint resulted from the legislative changes regarding the submission of acts and contracts to control, including:

- **Amendments to Law no. 98/97**, of August 26th (Organizational and Procedural Law of the Court of Auditors - OPLCA), **exempting from *a priori* control** a vast number of acts and contracts, namely:
 - Contracts and other legal instruments that aim at the provision of project preparation

and review services, supervision of work, contract or concession for the promotion, rehabilitation and purchase of real estate **for affordable or public housing or student accommodation**

- Programme-contracts, agreements and/or contracts for **power delegation**, and their respective implementing acts, **concluded between local authorities, and between a local authority and a local business sector entity**, whereby powers are transferred, a mandate is established for their execution or a commitment is made to carry out certain activities or tasks.
- **Other legislative changes which exempt *a priori* control**, namely:
 - The contracts covered by Decree-Law 10-A/2020, of March 13th, which establishes exceptional and temporary measures in response to the SARS-CoV-2 epidemic that apply to the **prevention, containment, mitigation and treatment of epidemiological infection by Covid-19**, as well as the restoration of normality after the epidemic;
 - Other contracts, irrespective of their purpose and value, signed by the entities referred to in article 7 of the same diploma;
 - Acts and contracts signed by a number of entities related to the procurement of goods, provision of services or works, under

the **Integrated Rural Fire Management System**;

- Acts and contracts concerning the procurement of goods or services related to the fire fighting and structural prevention system or that fall into the National Plan for Integrated Wildland Fire Management;
 - The contracts or agreements signed with international entities that aim at the logistical support of the **Portuguese Forces deployed to operational theatres**;
 - Transfers from central government to local government, financial or otherwise, as well as contractual positions, carried out under the decentralization of competencies;
 - The acts of implementation or arising from programme-contracts, agreements and/or contracts for power delegation, concluded between local authorities, and between local authorities and companies within the perimeter of the local business sector.
- **Amendment to the threshold** of the rule of submission to *a priori* control from 350,000 m€ to 750,000 m€, which resulted from an **amendment to the OPLCA**.
 - Other legislative changes also occurred, which had an impact on the *a priori* control activity, such as:
 - The amendments to the municipal credit and debt regime;

- The amendments to the Legal Regime of Public-Private Partnerships (Decree-Law no. 170/2019, of December 4th).

In 2020, **3,739 cases** were submitted to the Court.

67% of the approval processes were concluded within the legal timeframe; the remaining processes were considered tacitly approved in accordance with the Law.

As regards the 4,575 cases that could be examined during the year (including 836 cases carried over), not all were subject to control, namely because they were cancelled (114), returned by the Court for being exempted from seal approval (835) or because they had received tacit approval (1,258). The latter account for 31% of the total number of cases concluded in the year (4,035), but correspond to only 6.6% of the amount controlled in the same period. The average amount per case that received tacit approval was 281 m€.

Following cancellations requested by the contracting entities and the reduction of charges for contracts subject to *a priori* control, the Court's action prevented expenses of 47.5 M€ associated with these processes from being incurred

Before rendering its final decision, the Court may ask for clarifications or additional information, and 2,632 cases were returned for this

purpose. These requests allowed, in a significant number of cases, detected illegalities and irregularities to be remedied; in some instances, this led to even a reduction in the charges assumed by the respective entities (4 M€).

Some situations that led to the referred **reduction of charges** concern the realization and financing of expenses, indebtedness, contracting procedures or contractual clauses. A few examples are given below:

- Inadequacy of budget expenditures, commitments, authorizations for multi-annual charges and financial programming
- Exceeding indebtedness thresholds
- Establishment of illegal or disproportionate collateral
- Lack of competence for making decisions
- Lack of cost/benefit studies
- Lack of legally required justification
- Price contract reduction to bring it in line with the value of the awarded tender
- Divergences with tender documents

In other instances, **the audited entities themselves requested the cancellation of the processes**, claiming the need to review the very signing of the contracts or the respective terms and conditions, for example, in cases of:

- Absence of authorizations from the relevant entities for the purpose;
- Disregard of the legal regime of public procurement;
- Lack of available funds to fully cover the expenses under the contract;
- Excessive indebtedness and lack of timeliness of the need to contract a loan or the lack of observance of the legal purposes thereof.

The number of cases with a decision to grant or refuse seal approval⁴ totalled 1,826, which refer to 401 entities. (5,388 M€)

The largest number of cases, controlled entities and financial volume relate to the Local Administration.

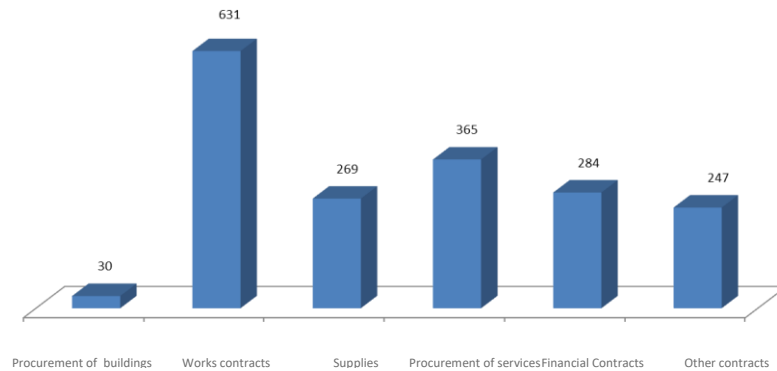
Processes subject to *a priori* control

| Local Administration | Central Administration | State-owned and Regional Business Sector | Regional Administration | Local Business Sector | Foundations, associations and cooperatives |
|--|--|--|--|---------------------------------------|--|
| 92 processes 242 entities 2,054 M€ | 371 processes 58 entities 1,579 M€ | 253 processes 58 entities 1,356 M€ | 149 processes 23 entities 234 M€ | 56 processes 16 entities 157 M€ | 5 processes 3 entities 8 M€ |

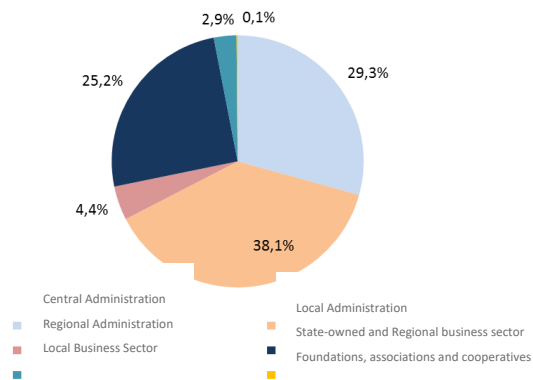
⁴ Includes processes containing declaration of conformity approved and were given seal approval with or without recommendations.

The processes mostly concern works contracts (631), followed by service procurements (365) and financial contracts (284).

Processes subject to *a priori* control by species



% of the amount controlled by procedural species



Where there is no nullity, lack of budget commitment or infringement of a financial rule, but only an illegality that changes or is likely to change the financial result, the Court may, according to circumstances, choose to grant seal

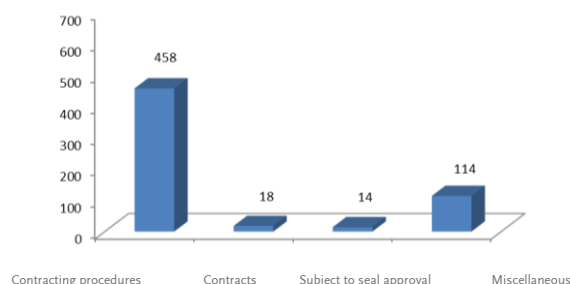
approval by recommending the audited entities to remedy or avoid such illegalities in the future. Broadly speaking, the Court may also make recommendations to improve legislative, administrative or financial procedures.

1.795 processes were granted seal approval, whereof, 27% were granted seal approval with recommendations, which correspond to 2,270 M€.

Most of the 604 recommendations made still concern illegalities committed under contracting procedures (76%), due to deficient application of the Public Procurement Code (PPC). In the context of these recommendations, 19% were classified as miscellaneous, which

included warnings formulated in terms of submission and instruction of files by electronic platforms, considering the requirements defined for this purpose.

Recommendations made by type



Major recommendations and warnings

Selection

- Rationale for decisions to choose non-competitive procedures
- Adequate anticipation in launching procedures
- Legal regime applicable to contracting under a framework agreement

Rules

- Technical qualifications required
- Requirement of the Single European Public Procurement Document in contracts of value that exceed the Directives
- Respect for the abnormally low-price regime, in particular anchored in the need to fix this regime and the specific criterion adopted
- Evaluation models that are better suited to targets and that allow all submitted tenders to be rated and classified differently, including those in the abnormally low-price threshold when justifications are accepted
- Rationale for the evaluation model adopted, with explicit justification of the specific factors and sub-factors involved in it and their respective weighting, demonstrating that with this model the result necessary for the best satisfaction of the public interest is achieved
- Exclusion of scores from evaluation models for situations that, should they occur, would lead to the rejection of the tenders in which this is the case
- Justification, in the contracting decision, of the option not to contract in lots
- Definition of objective tie-breaking criteria related to the strengths of the tender

| | |
|------------|---|
| | <ul style="list-style-type: none"> • Correct and complete completion of tender opening notices • Justification of the base price fixed for the tendering procedure • Non-inclusion in the evaluation form of the technical team assigned to the work in a procedure related to a works contract • Densification of the strengths that correspond to each of the scoring levels, refraining from adopting vague and indeterminate concepts • Non-inclusion in the award criteria of requirements concerning the verification of the contractual link of the technical team to be assigned to the contractual execution and/or the duration of this link • Timely obtaining and identifying, in the procedural documents, the necessary <i>a priori</i> opinions, licensing, and authorizations that may affect the procedure and the contract execution • Brands should not be mentioned; when, exceptionally, it is necessary to do so, the legal requirements must be strictly observed |
| Launching | <ul style="list-style-type: none"> • Compliance with the rules of preliminary market consultation when this consultation is the basis for fixing the base price of the procedure or other elements of the procedures • Need to proceed to the timely and complete justification of the expense underpinned in a cost/benefit evaluation and on the materialized motivation on the economy, efficiency and effectiveness, based on the respective studies • Compliance with the rules on power delegation to the tendering procedure jury • Guarantee that the investments are previously discussed and authorized by the Municipal Assembly when it comes to loan contracts to be applied in investment expenses |
| Proceeding | <ul style="list-style-type: none"> • Legal basis for exclusion of the tenders • Need to justify the decision to award the contract to the only accepted tender, given the rules inherent to the implementation of public expenditure • Request, in the case of non-essential formalities, for due clarifications/information with a view to possible provision thereof • Need for a more adequate statement of reasons in tender examination reports • Timely actions regarding declarations of absence of conflicts of interest, namely by the jury members |
| Contracts | <ul style="list-style-type: none"> • Approval of the draft contract, in tandem with the decision to award the contract, by the relevant body to authorize the expenditure • Thorough analysis of the draft texts, considering, particularly in bank loan contracts, their conformity with the conditions of the winning tender as well as the possible existence of abusive rules • Timely conclusion of the contract • Designation, by the contracting authority, of a single contract manager, in order to ensure that there is only one interlocutor before the co-contractor, as provided by the Public Procurement Code |

| | |
|--------------------------|--|
| Subject to seal approval | Compliance with the deadlines for referral to the Court |
| Others | <ul style="list-style-type: none"> • Compliance with the rules of entering into commitments and available funds, particularly in the case of entering into commitments that constitute payment obligations in a subsequent economic year • Need for segregation and individualization of projects and actions when preparing the IMP (Investments Multiannual Plan), so as not to include in the same project several work contracts • Compliance with the rules of the Resolution that defined the system of remittance and instruction of the processes for <i>a priori</i> control by electronic means |

The Court **may not grant the seal approval** on grounds of non-compliance with applicable law entailing nullity, charges not covered by the budget, direct breach of financial rules, or illegality that changes or is likely to change the financial result.

The seal approval was turned down to 31 processes, which accounts for a financial volume of 102 M€, or 1.9 % of the controlled amount.

Detected illegalities (which were on the basis for turning down the seal approval):

| | |
|--------------|---|
| Spending | <ul style="list-style-type: none"> • Conclusion of contract without a valid and sequential commitment • Conclusion of a rehabilitation works contract that encompassed financial aid to <i>SociohabitaFunchal - Empresa Municipal de Habitação, E.M.</i> since the company was set up by the Funchal Municipality and was aimed at maintaining and exclusively managing its housing stock, which includes the structure to be intervened upon |
| Indebtedness | <ul style="list-style-type: none"> • Contracting a loan to finance assets, which does not embody the investment purpose foreseen in the Financial Framework for Local Municipalities and Intermunicipal Entities (FFLMIE) • Violation of the legal rules applicable to the conclusion of M/L term loans by municipalities • Contracting loans for settlement of payment agreement without respecting the FFLMIE requirements |

| | |
|--------------------------|---|
| | <ul style="list-style-type: none"> • Replacement of a short-term loan for a medium-long term loan in disregard of the available margin of indebtedness and in an amount greater than the value of the national investment compensation • Over-indebtedness, as the approval for financing all the applications for all the investments that the loan contract was intended to finance was not demonstrated |
| Selection of procedures | <ul style="list-style-type: none"> • Award based on a direct award procedure invoking matters of "urgency" without the respective legal assumptions having been verified • Conclusion of a service contract following a direct negotiation when, given the value of the contract, the entity should have chosen the public tender or the restricted tender by <i>a priori</i> qualification, with publication of a notice in the <i>Official Journal of the European Union</i> |
| Rules of procedures | <ul style="list-style-type: none"> • Definition of the award criteria in a procedure with <i>a priori</i> consultation with disrespect for the award criteria defined in the Framework Agreement under which this consultation was carried out • Adoption of a tender examination model using a system of score allocation by intervals, preventing a proportional classification and proving to go against the principles of transparency and proportionality • Absence of the required legal qualification (permit) • Undue specification of trademarks in the bill of quantities or in the specifications • Exclusion for formal reasons without asking for the relevant clarifications/information • Conclusion of an air leasing service procurement contract (light helicopter) allocated to fight forest fires; a company and a director ended up being convicted of the crimes of simple tax evasion and qualified tax evasion, without the respective rehabilitation having occurred in the meantime |
| Contracting requirements | <ul style="list-style-type: none"> • Acquisition, by a municipality, of real estate intended for the pursuit of the activity of a local company, thus assuming as an investment subsidy • Deliberation on the acquisition of a property, however omitting the mandatory communication of such acquisition to the Directorate-General of Cultural Heritage, based on incongruous grounds regarding the need to contract and revealing signs of a "self-contract" or "business with oneself," given the actual members who took part in the deliberations of the acquiring municipality and the selling Foundation • Acquisition of a surface right that, however, had already been extinguished due to non-use of the building for the purposes for which such right had been established and the resulting valuation of the same surface right on wrong assumptions • Operation of municipal participation in a private law association, which was not underpinned in technical studies that, among other aspects, |

assess the effects of that entity's activity on the accounts, organizational structure and human resources of the municipality.

Conduction of proceedings

- Undue exclusion of a tender on the assumption that it had been changed; however, this did not occur
- Illegal withdrawal of the 1st ranked tender and subsequent award to the 2nd ranked tender
- Refusal to show objective data based on technical data in the equipment manufacturer's documentation, therefore breaching the principle of impartiality
- Undue exclusion of a tender based on the failure to submit documents for each of the lots put out to tender, even though they were submitted for one of them
- Option not to exclude tenders submitted, despite strong evidence of concerted action

16 ordinary appeals were lodged and 21 decisions taken

Appeals may be lodged with the Plenary sitting of the 1st Chamber against final decisions refusing to grant seal, and against audit fees fixed by the Court, both at Headquarters and at the Specialized Regional Chambers. 16 ordinary appeals were lodged and 21 judgments

and decisions issued, in which the appellants were upheld in 3 cases, the initial decision was upheld in 9 cases, 3 cases were closed and a preliminary refusal was considered in 6 of such cases.

3.2. AUDITS ON THE EXERCISE OF A PRIORI CONTROL

The Court may have audits, related to the exercise of *a priori* control, carried out, which aim, among other things, to report to the Public Prosecutor Service the financial offences detected in seal approval requiring procedures.

During 2020, 7 **audits were concluded for enforcement of financial liabilities** (4 at Headquarters and 3 at the MRC) with a controlled financial amount of 23 M€.

Noteworthy are the audits and recommendations described below:

Service procurement contract for "Collection of solid waste and urban cleaning and hygiene in the municipality of Fafe" - Report 4/2020 - FLC - 1st Chamber

Given sufficient evidence that the Municipality was not complying with the written commitment, assumed in 2010, by the then Mayor of Fafe, not to renew the service procurement contract for the collection of solid waste, cleaning and urban hygiene in the municipality of Fafe - concluded in May 2010 for a period of 8 years and therefore due to end in May 2018 - only in July of that year was the notice for the opening of a new tender procedure published to procure said services.

It was found, therefore, that after the end of this contract, the Municipality awarded the procurement of services to the same consortium, as follows:

- During the period from June to September 2018, the services were executed without precedence of a pre-contractual procedure, with neither a written contract, nor a statement of expense allocation, budget commitment and available funds; so, they were considered illegal;
- Between October 2018 and March 2019, through a contract concluded by direct negotiation based on Article 24(1)(c) of the PPC, which was considered illegal;
- In the period April-June 2019, through a contract entered into by direct negotiation

also based on Article 24(1)(c) of the PPC, the legality of which has not been called into question, given the fact that judicial appeals are pending against the City Municipality's decision of January 2019, which terminated the public tendering procedure with international advertising, whose opening decision took place in January 2018.

None of these procurements/contracts were submitted for the Court's *a priori* control, which was mandatory in accordance with articles 46 and 48, no. 2, of the OPLCA.

Recommendations to the Fafe Municipality:

Thoroughly comply with all legal rules, as regards:

- The remittance for *a priori* control by the Court of Auditors of all acts and contracts that fall under the scope of article 46, no. 1 and 2, together with article 48 of the OPLCA
- Public procurement, namely by complying with the provisions of article 20, together with articles 474, 24 and 94 of the Public Contracts Code
- The legality of assumption of expenditure, in particular by complying with the provisions contained in articles 52, no. 3 to 6, 8 and 9, of BFL, 5, no. 1, 3 and 5, of Law 8/2012, of February 21st, and 7, no. 2 and 3,

of Decree-Law 127/2012, of June 21st, in its current versions.

Contract for the procurement of specialized financial advisory services (technical-financial roadshow) for the possible partial refinancing of the financial public debt of the Autonomous Region of Madeira - Lot 1 - Report 2/2020 - MRC

When selecting the provider of services under the contract at issue, the Regional Government Council used the direct negotiation procedure in accordance with the material criterion provided for in paragraph c) of No. 1 of art. 24 of the PPC, without verifying the legal assumptions enshrined therein, namely:

- that we are witnessing an "imperious urgency", which derives from "unforeseeable circumstances" for the contracting entity, which it cannot be accountable for;

- that the direct negotiation procedure should only be exercised "to the extent strictly necessary";
- that the deadlines attaching to the other procedures cannot be met.

Recommendations to the Vice-Presidency of the Regional Government and Parliamentary Affairs:

The Court recommended that the direct negotiation procedure provided for in paragraph c) of no. 1 of article 24 of the PPC should only be adopted when the legal assumptions therein are met.

3.3. CONCOMITANT AND SUCCESSIVE FINANCIAL CONTROL

This form of control was exercised by the Court through the issuance of Opinions, namely on the General State Account (GSA), including the Social Security Account (SSA), and on the Accounts of the

Autonomous Regions of the Azores (AARA) and Madeira (MARA) (3 opinions) and the performance of monitoring of budget implementation (1), audits and opinions (AR, PR, ALAAAR, ALAMAR) (27), external audits of accounts (10), internal audits of accounts (503), audits for enforcing financial liabilities of successive control (10), as well as other control actions (7).

CONCOMITANT CONTROL

This control is exercised by the Court through administrative procedure audits, which concerns acts involving costs with staff, contracts that are not subject to *a priori* control in

accordance with the law, the execution of contracts that are granted seal approval, and financial activity audits before the closure of the respective financial year (P/L account).

As regards **contracts** that must not be subject to seal approval, the most noteworthy are those relating to extra works or the correction of errors and omissions, which must be submitted to the Court within 60 days of the beginning of their execution. As regards these contracts, the Court conducts an in-depth analysis of the justification and legality of such extra works, and identifies any financial liabilities, which are then reported to the Public Prosecutor Service, and may select part of them for conducting audits.

At the Court's Headquarters, a very significant change has taken place, since these contracts are no longer sent to it in paper or electronic format. Since the beginning of the year, they have been submitted exclusively through the Econtas-CC portal. The procedures of sending the contracts by e-mail or in paper format, in the Regional Chambers, have remained unchanged.

A total of 811 contracts were registered with the Court, which accounts for a 25.2% increase over the previous year (648).

The total amount of these additional contracts was 59.7 M€, which means an increase of 41.4% over the previous year.

6 audits were concluded (2 at HQ, 1 at ARC and 3 at MRC) with a controlled financial amount of 103 M€.

Noteworthy are the audits and recommendations described below:

Global analysis of additional contracts submitted to the Court of Auditors (2017-2019 Triennium) - Report 2/2020 - CC - 1st Chamber

Analysis of the information on additional acts and contracts registered with the Court of Accounts in the period 2017-2019 (1,580), as well as the public works contracts to which they related and, in particular, those registered and certified or homologated accordingly (including also those tacitly certified) in the same period (2,709).

Over the three-year period, these additional contracts had a positive amount of 106 M€ and a negative amount of 44 M€. The financial amount of the increase in extra work in public works contracts increased and that of the elimination of contracted works decreased.

There was a slight decrease in the percentage of public works contracts with no changes in the course of their execution (71.5%). In this universe, it was the local administration that awarded the largest number of contracts, as well as the largest financial amount.

As regards amended contracts, the largest number (volume) also occurred in local government, but the largest amount (initial and added) occurred in the State business sector. If we look at the combination of the "compensation" of the financial accruals resulting from extra work and the amount of work that was eliminated, one can notice that the most

substantial net result took place in local administration.

Contract changes were distributed over all types of works, with a special emphasis on works relating to roads and buildings/rehabilitation. Generally speaking, the quantitative ceiling for adding work qualified as extra work continues to be respected. In some instances, however, the legal ceiling for adding work to correct errors and omissions continues to be disrespected.

The number of entities that still formalize additional contracts without complying with the respective legal regime has decreased, which does not allow for an offsetting effect between works added and works eliminated.

The regime introduced by the Public Procurement Code for identifying errors and omissions of projects and sharing of responsibilities between them has been neither duly observed nor effective in bringing greater rigour in public works projects.

Greater rigour in the preparation of public works projects and in the interpretation of the concept of unforeseeable/unpredicted circumstances is still needed.

Recommendations to entities that own public works:

- Meet their legal and managerial obligation to approve rigorous public works projects, which define, with the utmost precision, the purposes and characteristics of the

works to be performed and the characteristics of the respective construction sites;

- Expressly and carefully give their views on the errors and omissions identified by the bidders in awarding contract procedures in the course of the tender submission period;
- Observe the legal requirements set forth in articles 370 and following of the Public Procurement Code for the performance of additional work and rigorously verify them before the respective authorization.

Submission for *a priori* control of contracts signed by the Azores Tourism Association (ATA) - Report 2/2020 - ARC

The Court examined the degree of compliance with the duty of sending contracts concluded by the ATA for *a priori* control. The conclusion was that, between April 22nd 2016 and July 30th 2018, the ATA entered into eight service purchase contracts for an amount above the threshold for *a priori* control by the Court of Auditors (350 m€), none of which were sent to the Court for this purpose, despite the ATA's obligation to do so. Payments totalling 10.2 M€ were made under the aforementioned contracts without the *a priori* seal approval of the Court of Auditors.

Recommendations to the Azores Tourism Association (ATA)

Submit for *a priori* control contracts with a value equal to or greater than 5 M€ or, where the conditions set out in Article 5(1)(c), second part are met, contracts whose value, considered separately or added to other contracts that are or appear to be related, exceeds the threshold set annually in the State Budget Laws.

Set up control mechanisms to prevent contracts subject to *a priori* control from taking financial effects before approval, or material effects, as the case may be, in accordance with the respective legal regime.

Concomitant control audit to the additional contract for the "works of the assisted medical procreation centre, psychiatry inpatient unit (acute) and outpatient clinic" - Report 10/2020 – MRC

The overall conclusions of the audit can be summarized as follows:

The project for the execution of the works contract was based on a 1988 architecture and stability project provided by the Hospitals' Common Use Service, which did not correspond to the final layouts in terms of foundations and buried hydraulic infrastructure. In fact, at the beginning of the project, there were substantial discrepancies between the existing structural elements and those described in the project, which shows that the contractor that performed the initial works contract from external

consultation did not comply with the project specifications.

When planning the execution of the project, the restrictions involved in the operation of the hospital unit were not considered, because factors such as noise, vibrations or shaking caused by the work on the structure are incompatible with the Computerized Axial Tomography operation, which led to further delays while executing this project.

One of the services to be set up was eventually replaced by another unit, due to unforeseen circumstances when the project was launched. These result from the fact that the project execution has taken, to date, more than five years than initially planned.

Recommendations to HSMAR (SESARAM, EPE):

Endeavour to ensure a close control of the execution of the works under its responsibility in accordance with the corresponding blueprints, as well as of the accuracy of the respective final layouts, in order to avoid future problems similar to those encountered in the course of this project and which made it necessary to grant its first additional contract.

Articulate the launching of public the works contracts with:

- The existence of an effective cash flow availability, so that the contracted deadlines and payment plans are met
- The constraints that the execution of a public works contract brings to a building in operation
- The appropriate management of contracts concluded, aiming to fulfil the contractual purpose in the agreed terms and deadlines.

SUCCESSIVE CONTROL

The Court verifies the accounts of the entities under its jurisdiction, examines their internal control systems, assesses the legality, economy, efficiency and effectiveness of their financial management and ensures the supervision of Portugal's participation in Community own resources and the application of financial resources from the European Union. As regards the successive control of direct public debt, it verifies if the ceilings of indebtedness and other general terms and conditions established by the Assembly of the Republic in each budget year have been observed, together with the loans and financial operations of direct public debt management, as well as the respective charges.

OPINIONS

It is up to the Court of Auditors to issue annual Opinions on public accounts.

In 2020 the Court issued the Opinion on the General State Account (GSA), including the Social Security Account (SSA), the Opinion on the Account of the Autonomous Region of the Azores (AARA) and the Opinion on the Account of the Autonomous Region of Madeira (MARA), all for 2019.

The elaboration of Opinions was based on the development of 39 preparatory actions.

OPINION ON THE 2019 GENERAL STATE ACCOUNT



The Opinion on the General State Account is addressed to the Assembly of the Republic to approve the General State Account (GSA) and to the Government to promote acceptance of specific recommendations. It also aims to inform citizens on how public money is spent.

This Opinion looks at the financial activity of the State and focuses on the main document of the State's accountability. In 2019, it covers the budget execution of 476 central government entities. It also shows the consolidated account of the 11 social security entities, which is also recognized on an accrual basis.

In consolidated figures, the actual revenue of the central government and social security amounted to 81,400 M€ and expenditure to 82,407 M€, which generated a balance of -1,007 M€. Compared to 2018, revenue increased by 4.3%, basically through tax revenue and contributions to Caixa Geral de Aposentações (public employees' pension system) and Social Security, and expenditure

increased by 2.1%, with emphasis on pensions and social benefits and staff expenses, which cut the deficit by 1,658 M€. Nevertheless, considering a number of operations of financial assets and liabilities likely to change net financial assets - which includes the payment of the Resolution Fund to Novo Banco (1,149 M€) and the amortization of loans granted under the privatization of BPN (1,377 M€) - the balance would be a deficit of -3,441 M€.

As far as this Account is concerned, the Court issued an opinion in which it expressed its reservations and emphasizes on the legality and financial correctness of the reported amounts, in addition to a scope limitation because the Account still does not include the balance sheet and income statement of the central government, which affects the information recognized on accrual basis.

Recommendations

The Court has made 43 recommendations, most of which are reiterated from previous Opinions, given that there are still structural constraints that affect the completeness and correctness of the Account, to a large extent, likely to be corrected with the implementation of the public finance reform. Noteworthy are the recommendations described below:

- As regards the reform of public finances: reshape the implementation plan of the Budget Framework Law (BFL), according

to the revised timeframe in 2020; develop a legal framework complementary to the BFL and operationalisation of the State Accounting Entity; put in place the programme budgeting effectively;

- At the central government level: include, in the consolidated public debt stock information Account, the portfolio of financial assets, the state's real estate assets and the guarantees furnished; update the real estate asset management and inventory programmes; revise the economic classifier and the systematic reassessment of tax benefits;
- In terms of social security: harmonize the legal diplomas relative to the financing of the social security system; clarify the norms relative to the assignment of the revenue from corporate income tax (CIT) for the Social Security Financial Stabilization Fund; fulfil the accrual principle (accrued interest on tax debt) and correct the deficiencies regarding third party debt that prevent the global amount from validation.

As regards the assessment of compliance with the 58 recommendations formulated in previous Opinions, corrections/improvements of deficiencies that led to 37 recommendations were made, particularly in the following areas:

- information reported in terms of fiscal policy measures;

- inclusion in the SB and in the GSA of entities from the Central Administration marked as missing in previous Opinions;
- information on the compliance with the principle of the State's treasury unity;
- Social Security fixed assets (as regards the inventory of intangible assets and accompanying documents for registration of tangible assets);
- claim for tax enforcement of debts of social benefits to be replaced, namely in terms of the number of beneficiaries covered.

Major reservations

The Court's Opinion considered 24 reservations on the legality, final correctness and internal control of examined operations, with particular emphasis on:

- the Account of the Central Administration: non-inclusion in the budget and in the account of 7 entities, wrong specification of revenue and expense operations, in particular due to outdated economic classifier, omitted information on elements (public debt stock of autonomous services and funds, portfolio of financial assets and inventory of real estate property), non-compliance with the principle of treasury unity and underassessments and non-quantification of fiscal expense;

- the Social Security Account: impossibility of validating the taxpayers' debt amount shown in the balance sheet, overassessment of the balance of client debt, and of the balance of social instalment debt, non-compliance with the principle of accrual based accounting (accrued interest), impossibility of validating the value of real estate units and incorrectness in the calculation of one-off profits and the net result and underassessment of the balance of availabilities and provisions for taxpayer bad debt.

OPINIONS ON THE ACCOUNT OF THE PRESIDENCY OF THE REPUBLIC AND OF THE ASSEMBLY OF THE REPUBLIC

In its article 253, the State Budget Law for 2019 provided for the Court of Auditor's specific powers of control over the accounts of the elected sovereign bodies. This encompasses the issuance of an Opinion on those accounts, which will culminate, upon the full effectiveness of the State Budget Framework Law, in the legal certification of the respective accounts.

The importance of the evolution that has taken place in the scope of external and independent financial control of the accounts of the elective-based sovereign bodies should be noted, so as to achieve greater alignment with the international auditing standards that govern legal certification, which, in the future, will be

issued by the Court to the accounts of these entities.

In 2020, the Accounts of the **Presidency of the Republic** and of the **Assembly of the Republic** were timely controlled, considering the provisions of the aforementioned Law, which have been endorsed by the Court.

OPINION ON THE AZORES AUTONOMOUS REGION ACCOUNT FOR 2019



Summary of remarks

The Court has issued its Report and Opinion on the 2019 Account of the Autonomous Region of the Azores, in accordance with the powers established in the Constitution and the Law.

It was found that the budget process has limitations and that the information provided in the Account is affected by materially relevant errors and omissions, in particular:

- The preparation of the budget of the Azores Autonomous Region for 2019 was neither backed up by a multi-year budget programming framework, nor was it timely submitted to the Legislative Assembly and prepared in accordance with the Finance Law for the Autonomous Regions;
- The regulation that implemented the Budget for 2019 set out, without a legal basis, an additional period for budget execution that extended into the following economic year, in violation of the principle of annuality;
- The performance of transactions outside the Budget and Account, in violation of the principles of universality and transparency;
- The omission of non-financial debt, and the lack of demonstration of compliance with the legal provisions regarding debt and operations in progress;
- The lack of accountability by the entities that actually perform treasury functions, whether under the direct Regional Administration or under the regional public administrative sector, in the latter case as a single account of the financial flows performed by the sector as a whole, and the non-compliance with the principle of treasury unity.

Sustainability risks

The Court identified risks to the sustainability of regional public finances as they have had structural shortcomings:

- Under the Budget Framework Law for the Azores Autonomous Region, the budget balance rule was not complied with either in terms of forecasts or implementation, with actual expenditure exceeding actual revenue, which generated an *overall or effective deficit* of 82.9 M€;
- The numerical rules of budget balance enshrined in the Finance Law for the Autonomous Regions were not observed either, given that the current balance, less the average amortization of loans, was negative by 329.8 M€, which exceeded the annual ceiling by 279.1 M€, and caused the accumulated imbalance in the first three years of the XII Regional Government mandate to have reached 944.5 M€;
- The primary deficit reached 34.7 M€, which means that the regional public sector is not generating the resources needed to service the debt;
- The overall debt of the regional public administrative sector continued its upward movement as in recent years. It has worsened by at least 208.5 M€ (+10.9%), and may have exceeded 2,120.6 M€ (48% of the GDP of the Azores Autonomous Region in 2019), of which 1,850.1 M€ refer to financial debt;

- The regional public sector may have exceeded its borrowing capacity, as stated in the Finance Law for the Autonomous Regions, by at least 646.6 M€ (43.9%);
- The annual ceiling for contracting debt, set by the Legislative Assembly, was exceeded by at least 243.2 M€.

Judgment on the Account

The Court found that the Azores Autonomous Region Account for 2019 is affected by materially relevant constraints in terms of scope, errors and omissions, and made reservations and emphases.

Recommendations

Seeking to contribute to focus efforts on basic requirements, the lack of which may influence the judgment on the Account, the Court decided to reiterate the restricted number of recommendations that were previously made:

To the Legislative Assembly:

Take legislative measures to ensure compliance with the principle of annuality, restricting the additional period of budget execution to what is strictly necessary.

To the Regional Government:

- Submit to the Legislative Assembly a multi-year budget programming proposal with the requirements as defined in the Finance Law for the Autonomous Regions and prepare the Budget by complying with the adopted

multi-year framework and gradually developing the comprehensive budget by programmes;

- Submit consolidated budget and financial statements in accordance with the ASS-PA;
- Show in the Account, with reference to the whole of the Regional Administrative Public Sector, the degree of compliance with legal ceilings applicable to debt and execution of operations in progress;
- Organize the entities vested with treasury functions in order to comply with the accountability duty as regards the whole of transacted funds.

OPINION ON THE MADEIRA AUTONOMOUS REGION ACCOUNT FOR 2019



The Court of Auditors issued a globally favourable opinion on the Madeira Autonomous Region Account for 2019 with emphases of matter and recommendations.

The examination of the account concluded that the consolidated financial statements, which refer to the Region's public administrations as a whole, from a budgetary and financial perspective, were still missing. This was a constraint to the examination of the Accounts of the whole of the Regional Public Administration.

The Court found that the Region breached the budget balance rule by 385.4 M€ and the indebtedness ceiling by € 2.7 thousand million, despite the fact that excessive debt has been reduced. Nevertheless, it was not slowed down to the pace fixed by the Law by at least 5% per year.

The Court has stressed the importance of public finance reform for the sound management of public resources and the need to ensure adequate implementation thereof. This is a mandatory condition for a more complete reporting, which is essential for a medium-term framework of the budget tools chosen.

In this context, the Court had a positive view on the launch by the Government, in 2020, of the "Public Financial Management Reform Project", which has been endorsed by the European Union. Nevertheless, it was concluded that there was room for improvements, particularly at the level of the budget process, since a legislative solution remained to be approved that, in addition to updating the rules relating to the Regional Budget framework law, established shorter deadlines for the presentation, examination and vote on the Regional

Account, in accordance with the regime applicable to the General State Account.

In terms of revenue, the Court of Auditors pointed out the increase in current revenue, by 4.7 M€ (0.33%) compared to 2018, which amounted to € 1.4 billion, due to the increase in tax revenue, by 41.8 M€ and capital transfers, by 4.9 M€.

On the other hand, the Court drew attention to the dependence of Autonomous Funds and Services on transfers from the Regional Budget, which remained very high (72% to 100%) in some traditionally dependent services.

The examination also identified the overstatement of community revenue collected by the Regional Public Administration in about 136.2 M€, which resulted from the low execution of this source of funding compared to the budgeted amount.

Among other recommendations, the Court pointed out that in accounting for the European funds received, the relevant services should recognize separately the percentage of the funds to be allocated to the project executors/beneficiaries, by recording them under off-budget operations, and refraining from recording them as revenue in their private budget, where only the part of the funds of which they are the beneficiary, should appear.

In terms of actual expenditure, the Court underlined the increase of 96.7 M€ (6.6%) compared to 2018, totalling € 1.5 billion, due to the

increase in interest and other charges, by 38 M€, and in staff expenses by 34.4 M€.

The Court stated that the consistency between the amounts reported in the management accounts of the Autonomous Funds and Services/Reclassified State-owned Entities and the amounts of the Madeira Autonomous Region Account for 2019 showed the Region's effort not to make the errors of previous years.

Nevertheless, the Court considered that it was necessary to ensure the completion of the implementation process of the Accounting Standardization System for Public Administrations (ASS-PA) for the entire Regional Public Administration and to give more attention to the process of consolidation of actual expenditure to avoid future errors.

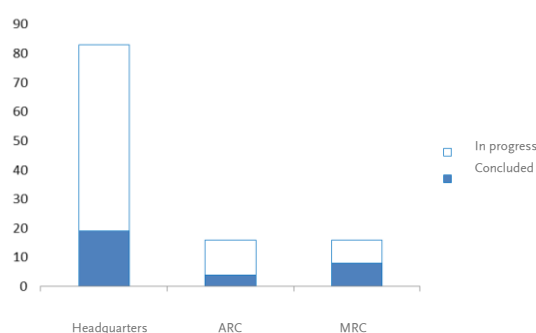
The liabilities of companies predominantly owned by the Region showed a reduction of 7.2% (121 M€). This was explained mainly by the decreases in the Health Service of the Autonomous Region of Madeira, E.P.E. (54.8 M€), the Administração dos Portos da Região, S.A. (44 M€) and Águas e Resíduos da Madeira, S.A. (16.6 M€).

The expenditure of the entered in the Madeira Autonomous Region Budget with the participated entities reached 409.3 M€ whereas the revenue was 15.9 M€, and the respective balance was negative by 393.5 M€, although indicators improved by 11.9% over the previous year.

AUDITS AND EXTERNAL EXAMINATIONS OF ACCOUNTS

31 audits and external examinations of accounts were concluded (19 at the Headquarters, 4 at ARC and 8 at the MRC), with a controlled financial amount of 65.712 M€.

These audits, which are of different nature, complexity and size, include those which concern the Opinions on the Accounts of the Presidency of the Republic and of the Assembly of the Republic and on the accounts of the Legislative Assemblies of the Autonomous Regions of the Azores and Madeira.



At the end of 2020, 84 audits and EVAs (64 at the Headquarters, 12 at the ARC and 8 at the MRC) were also in progress, in different fields (sustainable development goals, defence, environment, local administration, health, social security, education, State business sector), which account for an important share of the

work carried out in 2020, but whose final outcomes will only be visible in 2021.

Noteworthy are the audits and EVAs described below:

State real estate inventory audit – Report no. 16/2020 – 2nd Chamber

The audit aimed at the inventory of real estate assets of the State's private sphere, which is essential for the preparation of the financial statements of the State Accounting Entity.

The only inventory programme (2009-2012) did not achieve the expected outcomes and was discontinued. Furthermore, the universe of properties to be inventoried and the difficulties in the respective legal-registration regularization process remain unknown.

There are no strategic objectives defined for the State's real estate assets, planning options, information requirements of each stakeholder in the process and respective forms of articulation, reporting policies, expected results from the information systems or a matrix of internal and external risks, among other aspects.

The State's real estate information system reveals structural frailties, and does not contemplate essential fields for real estate valuation and accounting. Therefore, it cannot be used as an information source for the accounting of real estate in the State's private sphere in the

State Accounting Entity and, subsequently, in the GSA.

External verification of the Account of the Alfândega do Aeroporto de Lisboa – Financial year 2015 – EVA No. 2/2020 – 2nd Chamber

The analysis basically aimed to analyse the legality of the operations carried out, verify if the accountability documents faithfully reflect receipts and payments, as well as the procedures adopted in case of obtaining or diverting funds and evaluate the Internal Control System.

The documentary verification focused on a sample which accounts for 41% of the Customs' cash movements. The coverage identified in 2015 was found not proven by the Court. Nevertheless, it was demonstrated that the employee took undue advantage of an identified amount for which she was convicted.

No errors or irregular situations were detected, but the need to improve internal control procedures was noted, particularly in terms of cash control.

Early School Leaving Audit – Report no. 10/2020 – 2nd Chamber

The concept of Early School Leaving is not consolidated, thus compromising the reliability and reporting of information. The Portuguese educational system lacks appropriate indicators to measure early school leaving, a central monitoring system, and a global strategy. The budget programming is not sufficient, explicit, and comprehensive, making it impossible to know the country's spending to tackle this problem.

40% target of graduates aged 30-34 in 2020 – Report no. 17/2020 – 2nd Chamber

Portugal has implemented legislation to meet the 40% target and has adopted measures to stimulate admission and reduce drop-out rates in higher education, but these were not designed for the relevant age group and were not part of an operational plan with a definition of cost/impact estimates. Therefore, this made it impossible to assess the effectiveness of such measures. The budget planning was not sufficient, explicit and comprehensive, which made it impossible to know the funding and expenditure associated with the goal.

Prevention of Banking Resolution in Portugal – Report no. 12/2020 – 2nd Chamber

The National Resolution Authority (NRA) lacks a governance model that ensures the

legal requirement of independence in the exercise of its duties and avoids potential conflicts of interest with the control or other functions attributed to the Bank of Portugal (BdP). There are other constraints to this independence, such as insufficient human resources, information systems, activity control and autonomy of accounts, due to the fact that the NRA is, in practice, one of the BdP's departments. The NRA is not yet qualified (equipped with adequate means and prepared) to exercise its bank resolution powers with operational independence. For that purpose, it is important to prevent and reduce the significant risks reported and likely to be aggravated by the adverse impact of the Covid-19 pandemic.

Air Quality Audit – Report no. 8/2020 – 2nd Chamber

The audit aimed to find out whether the Portuguese State has an air quality policy that ensures the respective assessment and whether it takes the appropriate measures to keep the levels of air pollutants below the established thresholds.

The air quality policy, in particular the National Air Strategy, is consistent with international commitments and responds to the main factors of air pollution in the country. However, the array of measures is not sufficiently put in practice, is not monitored, its cost is not clear, there is no budget to support the measures and funding is subject to constraints.

Although air quality has been improving, the measures taken have not been entirely effective in ensuring that the levels of some air pollutants are below the established thresholds, particularly in large urban centres. On the other hand, the effects of air pollution on health in Portugal have not been monitored, and the available data is not sufficient to pinpoint a positive evolution in the quality of air.

External verification of accounts of the Cova da Beira Municipalities Association – financial years 2015 and 2016 – EVA Report no. 1/2020 – 2nd Chamber

The final assessment regarding the reliability of the financial statements was unfavourable, in accordance with the generally accepted auditing standards. This was essentially due to the existence of a deficient internal control system and the contracting of a current account credit, in 2008, in the amount of 500 m€, to meet treasury needs, for a one-year period. At the date of the fieldwork, it was still active, but no capital had been used in 2017 and 2018. This situation appears to involve possible financial infractions, considering the absence of accounting records in the entity's financial and budget statements, relating to the amounts drawn and capital amortized, in the financial years 2013-2015. Furthermore, the annual renewal instruments of the loan agreement concluded with the CGD, which originated founded public debt (since 2013) were not submitted for *a priori* control, there was no

authorization for successive contract renewals from the Intermunicipal Assembly.

Azores Contemporary Arts – Construction, funding and exploration Audit – Report no. 1/2020 – ARC

Our audit found that the investment decision was not preceded by a cost-benefit analysis. Non-performed works were recorded in the measurement reports of the construction work, which led to payments being made without effective consideration. The submission of said works to Community financing led to undue contribution from the ERDF. A complementary construction contract was concluded by direct negotiation without being submitted to the Court's *a priori* control. The property did not have a license to be used as an arts venue, despite its promotion of shows. During the period from 2015 to 2019, the compound did not have a formal existence as an organic unit, which was later resolved with the new external services organization of the Regional Directorate for Culture, which characterized it as a service with administrative autonomy. Its future sustainability depends on the existence of a margin in the regional budget to accommodate the financial resources necessary for its annual funding.

Audit oriented to the examination of management and accounting of movable property of the MAR integrated services – Report no. 11/2020 – MRC

The audit aimed to verify the proper identification, management, use and accounting of the movable assets of the Direct Regional Administration (DRA) and assess the effectiveness of the management and control procedures. The Regional Directorate for Assets and Information Technology does not and did not exercise, in 2017, the functions of coordination, monitoring and centralization of the DRA's asset information, ignoring the provisions set out in the diplomas that approved its organic structure. The Internal Control System had shortcomings, and failed to include the control procedures required to ensure the safeguarding of assets, the accuracy and integrity of accounting records, the collection of reliable financial and asset information, and the avoidance and detection of irregular situations.

The net value of DRA's mobile assets as of December 31, 2017, disclosed by the Vice-Presidency of the Regional Government on February 15, 2019 (9,249,013.56 M€), differs from that indicated in the Balance Sheet accompanying the 2017 Regional Account (7,893,067.41

M€), and the result of the verification of a sample of 73 items identified errors, in excess, amounting to approximately 1.3 M€.

Audit of costs with staff from pay scale progression of the workers of Frente MarFunchal, E.M., adopted in 2017 – Report no. 12/2020 - MRC

The audit showed that on May 4th 2017, a new organic structure was approved by the General Meeting of Frente MarFunchal, EM, and its workers, as a result of their integration in careers and the clause that would set the entry into force on 1 January of that year, benefitted from a pay scale progression.

Between January 2017 and July 2018, upgrades and salary increase thus attributed generated undue payments, given the non-compliance with the restriction set forth in article 19, no. 1 of Law no. 42/2016, of December 28th, which extended the effects of the provisions of no. 1 of article 38 of Law no. 82-B/2014, of December 3rd.

FINANCIAL LIABILITIES CLEARANCE

10 audits for financial liabilities clearance were concluded (all of them conducted at the Head office).

It is worth noting the **financial liabilities clearance audit to the Municipality of Esposende – Report FLC no. 8/2020 – 2nd Chamber**

According to the findings, there has been a violation of legal rules regarding public procurement, consistently in the conclusion of contracts, successively and alternately, with a company and its majority shareholder and manager. These acts exceeded, in the three-year periods from 2012 to 2014 and 2016 to 2018, individual awards, in the case of the first

INTERNAL VERIFICATION OF ACCOUNTS

The successive control is also exercised through the internal verification of accounts (IVA) of the entities subject to the Court's jurisdiction and that are not exempted from their presentation.

In 2020, 6 556 accounts were submitted to the Court.

From the analysis on accounts entered in 2020, it is found that:

- 29.2% of the accounts entered were submitted in accordance with Instruction No. 1 and 2/2019-PG, and the remainder have been submitted in accordance with previous instructions;
- As for the Central Administration, Social Security and State Business Sector entities, 62% of the entities have already reported their accounts according to the ASS-PA regime;

three-year period, and overall awards to said businessman and to the company, in both three-year periods, the 150 m€ ceiling set by Article 113(2) of the PPC. The facts substantiate financial liability, falling within article 65, no. 1, paragraph l) of the OPLCA, and punishable with a fine.

- 15 entities of the Central Administration, Social Security and State Business Sector concentrated about 71% of the financial volume of these sectors.

Approval decisions (with and without recommendations) and refusal of homologation were issued for 503 accounts with a financial volume of 43.086 M€.

As regards the approved accounts (466), the Court made **133 recommendations** concerning 21 of them.

Approval was also refused for 36 accounts, 33 of which refer to Local Government, 2 to Central Government and 1 to Regional Government. 531 accounts were under analysis (495 at Headquarters, 19 at ARC and 17 at MRC)

Noteworthy are the Internal Verifications of Accounts described below

Portuguese Bar Association – Financial years 2014, 2015 and 2016 – IVA Report no. 7/2020 – 2nd Chamber

Internal verification of accounts for 2014, 2015 and 2016, whose analysis focused on the accounting documents that provided sufficient and appropriate evidence to support the decision on the approval of the accounts.

According to the findings, regulations and internal control standards were lacking, which resulted in technical and administrative irregularities, particularly in the control of cash and bank deposits, including the fixed cash fund, and the organization and regularity of expenditure processes, in addition to non-compliance with the Public Procurement Code.

Having regard to the possible effects of these constraints and irregularities on the accounting documents, it was considered that there are conditions for approving the accounts at issue with recommendations.

Municipality of Trancoso – IVA Report no. 5/2020 – 2nd Chamber

The municipality has a 100% stake in the share capital of the Municipal Company Trancoso Eventos (TEGEC) that was in the process of winding-up with liquidation by global assignment of assets to the Municipality of Trancoso (MT), since 01/01/2016, which is not yet concluded, because the creditors of the municipal company have not reached agreement therefor.

The establishment of an institutionalized public-private partnership (PPPI) deliberated in 2007 by the MT, was implemented by TE-GEC in 2008 with private partners, known as PACETEG. It entered into loans guaranteed by the Municipality through the issuance of a letter of comfort in favour of the CGD, in violation of the applicable legal norms, which would be liable to generate possible sanctionatory liability. This is, however, time-barred, but may give rise to the enforcement of reintegratory financial liabilities if the local authority is sentenced to pay any amounts under that document.

Two lawsuits are still open, the first one brought by the CGD against MT, TEGEC and PACETEG, in the scope of the non-payment of the bank loan contracted by PACETEG, and the second brought by MT against CGD, PACETEG and the private consortium that is the shareholder of the partnership (MRG), claiming a number of illegalities in setting up the PPPI.

MAIN OBSERVATIONS

Taking all audits and verifications carried out, below is a description of the situations identified that broadly relate to:

- Deficiencies in internal control systems, in information systems, in the application of the accounting systems and in the administrative and financial management procedures;
- Issues of legality in carrying out the operations; and
- Aspects relating to proper financial management.

Below there is a summary of the most important results from the control performed in 2020:

- **Budget and accounting deficiencies continued to be observed**, namely regarding:
 - Lack of accounting documents and unreliability of final management balances;
 - Lack of evidence of due accounting records;
 - Omission of debts to Social Security in the accounting documents;
 - Lack of delivery of the discounts of the contributions to ADSE, by the Regional Administration of Madeira, and lack of accounting of the own revenue collected during the year;
 - Absence of bank reconciliations;
 - Issuing checks without the necessary accompanying information and cashing checks issued without the corresponding deliberation authorizing expenditure and payment;
 - Granting of financial support without the beneficiary entities having submitted receipts that give proof of payments made;
 - Low budget execution rate, failure to comply with the budget balance principle and failure to fully apply the accrual basis of accounting;
 - Non-compliance with the treasury unity principle;
 - Existence of values in bank balances that are outside the Budget and Account;
 - Non-compliance with the budget balance rule.

It is worth noting that the financial statements of the Portuguese Ministry of Health and the National Health Service have shown improvements over previous years in terms of balance reconciliation and transactions between the entities within the perimeter.

- **The internal control systems continue to show shortcomings. In particular, the following deficiencies were registered:**
 - Lack of or outdated internal control regulations and standards;

- Cash control and bank deposit problems;
 - Non-avoidance of undocumented expenses and the issuance of bad checks.
- **The inventory of real estate assets is an area where improvements have been insufficient.** Within the scope of the State, the universe of real estate to be inventoried remains unknown and difficulties persist in the respective legal-registration regularization process, which compromises the preparation of the financial statements of the State Accounting Entity. Within the scope of local government, this issue also has repercussions on the financial statements and legal certification of accounts.
 - There are **problematic situations in the use of credit instruments** by the Administration entities and excess of debt ceilings.
 - As regards the **legality of the operations** there were problems, as summarized below:
 - Payment made by ADSE to the MAR's Health Services, when this debt was the responsibility of the National Health Service;
 - Illegal personnel allowances;
 - Lack of timely opening of competition procedures for managers and illegal appointments on a substitution basis;
 - Spending without accompanying documentation;
 - Use of vehicles, mileage expenses, equipment and public funding for private use;
 - Public funding of Christmas festive events;
 - Procurement of equipment and vehicle without budget allocation;
 - Breach of public procurement rules, namely illegal use of direct negotiation and fractioning of expenses;
 - Violation of rules on incompatibilities and impediments in awarding procedures;
 - Lack of submission of contracts for *a priori* control by the Court of Auditors;
 - Undue payments, for lacking effective consideration.
 - **As far as aspects of good management are concerned**, the following was observed:
 - Under the social security computer systems, and in the context of the exceptional nature underlying the first 6 months of the pandemic, the responses of the

respective Computer Institute were essential in the operation of the Social Security Information System, as well as in technical support services, communications, infrastructure and information management;

- In terms of the State's real estate assets, there was a lack of definition of strategic objectives, planning options, articulation, reporting policies and a matrix of internal and external risks;
- Lack of an overall strategy, sufficient budget programming, a monitoring system and appropriate indicators to measure early school leaving;
- Although measures have been taken to encourage admission and reduce dropout rates in higher education, they were not designed for the relevant age group and were not part of an operational plan with cost and impact estimates, which made it impossible to assess their effectiveness;
- The implementation of the National Strategy for Green Public Procurement 2020 is not subject to appropriate monitoring and assessment and is strongly conditioned by the insufficient definition and adaptation to the national reality of the environmental criteria behind it. There is a low adherence to green public procurement, associated with the non-recognition of its benefits and difficulties in applying environmental criteria;
- The measures included in the Portuguese Air Quality policies are not sufficiently implemented, nor are they monitored, and funding is limited. Although air quality has been improving, the measures taken are not entirely effective in ensuring that the levels of some air pollutants are below the established limits, particularly in large cities. No positive evolution has been found as regards the effects of air pollution on health;
- The impact of the contribution of the Operational Support Program for the Most Needed (POAPMC) to alleviate situations of economic deprivation in Portugal, through food aid in kind, is neither defined nor estimated and the articulation with various other policy tools in this area needs to be better consolidated. Food support was affected by constraints in its collection and preservation;
- In terms of bank resolution, it was observed that the National Resolution Authority is not yet vested with the power (equipped with adequate resources and prepared) to exercise its bank resolution functions with operational independence. Its governance model does not avoid potential conflicts of interest with the supervisory or other functions attributed to the Bank of Portugal (BdP). Four of the initial resolution

plans whose preparation is the responsibility of the NRA are missing and insufficiencies have been detected in approved plans. These must be remedied by permanently reviewing and updating their content, with the link to the minimum requirement of own funds and eligible liabilities.

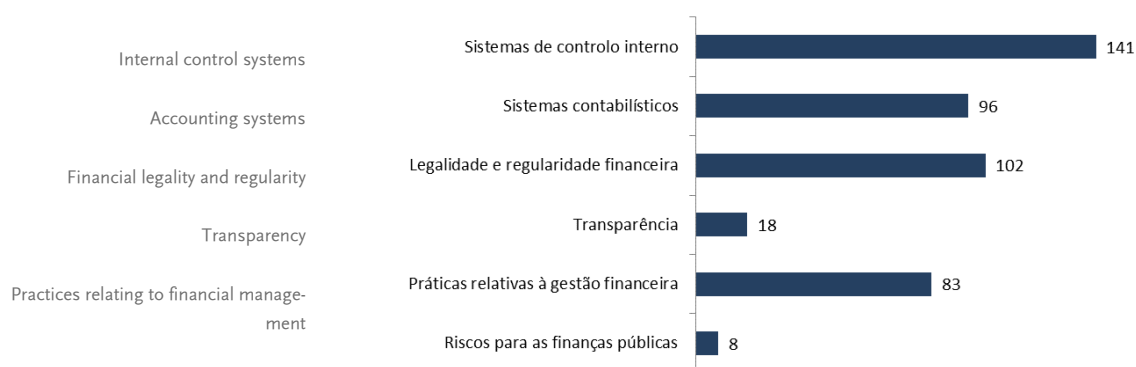
RECOMMENDATIONS

448 recommendations were made.

Recommendations are a tool used by the Court to address deficiencies in budget management, treasury, public debt and assets, financial management, as well as the organization and functioning of services.

As a result of the activity developed by the Court within the scope of the issue of Opinions on the General State Account and on the Accounts of the Autonomous Regions of the Azores and Madeira, of audits and external and internal verifications of accounts concluded during the year, 448 recommendations were made (55 in Opinions, 210 in audits and EVA, 3 in ARF, 133 in IVA and 47 in OAC).

Recommendations made by matter of incidence



Of the recommendations made, the majority related to internal control systems (31%), followed by matters related to legality and financial regularity (23%) and financial management practices (19%).

Noteworthy are the recommendations made during the year which are summarized below:

To the Ministry of Finance:

Promote the update of the Real Estate Assets Management Programme and the Inventory

Programme, as tools of a strategic and integrated approach, with the actions required for the conclusion of the inventory that ensures the preparation of the balance sheets, which must accompany the General State Account and the implementation of the reform in progress, namely regarding the State Accounting Entity; Ensure that the information system on the State's real estate assets and of the central administration bodies reflects the data on the general inventory universe as well as the whole of the asset variations occurred in each year; To create the necessary conditions, in particular the reinforcement of human resources at the Directorate-General for Treasury and Finance, for the preparation of the general inventory of assets and respective valuation, therefore promoting the corresponding integration in the financial statements to be included in the General State Account.

(Audit Report no. 16/2020 – 2nd Chamber)

To the Director of the **Customs of the Lisbon Airport:**

Continuously improve internal control procedures at the level of Customs services.

(IVA Report no. 2/2020 – 2nd Chamber)

To the **Portuguese Tax Authority – Collection Area (DSCC):**

Put in practice a system that safeguards compliance with the rules of the State Treasury system, in terms of financial liability, which aims at a more rigorous accountability control, and

consequently greater security in the allocation of responsibilities of the Treasury's cash functions and the handling of collected funds.

IVA Report no. 2/2020 – 2nd Chamber)

To the Portuguese Bar Association:

Comply with the Public Procurement Code to acquire goods and services;

Consider, within the scope of a more adequate treasury management, the reduction of the number of bank accounts and their centralisation, thus promoting a better return on cash surpluses and the reliability and trustworthiness of the information contained in the Financial Statements;

Review the opening amounts for fixed cash-flows, having regard to their effective execution; Make a proper accounting record of the amounts considered as customer and supplier advances, in accordance with applicable accounting standards;

Promote, through the amendment of the Statute of the Portuguese Bar Association, the clarification of the Supervisory Board's powers, making them compatible with articles 41 and 42 of the Statute of the Portuguese Institute of Statutory Auditors and the appropriate legal certification of accounts;

Draw up a Financial Regulation draft to be submitted to the General Assembly;

Proceed with the accounting record in accordance with the provisions of the Accounts Code approved by Order no. 218/2015, of July 23rd,

applicable to entities subject to the NPSE- Non-Profit Sector Entities.

(IVA Report no. 7/2020 – 2nd Chamber)

To the Administrative Council of the Republic Presidency:

Carry on implementing current rules and procedures in the area of cultural assets, the aggregation in a single inventory of the assets of the Presidency of the Republic, and the verification and checking of the assets lent to the Presidency of the Republic.

(Opinion and report on the Presidency of the Republic Account (PR) – 2019)

To the Board of Directors of the Assembly of the Republic:

Ensure legal clarification of the regime provided for in article 46 of the Organizational and Procedural Law of the Services of the Assembly of the Republic, regarding the nature of the legal-labour link of the Parliamentary Groups (PGs) support staff, considering the labour relation of that type of staff with the structure of the PGs. Carry on developing the management accounting subsystem, in the terms stated in Public Accounting Standard 27 of the ASS-PA.

(Opinion and report on the Assembly of the Republic Account (AR) – 2019)

To the State and Finance Minister and the Health Minister

Take the process of consolidation of the accounts of the Health Ministry as a "pilot experience" under the preparation and elaboration of the State's consolidated financial statements; Take measures leading to the recapitalisation of the National Health Service, underpinned in medium and long-term financial recovery and investment plans and in accordance with programme-based and multi-year budget planning.

(Audit Report no. 3/2020 – 2nd Chamber)

To the Board of Directors of the Instituto de Informática, IP

Promote the update of the ASS-PA implementation schedule, by identifying non-compliance risks with project completion deadlines and applying the necessary corrective measures to meet the targets.

(Audit Report no. 15/2020 – 2nd Chamber)

To the Minister of Education

Promote transparency and degree of detail in the BP 14 Budget Programme, showing, in particular, the amount allocated to the combat of Early School Leaving;

Define clearly and unambiguously the concepts of Drop-out and Risk of Drop-out and the respective indicators in the national education system.

(Audit Report no. 10/2020 – 2nd Chamber)

To the Minister of Science, Technology and Higher Education

Ensure that public policy measures are included in operational plans with the appropriate detail for their implementation, containing a clear explanation of programmed actions, their execution and evaluation stages, the estimated costs involved and the expected results.
(Audit Report no. 17/2020 – 2nd Chamber)

To the Government, through the Ministry of Finance

Promote and propose to Parliament a governance model for the National Resolution Authority that ensures the legal requirement of independence of its resolution duties (planning and implementation) and avoids potential conflicts of interest with banking supervision or other functions.
(Audit Report no. 12/2020 – 2nd Chamber)

Ensure the conditions for:
Certifying the universe of concession contracts (PPP and other concessions);
Obtaining necessary information for the evaluation and execution of these contracts;
Validating information reported by public and private partners.
Evaluating compliance with PPP's basic purposes.
(Opinion on the General State Account for 2019)

To the Bank of Portugal as the National Resolution Authority

Draw up the missing resolution plans (as this is its duty) and make up for plan shortcomings through permanent and up-to-date review of their content.
(Audit Report no. 12/2020 – 2nd Chamber)

To the Minister of Environment and Climate Action

Ensure the preparation to operation, monitoring and evaluation of the air quality policy, promoting the work of the Inter-ministerial Committee for Air, Climate Change and Circular Economy and carrying out interim assessments of the policies.
(Audit Report no. 8/2020 – 2nd Chamber)

To the Minister of Labour, Solidarity and Social Security

Draw up a new Programme in a way to define more oriented, specific and quantified objectives, associated with corresponding targets and indicators that, among other aspects, allow the improvement of the situation of the beneficiaries and the evolution of their social inclusion to be measured.
(Audit Report no. 14/2020 – 2nd Chamber)

To the Government

Consider amending the legal framework applicable to public procurement so as to cover a larger number of procedures that must be processed through electronic platforms, in

particular in terms of Direct Negotiation and Prior Consultation procedures.

(Audit Report no. 7/2020 – 2nd Chamber)

To the governing bodies of the Municipality of Cascais as well as all stakeholders in public procurement procedures

Ensure greater rigour in launching calls for tenders, as well as strict compliance with the principles of public procurement, in particular the principles of competition and equal treatment of all bidders.

(FLC Report no. 11/2020 – 2nd Chamber)

To the Municipality of Aveiro

Strictly comply with the total debt ceiling as provided by law, and, in calculating the total debt ceiling, to consider the provision contained particularly in articles 48 to 54, of Law No. 73/2013, of 03/09 and its respective legislative amendments, which establishes the RFALEI, as well as those provided for in the Budgetary Framework Law and the limits imposed by the State Budget Laws, particularly keeping the reduction of total debt, down to its limit value, under paragraph a) of No. 3, Article 52 of RFLAEI.

(IVA Report no. 4/2020 - 2nd Chamber)

To the Municipality of Paredes

Consider the early warning mechanisms of deviations provided for in Article 56, paragraph 3, of Law No. 73/2013, of 3 September, regarding the measures to be taken in cases where there

are, in two consecutive years, revenue execution rates provided in the respective budgets below 85%;

Consider, in the process of inventorying all assets, the criteria laid down in the Accounting Standardisation System for Public Administrations (ASS-PA), so as to reflect in its Balance Sheet a faithful image of the patrimonial position of the local authority.

(IVA Report no. 9/2020 – 2nd Chamber)

To the Regional Secretariat for Education and Culture

Consider in the decision-making process for public investments the estimate of future operating and maintenance costs, in order to assess the respective budget affordability.

(Report no. 1/2020 – ARC)

To the Directorate-Regional for Culture

Put adequate control mechanisms in place for the strict supervision of the works under its responsibility, so as to ensure that only works effectively carried out are recorded in the measurement reports, and reiterating the recommendation previously made in Report No. 09/2015 - FS/SRATC.

Submit for *a priori* control of the Court of Auditors the contracts subject to such control, whose amount, considered separately or added to that of other contracts that are or appear to be related to them, exceeds the threshold annually established in the State Budget Laws.

(Report no. 1/2020 – ARC)

To the Government of the Azores Autonomous Region

Submit to the Legislative Assembly, until May 31st every year, a multi-year budget programming framework proposal, which complies with the requirements provided for in article 20 of the Finance Law of the Autonomous Regions and prepare the Budget with observance of the approved multi-year framework, by gradually developing a comprehensive budgeting by programmes, in particular by:

- a) Creating budget programmes with the respective levels of disaggregation;
- b) Defining the goals and targets of each budget programme;
- c) Budgeting allocations;
- d) Designing economy, efficiency and effectiveness indicators;
- e) Setting up evaluation mechanisms of objective achievement rate.

Submit the consolidated budget and financial statements, either estimated profit and loss accounts, together with the Budget, or integrating the Account, in accordance with the ASS-PA, or being part of the Account, in accordance with the ASS-PA.

Demonstrate in the Account, with reference to the whole of the regional administrative public sector, the degree of achievement of:

- a) legal limits applicable to debt;
- b) the legal limit applicable to the execution of operations in progress.

(Opinion of the Azores Autonomous Region Account for 2019)

To the Directorate-Regional responsible for Cultural Heritage

Draft a plan of action (with resource allocation, target definition and realistic deadlines) so as to implement an Internal Control System of movable assets built on information systems and systematic control procedures, which allow, at each moment, movable assets in use by the Direct Regional Administration to be identified, located and valued.

(Report no. 11/2020 – MRC)

To the Board of Directors of the Legislative Assembly of the Madeira Autonomous Region

Endeavour to fill the office of coordinator of the Financial Department, having regard to the importance of the respective duties of public accountant.

Promote the consolidation and formal approval of internal control rules of the different departments, in particular, The Manual of procedure and Internal Audit – Financial Department, the Register and Inventory Manual of Fixed Assets and the Manual of Procedure and Internal Audit – Administrative and Staff Department.

Implement the correction of accounting irregularities related to recoveries of remuneration, the allocation of extraordinary salaries, the valuation and depreciation of the Headquarters Building, the software licenses and the assets register.

(Opinion on the account of LAMAR for 2019)

To the Government of the Madeira Autonomous Region

Take measures for approval of a new regime of presentation, examination and approval of the Account for the Region, which enshrines full harmonization with ARFL (Organic Law no. 2/2013, of September 2nd) and with SBFL LEOE, with a view to implementing the public accounting reform that is in progress.

Implement an integrated public financial information and account consolidation system for the entities that are within the Regional Public Administration perimeter which, in 2020, is under the responsibility of the newly-created Public Finance Reform Implementation Unit of the MAR.

(Opinion on the Madeira Autonomous Region Account for 2019)

The **monitoring of implementation of recommendations** made by the Court of Auditors and the respective impacts is another component of the activity carried out.

The monitoring actions performed in 2020 regarding the 2.125 recommendations made in 2017, 2018 and 2019 resulted in the full (542) or partial (461) implementation of 1.003 recommendations, which accounts for a rate of implementation of 47.2%⁵.

Implementation of 1.003 recommendations.

Impacts resulting from the implementation of recommendations:

- Integration into the budget perimeter of entities previously identified as omitted in the SB and the GSA
- Degree of specification or budget relevance of income and expenditure
- Implementation of the principle of unity of treasury
- Processes for reporting social benefit debts to be reimbursed
- Accountability processes
- Compliance with the applicable accounting standards
- Recording, control and recovery of revenues

⁵ If report 23/2019, which made 436 recommendations, is not considered, then the rate of implementation is 59.4%

- Control and regularity of expenditure
- Reliability of internal control systems
- Regulation, regularity and transparency in granting financial support
- Compliance with the Public Procurement Code
- Evaluation and management of public real estate assets
- Framework of autonomy contracts between the Ministry of Education and schools
- Management autonomy of State-Owned Enterprises (EPE) of the National Health Service (NHS)
- Municipal forest fire prevention plans (MFFPP), in the respective operational plans, in related-information systems, in reporting and implementing these plans
- Management of some European funding programmes (objectives, articulation, internal control and supervision of delegated functions)
- Improvement in the control of public expenditure and in the economic and financial sustainability of public investments
- Recovery of undue payments
- Non-accumulation of unauthorised functions
- Guarantee that any conflicts of interest that may interfere with the procedures are timely reported and registered

3.4. REPORTS OF INTERNAL CONTROL BODIES

Under the special duty of collaboration, the OPLCA provides that the Internal Control Bodies send the reports of their control actions to the Court of Auditors.

These reports are analysed so as to be considered in the risk analysis and planning of control actions and to be referred to the Public Prosecutor Service, should they show financial infractions.

Of the 41 reports from internal control bodies for analysis in the course of the year, 22 were concluded

82% of concluded reports were sent to the Public Prosecutor Service because they showed evidence of financial infractions.

Reports from Internal Control Bodies

| | 2020 | | |
|--------------|---------------|-----------|-------------|
| | For analysis* | Concluded | Sent to PPS |
| HQ | 21 | 9 | 6 |
| ARC | 19 | 13 | 11 |
| MRC | 1 | | 1 |
| Total | 41 | 22 | 16 |

*Includes reports carried over and entered during the year

3.5. REPORTING, EXPLANATORY STATEMENTS, CLAIMS AND COMPLAINTS

The Court of Auditors receives, from entities and individuals, reporting, explanatory statements, claims and complaints (RESC), proceeding with their analysis and, if there is pertinent factuality, be considered for the purposes of risk analysis, planning of control actions or communicated to the Public Prosecution Service if they identify any financial offenses.

Of the 352 reports, explanatory statement, claims and complaints, 218 were concluded

The matters submitted to the Court under these instruments deal more frequently with:

- Illegalities in the procurement of goods and services and public works contracts, due to violation of the respective regime or because they are off-budget expenditures or there is lack of commitment or they have not been properly entered in the budget;
- Non-application of contractual penalties for delay in the execution of works contracts;
- Appointment of managers in substitution regime, in accordance with no. 1 of article 27 of Decree-law no. 2/2004, of January 15th, beyond the period of 90 days;
- Non-compliance with the Legal Regime of Local Business Activity;

- Failure to send contracts for *a priori* control, which would be obliged for that purpose;
- Fractioning of expenses;
- Transfer of real estate by the local authorities
- Common tendering procedure for the establishment of a public employment contract
- Financial management and irregularities in accounts
- Financial support

The analysis of 62% of the files was concluded and 4% were referred to the Public Prosecutor Service as they contained information that could constitute financial offences.

Reporting, explanatory statements, claims and complaints

| | 2020 | | |
|--------------|---------------|-----------|-------------|
| | For analysis* | Concluded | Sent to PPS |
| HQ | 314 | 190 | 0 |
| ARC | 16 | 15 | 0 |
| MRC | 22 | 13 | 8 |
| Total | 352 | 22 | 8 |

*Includes reports carried over and entered during the year

Additionally, 19 processes related to *a priori* control were entered, which will be integrated in the respective seal approval proceedings when already created, or later, if and when they are created in order to, within that scope, be subject to examination and consideration.

3.6. ENFORCEMENT OF LIABILITIES

Financial liability may be punishable when the offense committed leads to the imposition of a financial penalty or fine or may be of reinstatement when it is required of those responsible to reimburse the amounts corresponding to the damage caused.

The judges of the 1st and 2nd Chambers, and those of the Regional Chambers, identify signs of financial infractions arising from controls (*a priori*, concomitant and successive), and from reports issued by the Internal Control Bodies. These infractions should be reported to the Public Prosecutor Service (MP) so that the action can be brought before the 3rd Chamber of the Court, if applicable.

It is up to the Court 3rd Chamber and Specialized Regional Chambers to enforce financial liabilities, although the other chambers also

have the power to impose certain fines (article 66 of the OPLCA).

During the year, 58 Autonomous Fine Cases for lack of cooperation with the Court were under analysis, 51 of which were carried over from previous years and 7 were distributed during the year.

Of the cases in which the Public Prosecutor Service requested a trial for the enforcement of existing financial liabilities at the 3rd Chamber and Regional Chambers, in 2020, 21 cases were tried, of which 15 with condemnatory verdict and 6 with a liability relief.

It is worth noting that the financial liability trial processes concluded in 2020, have an **average duration of 219 days**.

Enforcement of Financial Liabilities – by Chamber

| | Carried over* | Distributed in the year | Closed before trial | | Tried | | Archived | In progress* |
|--------------------------|---------------|-------------------------|---------------------|-------------------|----------------------|----------|-----------|----------------|
| | | | Time-barred | Voluntary payment | Enforceable judgment | Relieved | | |
| 3 rd Chamber | 42 | 12 | | 5 | 13 | 5 | 13 | 4 ¹ |
| Azores Regional Chamber | 5 | 0 | | | 1 | | 1 | 4 |
| Madeira Regional Chamber | 17 | 0 | | | 1 | 1 | 3 | 14 |
| Total | 64 | 12 | 0 | 5 | 15 | 6 | 17 | 59 |

Processes in progress = carried over+distributed-filed

*Includes processes pending trial and the processes already decided but not yet filed

(1) includes process dispatched by the Public Prosecutor Services of 16/12/2019 but distributed in 2020

In 2020, the control actions that resulted in proceedings being brought before the Court for enforcement of liabilities resulted essentially from audit reports issued by the Internal

Control Bodies (4) and audits in the context of successive control (5). There were also 3 processes as a result of actions carried out under a priori control.

Ordinary appeals – 3rd Chamber Plenary

| | Carried over* | Distributed in the year | Closed before trial | Tried | | Sent to 1 st Instance | In progress* |
|---------------------|---------------|-------------------------|---------------------|----------|-----------|----------------------------------|--------------|
| | | | | Founded | Unfounded | | |
| Financial liability | 18 | 11 | 2 | 4 | 3 | 13 | 16 |
| Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines | 1 | 0 | 1 | 0 | 0 | 1 | 0 |
| Total | 19 | 11 | 3 | 4 | 3 | 14 | 16 |

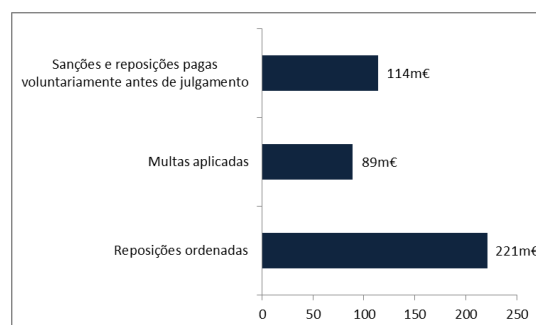
Processes in progress = carried over+distributed-filed

*Includes processes pending trial and the processes already decided but not yet filed

Of the 30 appeals for decision (19 carried over and 11 lodged during the year), 3 ended before trial and 7 were judged, 4 were found to have merit and 3 were upheld.

In the context of appeals as a result of financial liability trial, 8 rulings were made, of which 6 originating in appeals from the Headquarters, 1 in an appeal from the Madeira Regional Chamber and 1 in an appeal from the Azores Regional Chamber, one of which relating to a claim against an order dismissing an appeal. In addition, there was no need to adjudicate on a financial liability case and 1 decision to dismiss preliminarily an appeal for a fine originating from an autonomous fine process from the 2nd Chamber.

As a result of the processes for enforcing financial liability, the 3rd Chamber and the Regional Chambers ordered the payment of restitutions amounting to 221 m€, applied fines, which totalled 89 m€ and voluntary payments were made before trial, in the amount of 114 m€.



Sanctions and recoveries paid voluntarily before trial;
Fines applied;
Recoveries ordered by the Court

The condemnatory sentences issued are predominantly based on the following types of actions that were considered by the Court as financial offences:

- Breach of rules relating to the **assumption, authorisation or payment of public expenditure or commitments**;
- Breach of legal norms relating to **public procurement**;
- Violation of legal rules regarding **assets/heritage**;
- **Execution of contracts that have not been submitted for a priori control**, when they were legally subject to such control;

- Unjustified failure to **provide timely documents** required by law for submission;
- **Illegal payments** for use and utilization of private car for business travel;
- **Violation of the statute of local elected representatives**;
- **Breach of the principles of annuality**, budget transparency and the rules for authorisation and payment of public expenditure;
- **Undue payments**, such as allowances for errors and payments for services rendered to pensioners;
- **Reimbursements** ordered as a result of obtaining money unduly and embezzlement;
- The Judgments that have partially or fully upheld the appeals have often referred to fault-related issues (diminution or mitigation).

THE PUBLIC PROSECUTOR AT THE COURT OF AUDITORS

The Public Prosecutor Service is represented before the Court by five Deputy Attorneys-General.

The Public Prosecutors accompany the *a priori* controls, and all audit reports are also sent to them, so that they may initiate legal proceedings in cases where they consider that there is sufficient evidence of facts resulting in financial liability, proposing actions for the judgment of accounts and for the enforcement of financial liability.

During the year, the Public Prosecutor Service had 78 cases with proven infractions (28 carried over and 50 reported during the year).

A total of 39 cases were decided, of which 11 were subject to a request for jurisdictional procedure and 28 were not subject to a request for jurisdictional procedure.

3.7. EXTERNAL RELATIONS AND COOPERATION

INSTITUTIONAL RELATIONS

PRESIDENCY OF THE REPUBLIC, ASSEMBLY OF THE REPUBLIC, REGIONAL LEGISLATIVE ASSEMBLIES, THE GOVERNMENT AND THE COURT OF AUDITORS

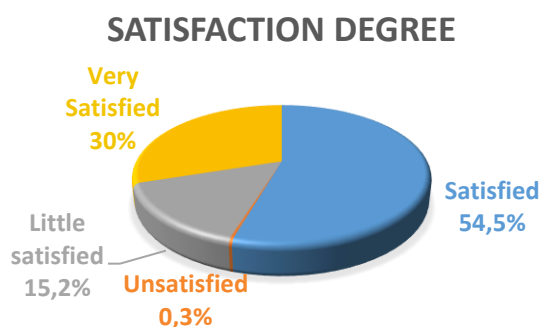
The relations and collaboration of the Court of Auditors with the Presidency of the Republic, the Parliament, the Government and the other sovereign bodies contribute to the impact of the Court's action, as it depends on how public institutions use the results and recommendations.

Institutional cooperation also results in greater information for citizens, which tends to strengthen their confidence in the State.

An example of this institutional collaboration, during 2020, is the issuance of an opinion requested by the Assembly of the Republic on the amendments to the Public Procurement Code, as well as the hearing at Committees on Court reports.

STAKEHOLDERS

The opinion of the recipients of our work and of the Court as an institution in general is also very important. In this context, a survey is launched on a yearly basis to the audited entities, the result of which was once again positive. (average score 3.16 on a 1 to 4 scale).



It should also be noted that there were 14,382 references to the Court and its work on the Media.

INTERNATIONAL RELATIONS

During 2020, the Court of Auditors continued to develop a very active work within the international organizations of Courts of Auditors and Comparable Institutions of which it is a member (INTOSAI, EUROSAI and the OISC of the CPLP), although in a virtual way, starting in February.

The benefit generated by this strong commitment is manifold. A broader perspective - across borders -, the sharing of knowledge and experience and the possibility of benchmarking with similar organizations are the most relevant. In fact, the Court has no "comparator" at a national level, since it is unique in the country.



PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

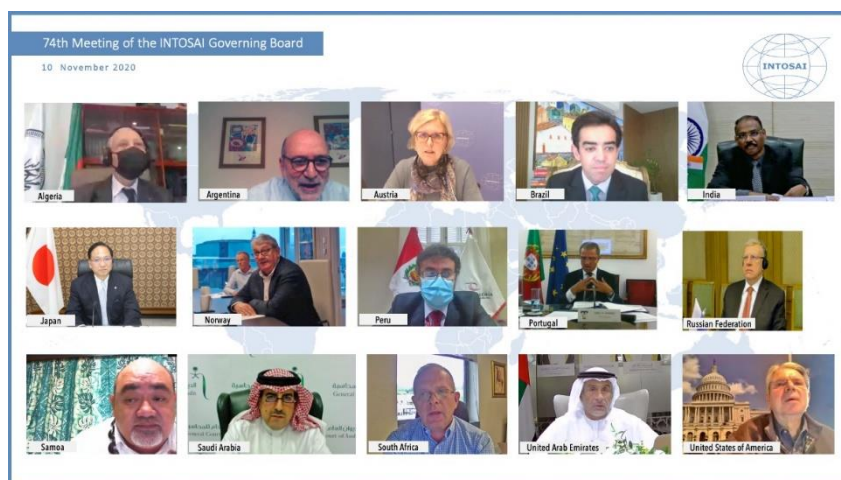
The Court of Auditors was represented in different initiatives of all Working Groups, Task Forces, Project Groups and Committees of which the Institution is a member (see picture above). Given the importance of their developments in 2020, it is worth mentioning the initiatives listed below:

74TH MEETING OF THE INTOSAI BOARD OF DIRECTORS

The President of the Court of Auditors attended the INTOSAI Board of Directors meeting, which was held online on November 10 and chaired by the President of the Russian Federation SAI. A number of subjects were addressed, in particular:

- the subject of the XXIV INCOSAI, which shall be held at Brazil's SAI:
 - I "The work of SAIs in the context of public calamities" (USA's SAI) and
 - II "Global voice, global performance, far-reaching impact" (Brazil's SAI).
- the creation of the INTOSAI (U-INTOSAI) Digital University, headquartered by the Russian Federation SAI;

INTOSAI



- the ver-

sions of ISSAIs 200 and 2000 and GUIDs 4900, 5250, 5330.

In the context of the activities which contributed to achieve INTOSAI's Strategic Objectives, set for 2017-2022, the PCA:

- ✓ Gave its inputs to the EUROSAI Operational Plan in 2020, as regards Strategic Goal 1 – Professional Cooperation and Strategic Goal 2 – Institutional Capacity Building, in particular through projects and initiatives (studies and audits), in areas such as healthcare and social supports, economy protection, crosscutting subjects and broader emergency response.
- ✓ Took part under Professional Standards Committee / Compliance Audit Subcommittee (PSC/CAS), with comments to the documents on compliance audit, in particular guidelines and revision of ISSAI.
- In addition, under the Working Groups on:
 - ✓ Big Data (WGBD), whose 4th technical meeting took place virtually, on September 24th, on “Innovation and Implementation of Audits and Large Information and Analysis Volumes” which dealt with the progress and experiences of the SAI, in each country, in this context, and in best practice sharing.
 - ✓ Public Debt (WGPD), in an annual meeting of the Public Debt Committee, which was held online, on August 26th and 27th, entitled: “Implementation of SDGs: Explore the role of public debt auditors in view of COVID-19”
 - ✓ Public Procurement Audit (WGPPA);
 - ✓ Value and Benefits of ISC, (WGVBS)
 - ✓ Forum of Jurisdictional SAI.



INTOSAI (U-INTOSAI) DIGITAL UNIVERSITY

The Court of Auditors endorsed the initiative of creating the INTO-SAI University, which aims to contribute to the open exchange of knowledge and experience within and outside INTOSAI to train future auditors and promote the value of SAI to governments, academia and citizens through digital technologies and capacity building tools.

U-INTOSAI is a free online educational platform for the INTOSAI community, led by the Russian Federation SAI.

The President of the Portuguese SAI contributed to the project through a video.

13TH STEERING COMMITTEE FOR THE COOPERATION OF INTOSAI DONORS

During September 16th and 17th, 2020, the Court of Auditors participated as an observer in the virtual meeting, which addressed, in particular, independent,

professional, capable, transparent and well-governed SAIs and aimed at establishing partnerships and garnering support to strengthen SAIs.

PREPARATORY E-SEMINAR OF THE 29TH INTOSAI WGITA MEETING

The Court of Auditors participated in the e-seminar which precedes the 29th INTOSAI WGITA Meeting, which took place online on November 4th, on "Promoting Digital Awareness - IT Audit - Learn, Audit, Guide".

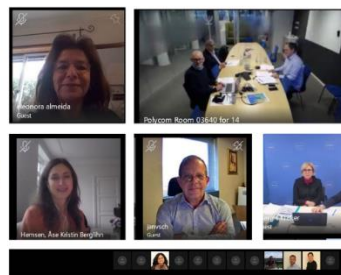
IDI – BOARD OF DIRECTORS MEETING

The Court of Auditors participated in the IDI Board of Directors Meeting –INTOSAI Development Initiative, which was held online on November 25th. The meeting addressed the IDI Operating Plan and Budget for 2021 and also:

- The appointment of IDI GB Members;
- The bilateral support to the Gambian SAI;
- The IDI gender strategy;
- The update of the risk matrix;
- The election of the GB Vice-President



IDI Board Meeting
25 November 2020



52.º BOARD OF DIRECTORS MEETING (ONLINE)

At the 51st Board of Directors meeting, key decisions to keep EUROSAI operational were taken. Thus, the report for the 52nd Board of Directors meeting covered the period June 2019 to November 2020.

The 52nd meeting of the EUROSAI Board of Directors was held virtually on November 12th, 2020 and included a tribute to the 30th anniversary of EUROSAI with the presentation of a video by its President on "Memorial Planting Area" set up in Ankara. Furthermore, the President of the Portuguese Court of Auditors, José



Tavares, and the Auditor General of Lithuania's SAI, Mindaugas Macijauskas, were congratulated on their recent appointment and warmly welcomed as observers and guests, respectively, of the Board of Directors.

At the 52nd meeting, the main issues discussed were:

- the EUROSAI Annual Report for 2019-2020.
- Activities of Working Groups and Task Forces.
- Financial Issues.
- Relations with INTOSAI.
- The Board of Directors endorsed the proposal of the Ukrainian SAI in order to host the VI EUROSAI-ARABOSAI Joint Conference, in 2022, on "SAI's audit of climate change policy effectiveness".
- Following a proposal from the SG2 leaders, a representative from the Romanian SAI was selected to join INTOSAI TFIAP as EUROSAI representative.
- The recommendation of the Auditors' report to develop actions to use the cumulative surplus to assist members in view of the IT challenges caused by pandemic COVID-19 was endorsed, mainly from a methodological and capacity building vantage point.
- The Board of Directors approved the proposal by the next EUROSAI Presidency (the SAI of the Czech Republic) to hold a virtual XI administrative Congress on April 14-15, 2021 and a follow-up face-to-face conference - for plenary sessions, workshops, market and social programme - in Prague in fall 2021 or spring 2022.
- The Board of Directors approved the admission of the SAI of Kosovo as a member of EUROSAI.

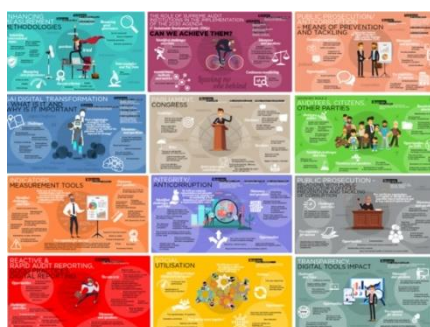
IX EUROSAI /OLACEFS CONFERENCE AND COMMEMORATION OF THE 150 YEARS OF THE HUNGARIAN COURT OF AUDITORS

The Hungarian SAI organized the Conference, which took place from September 9-11.

Opening remarks by the Chairs were followed by a plenary session with the perspectives, activities and audit implications of the COVID-19 pandemic by the Secretary General of OLACEFS and the leader of the EUROSAI COVID-19 Project Group.

The online event continued with four panel discussions addressing: Development of measurement methodologies; Public Prosecutor Service/Anti-corruption - Means of prevention and combat; Media and Technology - where SAIs, digitalization and stakeholders meet, and also "The Role of SAIs in the implementation of the 2030 Agenda", in which the President of the Court of Auditors took part with a contribution.

Eight workshops followed, on the following topics: the advisory role of Parliament, the role of audited entities, citizens, and other parties; indicators and measurement



tools; relations with the Public Prosecutor Service; reactive and quick audit reports; social use and transparency; the impact of digital tools; and integrity and anti-corruption. The Portuguese SAI participated in this last workshop as a moderator.

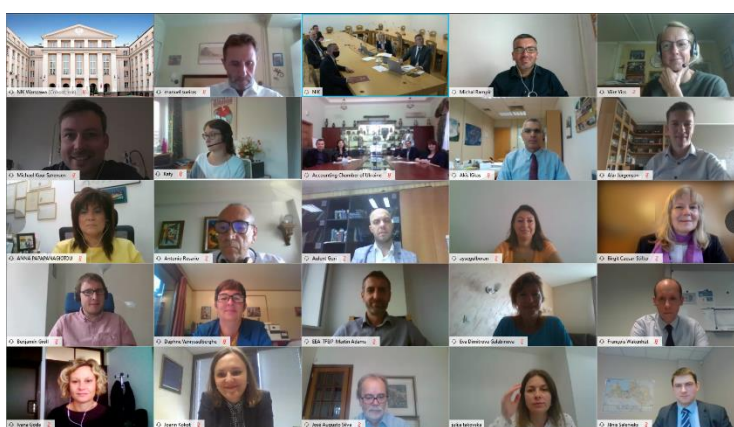
The general conclusion was that the COVID-19 crisis cannot only be seen as a great challenge or disaster, but also as a great opportunity for SAIs to increase their impact and to better address emerging social needs.

18TH ANNUAL MEETING OF THE WORKING GROUP ON ENVIRONMENTAL AUDIT (WGEA)

From September 28th to 30th, the Portuguese Court of Auditors participated in the annual meeting of this working group, organized by the SAI of Poland, which took place in virtual format.

The central topic was "Air quality and urban traffic - problems and possible solutions in auditing work".

In the course of the meeting, national environmental policies were addressed. There was a special focus on the results of audits of the various SAIs in the field of air protection, with discussion and exchange of experiences in this area. Teresa Estrela, from the Portuguese



Court of Auditors participated with the topic - Air quality in Portugal. The current events of INTOSAI's WGEA were also disseminated, as well as the ongoing WGEA cooperation audit. Lastly, the working group listed the activities planned for the future, among which two environmental-related projects.

4TH ANNUAL MEETING OF THE TASK FORCE ON MUNICIPALITY AUDIT (TFMA)

The meeting, organized by the Lithuanian SAI, took place online on November 19th and 20th, and was attended by Helena Fernandes and Luís Martins, who represented the Portuguese Court of Auditors.

The main takeaways were as follows:

- The approval of the Work Plan for the 2021-2023 period.
- The presentation of the activities performed by the TFMA in 2020 in the Annual Report of the TFMA, in the EUROSAI Journal and in the TFMA's Newsletter.
- The selection of the SAI Montenegro as the host of the upcoming Annual TFMA Seminar and Meeting.
- The discussion of the TFMA's Activity Plan for 2021 by e-mail and timely approval thereof.



E-SEMINAR ON "SAIs AND THE DIGITAL TURN: DEVELOPING IT SKILLS AND IT AUDIT CAPACITY"

The e-Seminar, organized by the EUROSAI Working Group on IT (WGITA), which is chaired by SAI of Estonia, took place on November 12th, 2020.

This event allowed participants to

learn about the experience in IT skills and IT audit capacity of some SAIs, as well as relevant presentations on the topic and also a panel discussion on SAIs' strategic perspectives in IT training.

Workshops were also organized for the participants to discuss critical IT skills of IT auditors and non-IT auditors.

Lastly, the ITWG announced the new "Research & Training Hub" workflow included in the group's new Work Plan.



4TH MEETING OF EUROSAI STRATEGIC GOAL 1

The Portuguese SAI participated in the 4th Meeting of SG1 on December 3rd, which aimed to " Support effective, innovative and relevant audits by promoting and mediating professional cooperation "

EUROSAI – PROJECT GROUP ON AUDITING THE RESPONSE TO THE COVID-19 PANDEMIC

The Court of Auditors joined the EUROSAI Project Group on Auditing the Response to the COVID-19 Pandemic and participated in several meetings during the year of sub-groups C3 (National and regional coverage), D1 (Health and social support); D3 (Protection of the economy) and D4 (Cross-cutting issues).

This Project Group, led by the SAI Finland and SAI of the United Kingdom, contributes to the EUROSAI Strategic Plan and aims to coordinate the EUROSAI response to the pandemic COVID-19 by

1. support effective, innovative and relevant audits by promoting and mediating professional cooperation;
2. help SAIs deal with new opportunities and challenges by facilitating the development of their institutional capacity.

EUROSAI – PROJECT GROUP ON ‘PREPARATION FOR FUTURE RISKS AND CLIMATE CRISES: TIME FOR AUDIT TO TAKE A LONG-TERM VIEW?’

At the end of the year, the Portuguese SAI accepted to join this newly created project group, led by ECA and the SAI of Finland.

The proposed objectives are in particular to,

- Encourage methodological development among EURO-SAI members related to forward thinking and forecasting, auditing future risks such as climate crises, and climate integration in spending, climate protection and tracking methods;
- Facilitate the sharing of audit approaches and experiences on the group's topic;
- Provide a platform for comparable/similar audits on the topic;
- Compile the lessons learned.

MEMORANDUM OF UNDERSTANDING

In November 2020, the Court of Auditors signed the Memorandum of Understanding with the Polish SAI to conduct a coordinated performance audit on plastic waste management in Europe.

Within the framework of the Organization of the Supreme Audit Institutions of the Community of Portuguese Speaking Countries (OISC of the CPLP), the Court cooperates with its counterparts from Portuguese-speaking countries as the Study and Training Centre of the OISC/CPLP.

EXTRAORDINARY GENERAL MEETING OF THE ORGANIZATION OF THE SUPREME AUDIT INSTITUTIONS OF THE CPLP

The Extraordinary General Meeting of the OISC/CPLP, held in a virtual format, on October 22nd, was organized by the ECA and led by the President of the Portuguese Court of Auditors.

This event was devoted to the "Cooperation among years of challenges and opportunities" and included brief interventions on the outlook for the positive impacts of the Organization and the challenges and opportunities of cooperation for Portuguese speaking countries from representatives of the Organization's member institutions and observers.

Amongst the topics discussed are the:

- Ratification and selection of auditors for the audits on the CPLP Executive Secretariat's accounts and the OISC/CPLP's accounts;
- Extension and adjustment of the 2018-19 Work Plan to 2020-2021;



- Audit of the accounts of the CPLP Executive Secretariat and the accounts of the OISC/CPLP;
- Online Technical Team meeting in 2021 and eleventh face-to-face OISC/CPLP General Assembly, to be held in 2021, in Portugal;
- Renewal period of the General Secretariat's headquarters to TCU-Brazil for the biennium 2021-2022 and re-election of the PCA as the headquarters of the Study and Training Centre for the same period.
- Digital development of the OISC/CPLP Courts of Auditors, ensuring uniform access to the necessary electronic resources;
- Definition of the role of the Courts of Auditors in auditing the SDGs, as well as the challenge of assessing the impact of the pandemic on the global implementation of the 2030 Agenda.

WEBINAR CYCLE “EXTERNAL AUDIT OF PUBLIC FINANCES – WHAT FUTURE OF THE POST COVID-19 WORLD?”

The Pro PALOP-TL ISC management team, in partnership with the Portuguese Court of Auditors, held a series of four online sessions in the context of the cooperation programme with OISC/CPLP and the training centre of this Institution.

The webinar cycle took place between the end of September and December 2020 and was aimed at SAIs in Angola, Cape Verde, Guinea-Bissau, Mozambique, São Tomé and Príncipe and East Timor.

The training action at issue aimed to provide the decision-makers, managers, senior auditors and senior officials of the beneficiary SAIs with inputs for a more effective repositioning of the SAIs in a post-COVID19 era.



OECD PUBLIC INTEGRITY HANDBOOK

Following a cooperation maintained for some years, the Public Integrity Handbook was published with several references to the work and products of TFA&E, thus revealing a fruitful collaborative work. It is also worth noting that the role of the Supreme Audit Institutions in promoting ethics and integrity in the public sector is highlighted throughout this relevant OECD publication, especially within Principle 12 - Supervision.

SPIO /OECD MEETING

The SPIO/OECD meeting was held online, on November 30 and 31, 2020, with the participation of the Portuguese Court of Auditors.

BILLATERAL RELATIONS AND COOPERATION

The Court of Auditors maintained cooperation relations with the Courts of Auditors and its comparable institutions in Europe and in the Community of Portuguese-speaking Countries.

It is worth noting that, a delegation from the Administrative Court of Mozambique visited the Court of Auditors from January 27th to 31st.

In this context, the joint financial audit with the Court of Auditors of São Tomé and Príncipe on the accounts of the Executive Secretariat of the CPLP for 2019 was also carried out.

OTHER INITIATIVES

With a view to sharing knowledge and experiences, the following initiatives took place:

- On November 23rd, 2020, the annual meeting of the NATO International Board of Auditors with the Supreme Audit Institutions of the member states was held in virtual format to

review the IBAN annual report of activities for 2019, and the Court of Auditors was represented by PCA Members, Helena Abreu Lopes and Helder Travado.

- The Portuguese Court of Auditors through its President, José Tavares, participated in the "XXV Congreso Internacional del CLAD sobre la Reforma del Estado y de la Administración Pública", which took place in Lisbon, November 24-27, 2020.
- The Court of Auditors, through its President, continued, in 2020, to perform the role of external auditor of the European Organization for the Exploitation of Meteorological Satellites (EU-METSAT), for which it was appointed, after a selection by public tender, in 2017, having collaborated in the audit for the certification of the organization's accounts.
- On February 21st, the Court of Auditors was represented at the AISCCUF Meeting that took place in Marrakech.
- On June 5, representing the Portuguese SAI, PCA member Helena Abreu Lopes participated in the Web-Symposium on sustainability challenges of a post pandemic era:

impacts on the SDG Global Agenda - ["Desafios da Sustentabilidade Pós-Pandemia: Reflexos na Agenda Global dos ODS"](#), (Post-pandemic sustainability challenges: Impacts on the SDG Global Agenda) organized by the Court of Auditors of Amazonia, Brazil.

- The Court of Auditors of Portugal also participated in the webinar "Challenges and approaches to prevent corruption outbreak during times of crisis", hosted by the SAI of the United Arab Emirates, on 9 December. The PCA Member Helena Abreu Lopes addressed the event with the presentation entitled: "How can SAIs and Anti-Corruption Authorities work together to confront corruption outbreak in emergency times?"





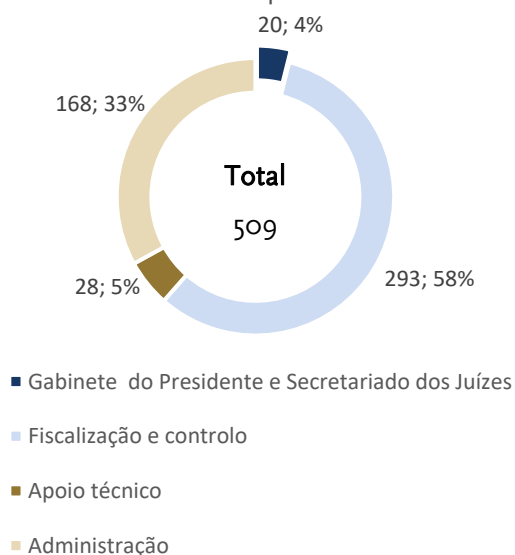
RESOURCES USED

HUMAN RESOURCES

At year end, the President of the Court of Auditors, 15 Court Members (14 at the Headquarters, 1 at the Azores Regional Chamber in accumulation with the Madeira Regional Chamber) and 509 support staff (426 at the Headquarters, 38 at the ARC and 45 at the MRC) were in office.

In relation to the previous year, there was a 3.6% decrease in overall staff, with the supervision and control area continuing to represent the majority of staff (57.6%).

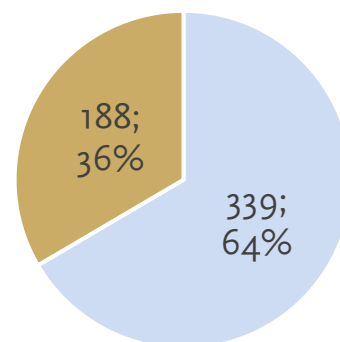
Staff Headcount per functional area



Office of the President and Secretariat allocated to the Judges;
Supervision and Control;
Technical support;
Administration

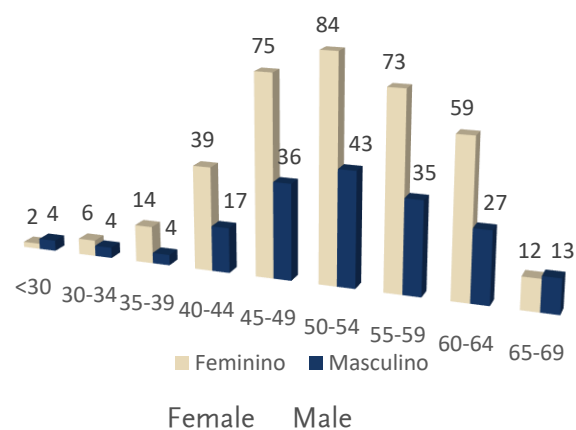
At the end of 2020, the gender distribution of the total number of staff members performing

duties at the Court was 64% female and 36% male.



Mulheres Homens
Women Men

Age profile and gender distribution head-count



Feminino Masculino
Female Male

An examination by age group allows us to observe that 73.3% of the employees are in the 40-59 age group, 23.6% in the 60-69 age group (with 5.5% in the 65-69 age group), 3.5% in the 35-39 age group, and the youngest age group with 2.3% of the employees.

VOCATIONAL TRAINING

Encouraging the strengthening of skills and improvement of professional performance is a permanent concern of the Court. This promotes the qualification, appreciation and progressive specialization of human resources, thus contributing to the improvement the effectiveness, efficiency and quality of the service provided.

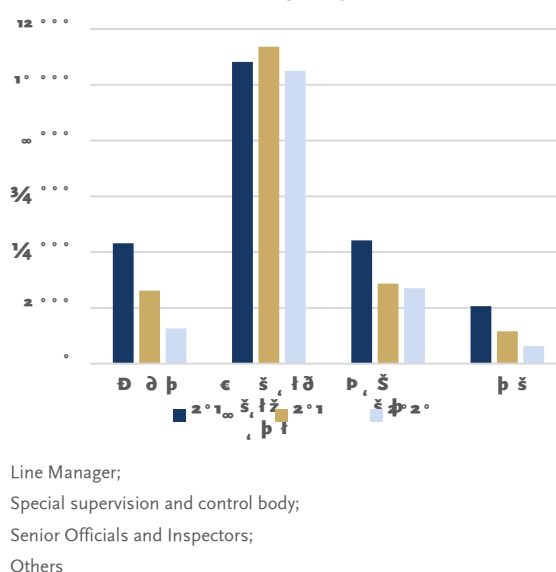
In 2020, and given the exceptional circumstances arising from the pandemic situation, much of the professional training was carried out through the available electronic platforms, with only part of the first quarter being conducted in person. Thus, the trend to direct the actions to the specific needs of the departments remained unchanged.

There were 118 internal and external training actions, with a total cost of 30 m€. The direct costs of training - payment for trainers and payment for training carried out abroad accounted for 0.1% of the Court's total spending.

The actions carried out covered several subject matters, in particular in the areas of auditing, improvement of skills, accounting, as well as several webinars in areas of interest to the Court. Continuity was also given to the initial training for Trainee Senior Verification Officials.

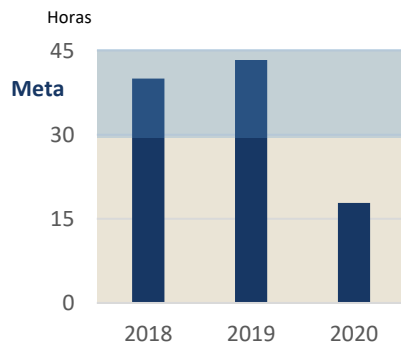
The training hours carried out, by staff group, were shared essentially by the personnel of the special inspection and control body, within the careers of senior official and line managers.

Evolution of the number of training hours per staff group



It can be seen that, in 2020, the "number of hours per participant" of staff in control functions was 17.8, which stood below the target set in the 2020 Action Plan (between 30 and 45), while training costs decreased by 43%, considering that most of the e-learning training actions provided were free of charge.

Training hours per participant in control functions



Hours
Target

FINANCIAL RESOURCES

The accounts of the Court of Auditors are subject to audit conducted by a specialized company, which is selected by public tender. The resulting opinion is published together with the consolidated account, which is attached to this report, in compliance with paragraphs c) and d) of article 113 of the OPLCA.

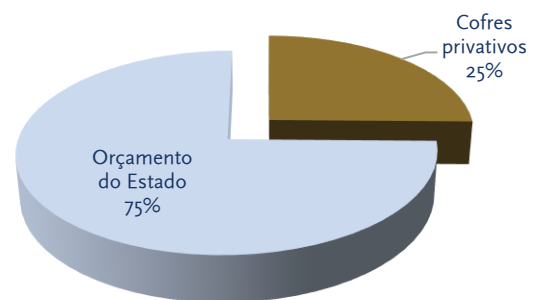
The total expenditure made in 2020 was 28.5M€.

In terms of **breakdown of expenditure by economic type**, 91% concerns expenses with personnel, 7.9% procurement of goods and services, and 1.1% procurement of capital goods.



Procurement of goods and current services
Procurement of capital goods

As regards **financing sources**, the proportion between those supported by the Private Funds -25%- and those supported by the State Budget -75%- remained identical, which are mainly destined to personnel expenses (99.99%).



State Budget
/ Private Funds

Evolution of expense by economic group

Unit: euro

| Type of expense | 2017 | 2018 | | 2019 | | 2020 | |
|--|------------|------------|-----------|------------|-----------|------------|-----------|
| | | Amount | Variation | Amount | Variation | Amount | Variation |
| Expenses with staff | 23 549 655 | 24 356 829 | 3.4% | 24 913 519 | 2.3% | 25 902 583 | 4.0% |
| Purchase of goods and current services | 2 386 484 | 2 623 563 | 9.9% | 2 630 108 | 0.2% | 2 254 849 | -14.3% |
| Purchase of capital goods | 233 641 | 202 290 | -13.4% | 477 801 | 136.2% | 311 545 | -34.8% |
| Total | 26 169 780 | 27 182 682 | 3.9% | 28 021 427 | 3.1% | 28 468 977 | 1.6% |

In 2020 there is a total increase in expenditure of 1.6% compared to the previous year. This growth is exclusively due to the increase in staff costs and is essentially the result of the publication of the legal diploma that allowed, as of January 1st, 2018, for increases in remuneration due to mandatory changes in

payment position, career progressions and changes of level or scale. Their phased processing ended in December 2019 and its obvious repercussion in 2020, as well as the admission of several employees to internship for careers in the Special Body for Inspection and Control of the Court of Auditors.

Evolution of expenditure by entity

| Type of expense | 2017 | 2018 | | 2019 | | 2020 | |
|--------------------------|------------|------------|-----------|------------|-----------|------------|-----------|
| | | Amount | Variation | Amount | Variation | Amount | Variation |
| Headquarters | 22 101 890 | 22 926 432 | 3.7% | 23 739 940 | 3.5% | 24 015 444 | 1.2% |
| Azores Regional Chamber | 2 046 098 | 2 101 742 | 2.7% | 2 119 790 | 0.9% | 2 123 031 | 0.2% |
| Madeira Regional Chamber | 2 021 792 | 2 154 508 | 6.6% | 2 161 697 | 0.3% | 2 330 502 | 7.8% |
| Total | 26 169 780 | 27 182 682 | 3.9% | 28 021 427 | 3.1% | 28 468 977 | 1.6% |

COMPUTER SYSTEMS AND TECHNOLOGIES

In 2020, and in the context of the Information Systems Strategic Development Plan - PDESI, adopted by the General Plenary together with the Three-Year Plan, the work planned for the information systems of the Court of Auditors and its support services had to be intensified due to the pandemic, resulting essentially in the following aspects:

- Proceed with dematerialization of proceedings:

- Adaptation work to the AAS-PA for the local universe, in articulation with the information systems of the Ministry of Finance (S3CP) and the Direction-General for Local Authorities;
- Adaptation work to the new accountability Guidelines by the Services with Treasury Cash functions;
- Development of the mechanisms of reception and integration, through

electronic services, of proceedings subject to *a priori* control;

- Development of the portal for reporting complaints and explanatory statements, integrating them with the electronic document management system in operation;
- Review of the integrated auditing system;
- Consolidation and development of internal information systems;
- Entry into operation of a new integrated planning and management system for the Court, articulated with the document management, audit and characterization systems of the entities under jurisdiction and control;
- Reinforcement of technological infrastructure and their rules of operation and usage.

In terms of technological infrastructure, the pandemic led to the reinforcement of blade servers, with Windows Server operating systems; the consolidation of the security

infrastructure, along with the growth of backup systems, with the incorporation of new tools, as well as the reinforcement of communications links and network components. This aimed to ensure the permanent availability of services, with performance and security, to users in remote work.

At the user workstation level, the model was redesigned and the gradual modernisation of the equipment continued its pace, through a focus on portable computers instead of fixed equipment, and migration to the latest platforms of the MS Windows operating system and productivity tools of the MS Office "family". In this regard, the use of MS Teams should be pointed out due to its capabilities in terms of the remote management of work teams and the conduct of meetings and events under exclusively electronic channels.

ACRONYMS

| | |
|-----------------|--|
| 1st C | First Chamber |
| 2nd C | Second Chamber |
| AARA | Azores Autonomous Region Account |
| ADSE | State employees' health system |
| AISCCUF | <i>Association des Institutions Supérieures de Contrôle des finances publiques ayant en Commun l'Usage du Français</i> |
| ALAAAR | Account of the Legislative Assembly of the Azores Autonomous Region |
| ALAMAR | Account of the Legislative Assembly of the Madeira Autonomous Region |
| AR | Assembly of the Republic |
| ARA | Assembly of the Republic Account |
| ARABOSAI | Arab Organization of Supreme Audit Institutions |
| ARFL | Autonomous Regions Finance Law |
| ASS-PA | Accounting Standardisation System for the Public Administration |
| ATA | Azores Tourism Association |
| BdP | Bank of Portugal |
| BFL | Budget Framework Law |
| BPN | Banco Português de Negócios |
| CA | Court of Auditors |
| CC | Concomitant Control |
| CD | Board of Directors |
| CEIOP | Committee on Economy, Innovation and Public Works |
| CGD | Caixa Geral de Depósitos |
| GSA | General State Account |
| CIT | Corporate Income Tax |
| CPE | Corporate Public Entity |
| CPR | Account of the Presidency of the Republic |
| CPSC | Community of the Portuguese Speaking Countries |
| DACS | Director for Accounting and Control Services |
| DGB | Directorate-General for Budget |
| DGCA | Directorate-General for the Court of Auditors |
| DL | Decree-Law |
| DRA | Direct Regional Administration |
| ECA | European Court of Auditors |
| PCA | Portuguese Court of Auditors |
| ECA | EU Court of Auditors |

| | |
|-----------------|--|
| EM | Empresa Municipal (comparable to Municipally-owned company) |
| EPE | Entidade Pública Empresarial (comparable to State-owned Enterprise) |
| EPSAS | European Public Sector Accounting Standards |
| ERDF | European Regional Development Fund |
| EU | European Union |
| EUMETSAT | European Organisation for the Exploitation of Meteorological Satellites |
| EURORAI | European Organisation of Regional Audit Institutions |
| EUROSAI | European Organisation of Supreme Audit Institutions |
| EVA | External Verification of Accounts |
| FFLMIE | Financial Framework for Local Municipalities and Intermunicipal Entities |
| FLC | Financial Liabilities Clearance |
| GUID | Guidance |
| HSMAR | Health Services of the Madeira Autonomous Region |
| IDI | INTOSAI Development Initiative |
| IDI GB | INTOSAI Development Initiative Governing Board |
| IMP | Investments Multiannual Plan |
| INCOSAI | International Congress of Supreme Audit Institutions |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPPP | Institutionalized Public-Private Partnership |
| ISSAI | International Standards of Supreme Audit Institutions |
| IT | Information Technology |
| IVA | Internal Verification of Accounts |
| LAMAR | Legislative Assembly of Madeira Autonomous Region |
| LFLEA | Legal Framework for Local Entrepreneurial Activity |
| M/L | Medium / Long |
| m€ | Thousands of Euros |
| M€ | Millions of Euros |
| MAR | Madeira Autonomous Region |
| MARA | Madeira Autonomous Region Account |
| MFFP | Municipal Forest Fire Prevention |
| MFPP | Municipal Forest Fire Prevention Plans |
| MoU | Memorandum of Understanding |
| MRG | MRG – Engenharia e Construção, SA |
| MT | Municipality of Trancoso |
| NATO | North Atlantic Treaty Organization |
| NHS | National Health System |
| NPSE | Non Profit Sector Entities |
| NRA | National Resolution Authority |
| OCA | Other control actions |
| OECD | Organisation for Economic Co-operation and Development |

| | |
|--------------------|--|
| OISC | European Organization of Supreme Audit Institutions |
| OLACEFS | Organization of Latin American and Caribbean Supreme Audit Institutions |
| OPLCA | Organization and Procedural Law of the Court of Auditors |
| P/L | Profit and Loss |
| PG | Parliamentary Group |
| PI | Instituto Público (comparable to Public Institute) |
| PLC | Public Limited Company (comparable to S.A., in Portuguese) |
| POAPMC | Operational Support Programme for the Most Needed |
| PP | Public Prosecution |
| PPC | Public Procurement Code |
| PPP | Public-Private Partnership |
| PR | Presidency of the Republic |
| PRA | Presidency of the Republic Account |
| PROPALOP-TL | Projects for the Reinforcement of Technical and Functional Competencies of SAIs, National Parliaments and the Civil Society for the control of public finances in PALOP and in East Timor. |
| PSC / CAS | Professional Standards Committee / Compliance Audit Subcommittee |
| RAA | Azores Autonomous Region |
| RESCC | Report, Explanatory Statements, Claims and Complaints |
| SAI | Supreme Audit Institution |
| SB | State Budget |
| SBFL | State Budget Framework Law |
| SC | Successive Control |
| SDG | Sustainable Development Goals |
| SG | Strategic Goal |
| ARC | Azores Regional Chamber |
| MRC | Madeira Regional Chamber |
| SSA | Social Security Account |
| TA | Tax Authority |
| TEGEC | Municipal Company 'Trancoso Eventos' |
| TFA&E | Task Force on Audit & Ethics |
| TFIAP | Task Force on INTOSAI Auditor Professionalization |
| TFMA | Task Force on Municipality Audit |
| UNODC | United Nations Office on Drugs and Crime |
| USA | United States of America |
| WGBD | Working Group on Big Data |
| WGEA | Working Group on Environmental Auditing |
| WGITA | Working Group on IT Audit |
| WGPD | Working Group on Public Debt |
| WGPPA | Working Group on Public Procurement Audit |

WGVBF Working Group of Value and Benefits of SAls
WPSPIO Working Party of Senior Public Integrity Officials