



ANNUAL
REPORT

2017



2017 | ANNUAL REPORT



TRIBUNAL DE
CONTAS



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Further information on the Court activity is available on the website: www.tcontas.pt

- “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”



WHO WE ARE


The Court of Auditors is the Portuguese Supreme Audit Institution, responsible for financial external and independent control. It carries out prior, concomitant and successive control as well as the judgement of people and entities accountable.

WHAT WE DO

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

HOW DO WE EXERCISE OUR POWERS

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



These competences are pursued in different ways; generically, there are three major areas identified: prior control, successive control and enforcement of financial liabilities. In addition to these the Court also carries out concomitant control, that is, the one which falls on the financial activity performed before the conclusion of the respective management account, especially on the expenditure arising from acts and contracts that are not subject to prior control.

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

It is composed, at the Headquarters, of three Chambers, which are responsible for:

- 1st Chamber – Assessing and deciding upon the cases referred to prior approval and undertaking concomitant control;
- 2nd Chamber – Carrying out concomitant and successive control throughout the issuance of the Opinion on the General State Account and that of Social Security, as well as audits and external verification of accounts and enforcement of financial liabilities;
- 3rd Chamber – Enforcement of financial liabilities.

In Azores and Madeira Autonomous Regions operate the Court Regional Chambers, which perform all types of control actions, as well as the conduction of trials for the enforcement of financial liabilities.

STRATEGIC GOALS	MISSION	<p>WHY DO WE EXIST?</p> <p>The Court of Auditors mission is, in accordance with the Constitution and the Law, to: control the legality and regularity of public revenues and expenditure; judge on the Accounts which the Law has ordered to be submitted to it; give opinion on the General State Account and on the Autonomous Regions Accounts; assess the sound public financial management; enforce financial liabilities and exercise such other powers as are assigned to it by Law (Article 214 of the Constitution; Article 1 of the OPLCA).</p>
	VISION	<p>WHAT DO WE DO?</p> <p>Promote the truth, sound management, legality and accountability in public finance.</p>
	VALUES	<p>PRINCIPLES THAT GOVERN US</p> <p>Independence, Integrity, Impartiality, Accountability and Transparency.</p>
		<ol style="list-style-type: none"> 1 Contribute to good governance, accountability and liability in public finance. 2 Improve the quality, timeliness and effectiveness of the Court's control. 3 Consolidate the technical and organizational capacity for the examination of public accounts and the certification of the General State Account.



INTRODUCTORY NOTE

Every year, the Court of Auditors prepares, approves and makes available to the public its Activity and Accounts Report.

This practise has been undertaken with the conviction that this is a rendering of accounts document as well as an exercise of transparency and accountability.

Accountability to the first recipients of our work, the remaining sovereignty bodies, but also to the citizens – rationale of this Institution – who have the right to have public entities' management of public financial resources in compliance with criteria of legality, rationality and integrity.

The strategic cycle, which started in 2017 and will end in 2019, defined priorities that seek to respond to new challenges that SAIs all over the world are confronted with, resulting from legitimate expectations of the societies in which we are included.

In terms of outcomes, this year left us ambivalent perceptions, since while we fell short of what we forecasted for some objectives, we also exceeded some of the estimated goals.

Susana Barriga/CA




This was also a year of significant changes and it was especially marked by the broad rearrangement of the judges' panel, following a public tender, the reorganization of the 2nd Chamber and the completion of the Court of Auditors Regulation.

It is also worth mentioning the development of a Court's self-assessment process, transversal to all its activities and products, whose results will allow the development of lines of action aimed to improve the Institution's functioning.

These changes and projects bear a significant transformation potential, whose results can only be assessed in the near future.

In summary, in 2017 the Court of Auditors issued the Opinions on the accounts laid down by Law, controlled 3 538 acts and contracts in the scope of prior control, carried out 78 audits and external verification of accounts, examined 732 accounts of public organisms and judged 30 financial liability enforcement cases.

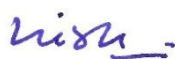


The Court continued to participate actively in the International Organizations of which it is a member, and pursued its cooperation with similar institutions, thus enabling mutual enrichment, inherent in the sharing of knowledge and experience.

This report presents for the first time a set of institutional indicators that will allow confronting our performance along the 2017-2019 period for the implementation of the Strategic Plan.

As a final point, I would like to point out that, attached to this Report, approved at the General Plenary session of May 28, 2018, is the Court's consolidated account duly certified by the External Auditor.

The President



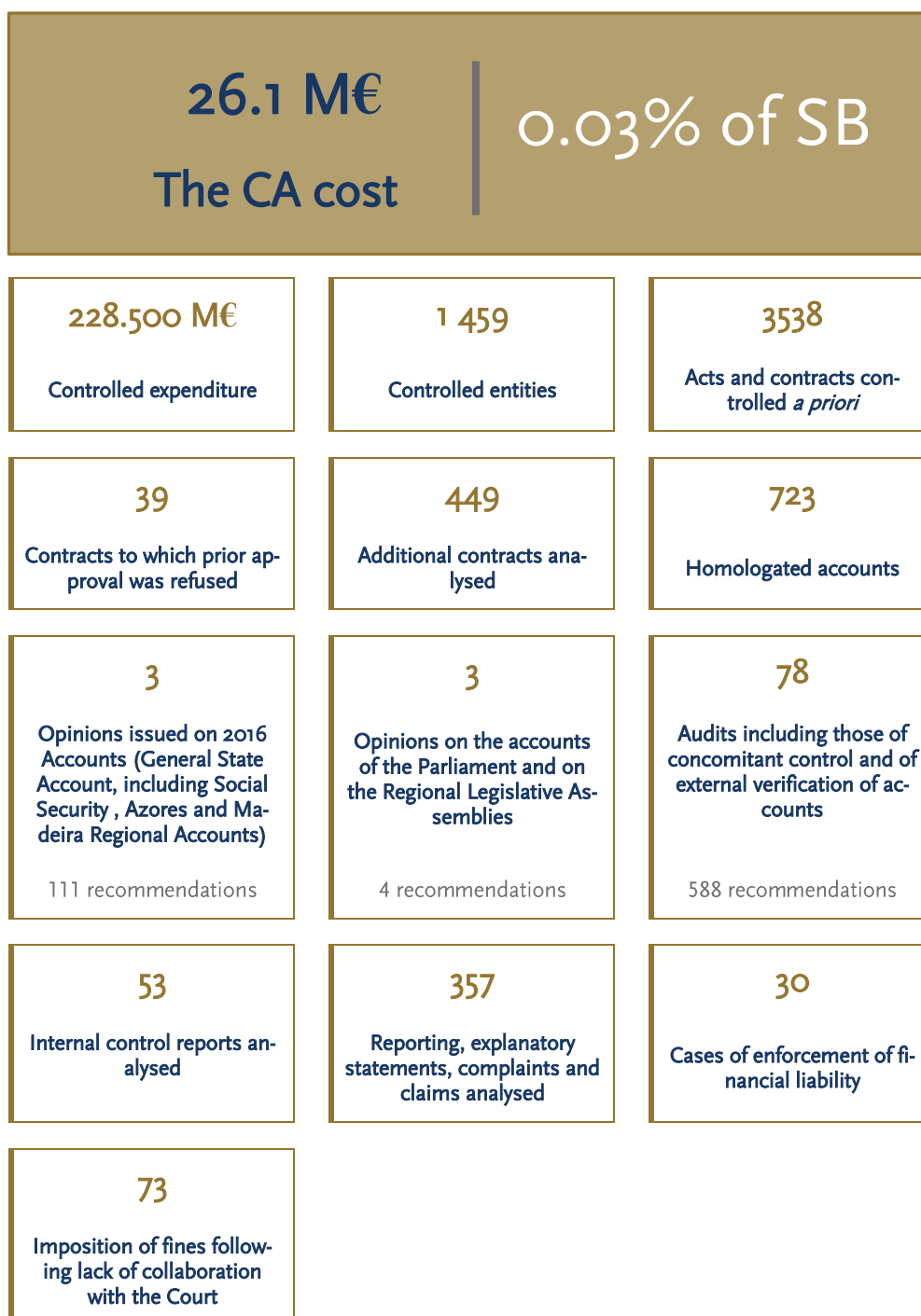
(Vítor Caldeira)

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1. HIGHLIGHTS OF THE YEAR

MAIN RESULTS | IMPACTS



HIGHLIGHTS OF THE YEAR

Taking office of new Counsellor Judges CA, 2 November/5 December



Susana Barriga/CA

Court of Auditors General Plenary

One of the **most outstanding moments** of the Court in 2017 was the taking office of six new Counsellor Judges, which allowed the renewal of its College, constituting, in the words of the President, an opportunity for the CA to benefit from new experiences, in a way of improving their action in society.

Cycle of Seminars "Relevance and Effectiveness of Financial Jurisdiction in the 21st Century" Ca, October 2 / November 29

Another **marking moment** of the year was the beginning of the Cycle of Seminars on "Relevance and Effectiveness of Financial Jurisdiction in the 21st Century", with two seminars held out of group of five scheduled for a period of six months. The first seminar was attended by the President of the Parliament. These seminars are intended to contribute to a "broad consensus" problems related to financial liability, on which it is necessary to act, by legislative action or other means.



Susana Barriga/CA

President of the Parliament
and President of the Court of Auditors



Presentation of the Opinion on the 2015 GSA and delivery of the Opinions on the 2016 GSA and Azores and Madeira Autonomous Regions Accounts

AR, 7 February and 18 December /4 and 12 December

The Court of Auditors, through its President and counsellor judges of the respective areas of responsibility, presented to the parliamentary Committee on Budget, Finance and Administrative Modernization the Opinion on the 2015 , General State Account and delivered to the President of the Parliament the Opinion on the 2016 General State Account.



Susana Barriga/CA

CA President delivers the Opinion to the President of the Madeira Region Legislative Assembly

The Opinions on the 2016 Azores and Madeira Autonomous Regions Legislative Assemblies were also delivered to the Presidents of the respective Regional Assemblies.

The Court of Auditors assesses its own performance

CA, 10 May



Susana Barriga/CA

Self-assessment team of the Court of Auditors

The CA General Plenary approved the accomplishment of a self-assessment by using a INTOSAI (SAI-PMF) recommended tool and elected 2 Counsellor Judges for the membership and conduction of the self-assessment team.

Regulation of the Court of Auditors

CA, 15 December

On this date, a draft regulation was approved by the General Plenary. Following the general principle of transparency, this project was made available in order to obtain possible contributions from external entities.



V Seminar of the CPSC Courts of Auditors on the 2030 United Nations Agenda for Sustainable Development”

Funchal, 15 September



The President of the Court of Auditors in the V Seminar of the OSAI/CPSC

The Court organized the 5th OSAI/CPSC Seminar, held in Funchal, on the United Nations 2030 Agenda for "Sustainable Development - what role for the Courts of Auditors?" and culminated with the Declaration of the Funchal, where it was decided that the CPSC Courts of Auditors will develop a coordinated audit within the framework of the Sustainable Development Objectives.

2. ACTIVITY IN 2017

Depending on the moment when it is exercised financial control may be prior, concomitant or successive. The following items deal with the

Court's activity concerning these three types of control as well as its jurisdictional activity.

2.1. PRIOR FINANCIAL CONTROL

The Court, in this context, assesses the financial legality of acts, contracts and other instruments that generate expenditure or represent financial liabilities before they become effective.

In 2017, there was an increase of 29.4% in the number of cases that entered the Court.

The prior control activity, during this period, was influenced by several factors, namely:

- Changes to the municipal debt and credit schemes introduced in the immediately preceding years and also in the year 2017 itself by the State Budget Law;
- Difficulties experienced by the audited entities in complying with the regulatory regime for the assumption of charges and multi-annual commitment regime, as well as, in general, for commitments and arrears;
- Implementation of the regime for local companies' activity (LCLAR) and its successive amendments;

- Delegation of municipalities powers on the parish councils;

- Difficulties still experienced by the audited entities in the application of the public procurement regime, both in terms of the choice of procedures and in the application of its rules and proceedings.

During the year, 4,304 cases were submitted to the Court, which represent an increase of 29.4% over the previous year.

The 4,818 cases for analysis in 2017, which included 514 carried over, were not all subject to control, due, namely, to cancellation (66 cases), return by the Court for not being subject to prior control (669 cases), and tacit approval (29 cases), which occurs when a period of time determined by law elapses without a decision having been made.

It should be noted that the high number of cases returned in the year for not being subject to prior control was essentially due to the clarification made by the 1st Chamber in a Plenary sitting on 26 June on the meaning and scope

of the provisions of Article 46 point 1 paragraphs b) and c) of the OPLCA, considering that in this context contracts or other instruments that are not set down in writing are not subject to prior control, according to Article 95 of the Public Procurement Code.

The Court may, prior to the final decision, request clarification or additional elements. There were 3,821 cases returned. In a significant number of cases, these requests have made it possible to remedy the illegalities and irregularities detected, leading in some cases

to a reduction in the costs incurred by the respective entities (reduction of EUR 87,253,298 as a result of cancellations and returns at Headquarters).

The number of cases with a decision granting¹ or refusing approval totalled 3,538, submitted by 518 entities, with a financial volume of 4,621,721 m €.

Cases subject to prior control

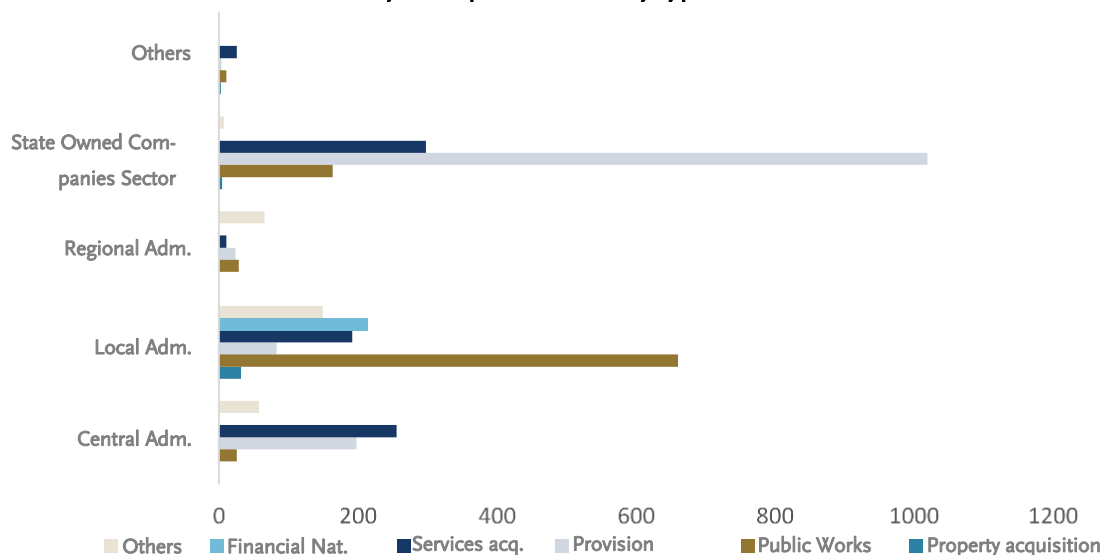
State Owned Companies Sector	Local Administration	Central Administration	Regional Administration	Others
1494 cases 99 entities 1050.1 M€	1 332 cases 284 entities 2 106.8 M€	538 cases 79 entities 751.9 M€	130 cases 27 entities 604.2 M€	44 cases 29 entities 108.7 M€

The largest number of cases concerned the State Owned Companies Sector (42.2%), while the largest number of entities and higher financial volume referred to Local Administration (54.8% and 45.6%, respectively).

Mostly, the cases related to supplies (1,329), followed by public works (891). Supplies cases were submitted mainly by the State Owned Companies Sector and public works cases by entities of the Local Administration.

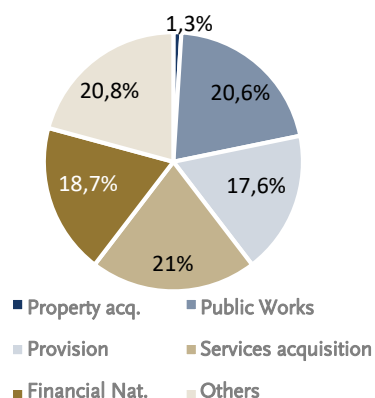
¹ Includes cases with compliance statement homologated and seal approved cases with or without recommendations.

Cases subject to prior control by type and source



Regarding the controlled amounts (€ 4,622 M), there is a balanced distribution among the various procedural types, with the exception of real estate purchase, that reveals small financial expression.

Percentage of the controlled amount by type of procedure

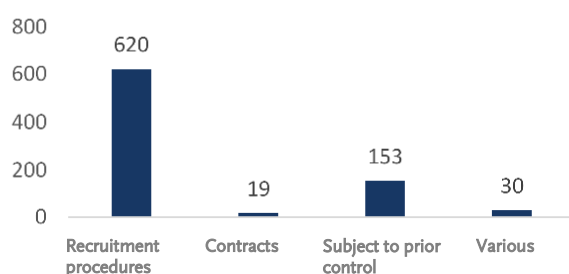


In cases in which there is no invalidity, lack of budgetary appropriateness or violation of financial regulations but only illegality that changes or is liable to change the financial result, the Court may, depending on the circumstances of the case, choose to grant prior approval recommending the audited entities to suppress or prevent such illegalities in the future. The Court may also, in general terms, make recommendations with a view to improving legislative, administrative or financial proceedings.

In 2017 3,499 cases were approved, of which 18%, corresponding to a financial volume of 755.8 M€, were prior approved with recommendations.

The majority of the 822 recommendations made regarded, as in previous years, unlawful practices in connection with contracting procedures, due to a defective application of the Public Procurement Code (PPC) namely with regard to the procedural rules themselves

Recommendations issued by type



The majority of the matters the **main recommendations** focused were:

Choice of proceedings - grounding of decisions to choose non-competitive procedures; adequate time to launch the procedures;

Rules of the proceedings – timing of publicising; technical qualifications required; not demanding for excessive requisites; respect of the abnormally low price regime; adequacy of assessment models to their goals; definition of tiebreaker criteria not based on merely formal aspects; not requiring the successful tenderer, in terms of competences, to hold a qualification containing the subcategory related to the most expressive endeavours on the public works in a class that covers its

overall value; considering the result of the candidates' qualification within competitions limited by previous qualification while evaluating the proposals; inadequate formal and substantive analysis of the applications; in the model for the evaluation of tenders within the restricted procedural tender for prior qualification, the conditions for the award of the graduated scale when the criterion chosen was that of the economically most advantageous tender, needs further clarification;

Launching of the procedures - compliance with the rules for the authorization of expenditure ensuring prior budgetary coverage and compliance with the multi-annual burden-funding scheme;

Procedural requirements – deadlines extension; legal grounds for exclusion of tenders; approval of the modification of the parts of the procedure;

Contracts - timely conclusion of the contract; introduction of maximum expenditure ceilings; renewal and denounce rules;

Submission to the Court's prior control – compliance with the deadlines for submission of cases to the Court and with the need for prior control on related contracts;

Others – compliance with the rules for the assumption of commitments and available funds, namely in the cases where

those commitments result in an obligation for payments in a subsequent economic year;

On the grounds of non-compliance with applicable law that implies nullity, charges without budgetary provision, direct violation of financial rules or illegality that changes or may change the financial result, the Court may **refuse to approve cases submitted to prior control**.

PRIOR CONTROL APPROVAL REFUSED IN 39 CASES, WITH A FINANCIAL VOLUME OF 118 M€.

Some of the **illegalities detected** were:

Spending - lack of authorization to assume multiannual charges and commitments without evidence of funds being available for this purpose;

Indebtedness - lack of prerequisites for recourse to a loan agreement for financial restructuring; contracting of a loan for payment of concession redemption without prior judicial or arbitral judgement with the force *of res judicata* or a ratified agreement;

Choice of procedures - adoption of direct award procedure justified by material criteria ("imperative urgency" and "artistic motives")

without compliance with the legal assumptions;

Procedural rules - illegality of the models for evaluation of proposals, in particular by favouring the higher price models;

Requirements for procurement – health insurance subscriptions prohibited by law; increase in local companies' capital and acquisition of shareholdings in violation of the legal regime of local business activity; transformation of municipal services into local enterprises without demonstration of the economic and financial feasibility and economic rationality required; infringement of the rules governing the granting of subsidies to local enterprises operations; conclusion of a contract-programme for granting subsidy to a foundation in which the municipality is a part.

17 APPEALS LODGED AND 25 JUDGEMENTS AND SENTENCES DELIVERED

Refusal decisions of in prior control, as well as fees imposed by the Court, either at Headquarters or the Regional Chambers, are subject to appeal to the Plenary of the 1st Chamber. In 2017 seventeen appeals were lodged and 25 judgments and decisions were delivered, concerning in most cases public works contracts.

AUDITS IN THE SPHERE OF PRIOR CONTROL

During the year 2017, three audits were carried out in order to establish financial liabilities. Of these the following stands out:

Report 3/2017 – CFL – 1st C. – Clearance of Financial Liability in the implementation/renewal of the “Contract of provision of laundry care services”, concluded by the Setúbal Day-Care Health Centre, Public Company

It was found that there was a renewal of the contract with related payments duly authorized and made, without assumption and registration of commitments in available funds

for their full value and without the pronouncement of the Court in prior control.

The Setúbal Day-Care Health Centre, Public Company was recommended to:

- submit its contracts to the Court of Auditors prior control to the related effects;
- register correctly the commitments in available funds.

2.2. CONCOMITANT AND SUCCESSIVE FINANCIAL CONTROL

The Court performs these types of control through the issuance of Opinions, namely on the General State Account (GSA), including that of Social Security, and the Azores (AARA) and Madeira (MARA) Autonomous Regions Accounts; undertaking actions aimed at the

monitoring of budgetary execution; and carrying out audits and external verification of accounts.

CONCOMITANT CONTROL

In this context, the Court's control is accomplished by carrying out audits to the administrative procedures related to acts that involve personnel costs, contracts which by law should not be referred for prior control, the execution of contracts approved in prior control and financial activity performed before the end of the financial year.

Contracts that should not be submitted for prior approval are related in most cases to additional works or to the supply of errors and omissions. These contracts, which must be sent to the Court within 60 days from the commencement of their implementation, are subject to analysis for the selection of those that will be audited.

A total of 449 contracts sent to the Court for information were registered which represents an increase of 17.8% over the previous year (381).

The total value of these additional contracts amounted to € 37.5 million, an increase of 48.9% over the previous year.

In 2017, **7 audits** were completed within the scope of concomitant control (3 at Headquarters, 1 at Azores Regional Chamber and 3 at Madeira Regional Chamber), of which the following stand out:

Audit on the evolution of cost increases in public works, namely due to additional contracts - Report 3/2017 – 1st Chamber



Horizontal audit of the additional acts/contracts registered at the Court in 2016 compared to data displayed in similar reports from previous years (2016 and 2011).

It was concluded that:

- The number of additional acts/contracts declined while the value of the increases continued to rise;
- The percentage of public works contracts without amendments increased;
- The highest amount of amendments occurred in public works contracts concluded in the sector of state owned companies ;
- Modifications observed spread over all types of works with special emphasis on communication routes and on building/rehabilitation;

- As a rule, with some exceptions, the quantitative limit for addition of works was respected;
- There is not yet an effective sharing of responsibilities between the developer and the contracting entity as to the work performed on amendment of errors and omissions nor on the triggering of the designer's responsibility.

It was recommended to the Parliament and the Government to:

- Take into consideration the importance of establishing clear and unambiguous legislative norms capable of preventing arbitral tribunals' decisions from legitimizing expenditure incurred in violation of the applicable legal regime, namely the one provided for in the Code of Public Procurement concerning additional works and the provision of errors and omissions.

Audit on the submission to prior control of contracts for the assumption of financial debt concluded between local companies and the Municipality of Velas – Report 11/2017 – Azores Regional Chamber

The financial debt assumption contracts concluded by the Municipality were examined in the scope of the local sector companies dissolution and liquidation processes. It was concluded that the Municipality did not subject

two contracts generating public debt to the prior control of the Court of Auditors.



It was recommended to the Municipality of Velas to:

- Establish control mechanisms to prevent contracts originating public funded debt from being effective before prior approval by the Court of Auditors.

It was recommended to the Mayor of the Municipality of Velas to:

- Make sure that in the future contracts originating funded public debt will be submitted to the Court's prior control.

Audit to the public works contract for the construction of the Portela Municipal path link to the José Barreto path – Camacha – Report 9/2017 – Madeira Regional Chamber



The audit showed that: the public works were suspended for 18 months; the (incomplete) work amounted to EUR 3,714,616.30 when the contract price was EUR 2,538,414.43 (with VAT); a transaction was homologated by a court decision that resulted in the municipality assumption of a debt without having a measurement record that supported it; the provisional and definitive order of the work acceptance was not prepared, the public works book and current and final accounts of the

contract were not prepared; the performed works have not been measured monthly and the four measurement records differ from the overall measurement of the work.

The Santa Cruz Municipality was recommended to:

- Articulate the launching of public works contracts with the existence of effective financial capacity to support the respective costs, either by external financing or by own financing;
- Guarantee the availability of the land necessary for the complete implementation of the works put out to tender, so that the agreed deadlines and payment plans are observed, making sure that there will be no assumption of expenses which are not justified in terms of economy, efficiency and effectiveness in particular on account of the payment of default interest.

SUCCESSIVE CONTROL

In this ambit, the Court controls the accounts of the entities subject to its jurisdiction, evaluates their internal control systems, assesses the legality, economy, efficiency and effectiveness of their financial management and ensures the control of national co-participation in the EU own resources and of the application of financial resources received from the European Union.

With regard to successive control of direct public debt the Court verifies whether the limits for indebtedness and other general conditions established in the Budgetary Law have been observed, and examines the loans and financial operations in the context of public debt management, as well as the inherent costs.

OPINIONS

It is the responsibility of the Court of Auditors to express each year its Opinion on Public Accounts.

In 2017, the Court issued the Opinion on the General State Account (GSA), including that of Social Security (SSA), the Opinion on the Azores Autonomous Region Account and the Opinion on the Madeira Autonomous Region Account, all referring to the year 2016.

2016 OPINION ON THE GENERAL STATE ACCOUNT

Consolidated revenue and expenditure amounted to € 72.6 billion and € 78.9 billion, respectively.

CONCLUSIONS

The General State Account for 2016, which comprises the Central Administration and the Social Security Accounts, is affected by materially relevant errors.

The Court expresses reservations on the legality, accounting, internal control and financial correction, further emphasizing a number of deficiencies already noted in previous years.

The GSA continues to fail to present the balance sheet and income statement of the Central Administration, two decades after the approval of the Official Public Accounting Plan (OPAP), is still based on different accounting systems, and does not reflect adequately the financial situation of State.

Although the application of the Accounting Standardization System for Public Administrations (ASS-PA) – the new accounting framework that replaces the OPAP – is scheduled for January 1, 2018, the audits performed have identified constraints and delays with organisms recognizing the impossibility of making the transition within the prescribed period. If reinforced actions are not undertaken the preparation of the budgetary and financial statements of the 2019 GSA is also at risk due to the application of the new benchmark, thus making it impossible for the Court to ensure its certification.

RECOMMENDATIONS

The Court issued 75 recommendations to the Parliament and the Government, 80% of which are reiterated. Of the recommendations made in the 2014 Opinion, 63% were totally or partially complied with.

Regarding Social Security, the most relevant recommendations were those concerning the adoption of procedures that allow overcoming the various inaccuracies observed in the budgetary, financial and economic statements.

OPINION ON THE 2016 AZORES AUTONOMOUS REGION ACCOUNT

CONCLUSIONS

The 2016 Autonomous Region Account is affected by materially relevant errors and omissions.

As a result, reservations and emphases have been issued, as follows:

Reservations

- Preparation of the Budget is not included in a multiannual framework of budgetary programming.
- Impossibility of validating the regional public sector account due to the omissions and inconsistencies of the disclosed information.
- Lack of consolidated financial statements.
- Inappropriate accounting of budgetary operations, such as direct Regional Administration own revenue, withholdings for PAHS – the Public Administration's Health Subsystem, that led to the overestimation of revenues by more than 11 million euros and expenditure by more than 2 million euros
- Inappropriate bookkeeping and accounting in current revenues of the Direct Regional Administration of the funds transferred by the State under the solidarity principle, which

overvalued current revenues by approximately 180 million euros.

- Impossibility of certifying the Direct Regional Administration debt as well as the debt of autonomous services and funds.
- The information on assets disclosed in the Account is incomplete as it does not include the situation of the reclassified public entities.
- Lack of accounting register of community revenues in the amount of 165.9 million euros.

Emphases

- The extension of the complementary period has an impact of more than 4% on the budgetary execution rate.

The Court recommended the Legislative Assembly of the Azores Autonomous Region to:

- Take the legislative measures capable of ensuring that the establishment of the supplementary budget implementation period for the regional government sector, if deemed necessary, is compatible with the annuity rule and does not go beyond the strictly necessary for the close of business.

And the Regional Government to:

- Submit to the Legislative Assembly, by May 31 of each year, a proposal for a multi-annual

budget programming framework which respects the requirements set forth in article 20 of the Autonomous Regions Finance Law and draws up the Budget for the following year in accordance with the approved framework.

- Emphasise in the account the balances relevant for balancing the budget in accordance with legally defined criteria, as well as the elements necessary to demonstrate compliance with the limits for the indebtedness of the regional administrative public sector, and to regularize treasury operations, by budgetary means, during the year when those operations were carried out.

OPINION ON THE 2016 MADEIRA AUTONOMOUS REGION ACCOUNT

The Court of Auditors has issued a favourable opinion on the Madeira Autonomous Region Account relating to the economic year 2016

The following emphases were put on the impact of:

- The lack of consolidated financial statements – consolidated balance sheet and other consolidated financial information – of the entire public administration sector of the Region;

- Failure to demonstrate compliance with the equilibrium criterion and the limit of indebtedness established in the Finance Law of the Autonomous Regions;
- Underestimation of revenues and expenditures in the amount of € 3.3 million as a result of non-consideration of tax collection costs, the cash balance carried over to 2017 being overstated by € 115.4 thousand and the expenditure registered in understated by the same amount due to an unsubstantiated pending payment of a judicial credit attachment.

It was recommended to the Vice-Presidency of the Regional Government to:

- Comply with the rule of budgetary balance, provided for in point 2 of article 4 of Budgetary Framework Law for the Madeira Autonomous Region, in view of the non-fulfilment in 2016 of the criteria provided for in article 42 of Law no. 7-A/2016, dated 30/03 and the lack of operability of the criterion established in article 16 of Organic Law no. 2/2013, of 2/09.

FOLLOW-UP OF THE BUDGETARY IMPLEMENTATION

In this context, the highlight is the Report 2/2017 - 2nd C - Follow-up of the Social Security Budget implementation (January to December 2016), in which it is emphasized:

The State Budget for 2016 has maintained measures meant reduce public expenditure and recover taxes and contributory revenues and introduced other measures aimed at economic growth and strengthening of social cohesion, such as:

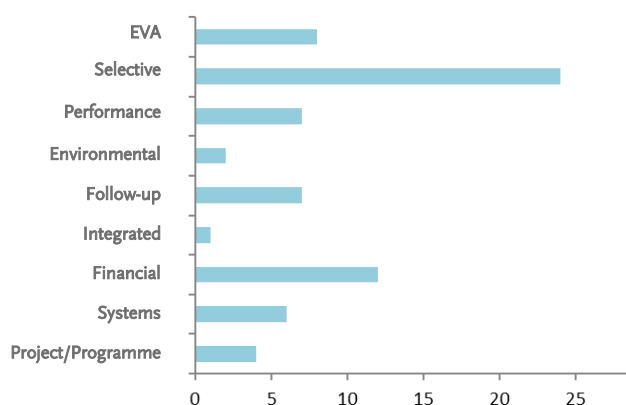
- Recovery of disposable household income;
- Promotion of investment and employment;
- Promotion of the birth rate.

It is worth noting the appreciation of the social benefits value in its various streams:

- Poverty (Social Integration Income-SII, Solidarity Supplement for the Elderly-SSE);
- Family benefits (parenting, family allowance and disability);
- Replacement of income (pensions).

AUDITS AND EXTERNAL VERIFICATION OF ACCOUNTS

In 2017 71 audits and external verification of accounts of different nature, complexity and dimension were completed (47 at Headquarters, 14 in the ARC and 10 in the MRC), including those related to the issuance of the opinions on the Parliament account and on the Azores and Madeira Regional Legislative Assemblies accounts.



Among the audits completed, within major areas of activity the following stand out:

Execution of the State Budgets, including Social Security, and the Autonomous Regions Budgets

Audit on the implementation of the Accounting Standard for Public Administration System (ASS-PA) and account consolidation (General State Account) – Progress Report III
Report no. 22/2017 – 2nd C.

Progress has been made in the ASS-PA implementation, such as the allocation of its coordination and monitoring to the State Accounting Entity (SAE) but there are still constraints that may affect the transition period and costs: insufficient allocation of human resources, awareness of entities and leaders; delays in reviewing legal acts, training model definition and the adaptation of information systems; absence of definition and disclosure of harmonized accounting policies.



The Government was recommended that:

- In order to put in place the plan for the implementation of the BFL and the transition to the ASS-PA: making available the resources needed (human, organizational, informative and financial) to comply with the targets and deadlines set in the legal acts aiming at the production of individual and consolidated financial and budgetary statements.

Audit to the State Accounting Entity Implementation

Report 23/2017 – 2nd C

The implementation process of the SAE, created by the Budgetary Framework Law (BFL) and constituted by the accounting operations for which the State is responsible is crucial to the accomplishment of the public finance management model defined in the BFL. However, there are risks of not implementing the SAE in 2019 due to the lack of resources, supervision and experimental stage.



The Court recommended the BFL Implementation Unit that:

- As the entity responsible for the management of the State Accounting Entity implementation project, it should perform an effective and appropriate follow-up in order to identify the main risks of non-compliance with the scope and deadline for the activities to be completed, measuring relevant deviations and applying the necessary corrective measures.

External Verification of the 2016 Regional Government Treasurer Account

Report no. 11/2017 – MRC

The verification aimed at confirming that the 2016 account reliably reflected the receipts and payments made in the managerial account, underlined that:

- revenue and expenditure were undervalued by € 3.2 million due to non-consideration of charges collection retained by the Tax Authority;
- The account balance carried over to 2017 was overestimated by € 115.4 million and the 2016 expenditure underestimated by the same amount as a result of an unsubstantiated pending of a payment regarding a MAR credit judicial attachment.

It was recommended to the Directorate-Regional for the Budget and Treasury to:

- Strictly comply with the principle of non-compensation.



Economic and social functions / EU funds

Audit on energy efficiency in public buildings

Report no 3/2018 – 2nd C

The exemplary role of public bodies' buildings has been limited as a result of the narrow concept of 'central administration' applied and the low level of requirement demanded for energy performance. The control undertaken is very poor. In terms of energy certification the State proved to be the most defaulting owner with a compliance rate that does not exceed 12.5%.



The Ministers of Finance, Economy and Environment were recommended to:

- Ensure the preparation and approval of the legislative and regulatory measures necessary to establish a system for the follow-up and joint monitoring of the Action National Plan for Energy Efficiency programs and the implementation of the measures provided for in Resolution of the Ministers Council no. 20/2013.

General Sovereign Functions

Follow-up Audit of the recommendations made in the audit reports to the National Civil Protection Authority (NCPA) and to the Aerial Equipment Company, Plc.

Report no. 30/2017 – 2nd C.

The Court has concluded that a set of recommendations has not been complied with or has only been partially implemented, and therefore inadequate procedures remain in place both in the NCPA and in the management and control of the financial support granted by that entity to the Firemen Humanitarian Organizations (FHO), in particular low integration and efficiency of computerized means, insufficient control and lack of reliability of the data.



It was recommended to the Government (through the Ministers of Internal Administration, Agriculture, Forestry and Regional Development, Environment, National Defence, the Chief of the Armed Forces General Staff, the Chiefs of Army and Air Force General Staff, the General Commander of the Republican National Guard, the Mission Structure for the installation of the Integrated Management System for Rural Fire) to:

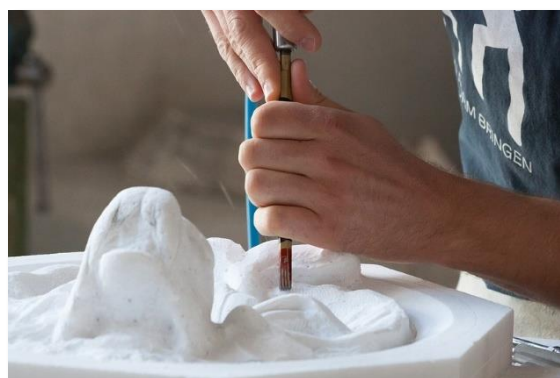
- Make available to the Court scrutinizing and auditable information in an integrated and systematic way with regard to the reformulation of the fire prevention and fighting model, which include the following:
 - The directive on the prevention and combat policy and the revision made to the Operations Management System;
 - indication of the operational objectives, costs (program and budgetary measures) and associated risks, indicators, measures, targets, responsible entities (for the planning, implementation, monitoring) and dates for implementation related namely to the strengthening of the organic structure of the National Civil Protection Authority, the Protection and Assistance Intervention Group, the Nature and Environmental Protection Service and the National Forestry Corps, as well as the participation of the Armed Forces in the Integrated System for Rural Fire Management, namely in the command and management of the aerial

means allocated to the combat of forest fires;

- Study and planning of assignments transfer to the Air Force having in view the centralized management of the aerial means allocated to the combat of forest fires.

Science, technology and higher education, education, culture and sports

Audit to the Directorate-General of Arts
Report no. 11/2017 – 2nd C.



Public financial support granted in 2014 (around €15 million) was audited. It was concluded that the internal control system is regular, that the external experts who were part of the Follow-up and Assessment Commissions were remunerated without an enabling legal standard, that no ceilings have been set for the eligibility for regional orchestras current administrative costs and that the online platform does not contain data on the contracts financial implementation, making it difficult to monitor and manage them.

The Minister of Culture was recommended to:

- Promote the necessary changes to the legal regime for the granting of financial support to the arts and their regulation, in particular to expressly provide for the terms of remuneration of the Review, Follow-up and Assessment Committees members and for the reimbursement of travel and subsistence expenses.
- Regulate extraordinary and annual financial support to regional orchestras.

And the Directorate-General of Arts was recommended to:

- Amend the protocol signed with the General Secretariat of the Ministers Council Presidency in order to allow the adequate follow-up of information reports under the Commitments and Late Payments Law (available funds and multiannual charges) and the allocation of responsibilities with respect to the management of fixed assets, as well as to coordinate with the General Secretariat the appropriate accounting of the charges arising from the financing agreements entered into.
- Adopt the necessary steps aiming to regularize the allocation of the allowance for credit to the senior official that manages the working capital.
- Promote the necessary changes to the online platform for support allocation manage-

ment, aiming, in particular, to monitor the financial execution of the contracts and to record the payments made.

Health

Audit to the consolidated Account of the Ministry of Health –2015 and 2016 fiscal years
Report no. 27/2017 – 2nd C.

The process of preparing the Consolidated Account of the Ministry of Health, which includes the Consolidated Account of the National Health Service, has not yet reached a stage that ensures that the consolidated financial statements express, in a true and appropriate manner, the Ministry of Health economic and financial situation. As a matter of fact, the balance of the financial statements is ensured through plug accounts that incorporate materially relevant reconciliation differences between entities of the perimeter.

The Minister of Health was recommended to:

- Take measures leading to the recapitalization of the National Health Service, supported by medium and long-term financial restructuring plans and according to a multi-year and programme budgeting.

Local Administration and Municipality Owned Companies Sector

Audit to the use of credit by the Azores Autonomous Region Parish Councils

Report no. 7/2017 – ARC (Azores Regional Chamber)



Of the 155 parishes located in the territory of the Azores Autonomous Region, a set of 24 parish councils was selected to audit the use of credit.

Some of them did not observe the legal regime of credit, standing out the following:

- Procurement of medium and long-term loans;
- Lack of the parish council assembly authorization;
- Provision of forbidden guarantees;
- Non-compliance with the limits of indebtedness;

- Failure to forward contracts to the Court of Auditors prior control.

Recommendations were made to the Parish Councils regarding the adoption of control procedures to ensure compliance with legal provisions on indebtedness, namely:

- Obtaining prior authorization from the parish council assembly, in case of use of credit;
- Compliance with the maximum term and the legally permitted purposes for credit operations;
- Not providing legally prohibited guarantees;
- Compliance with the quantitative limits of indebtedness;
- Submission of contracts generating public funded debt to the Court of Auditors prior control.

State Owned Companies Sector of Central and Regional Administration and Regulatory Authorities

Audit to the annulment of the public transport sub-concessions award acts provided by OCTS – Oporto Collective Transports Society, Plc, and Oporto Underground, Plc.

Report no. 16/2017 – 2nd C.



The procedures for annulment of the sub-concession contracts for the operation of the public transport network of the OCTS and of the Oporto Underground were audited. It was concluded that neither the public interest in the decision to sub-concede the operation nor the value for money of the subsequent cancellation decision of these sub-concession contracts were established.

The Court recommended the Government:

- To provide guidelines so that any decisions to cancel public contracts by the boards of public companies are accompanied by a cost-benefit analysis so that citizens are aware of the value for money of the annulment decisions.

It recommended the OCTS Board of Directors and Oporto Underground that:

- Conclusion of concession or sub-concession contracts should be decided without detailed grounding regarding the expected savings with the allocation of public resources.

INTERNAL VERIFICATION OF ACCOUNTS

The successive control is also performed through the internal verification of the accounts (IVA) of the entities subject to the Court jurisdiction and not exempt from the respective delivery.

Refusal and Approval decisions (with or without recommendations) were rendered in relation to 732 accounts relating to 614 entities.

As regards the approved accounts (723), the Court made recommendations in respect of 22% of these accounts, mainly from the Local Administration.

The homologation was also refused for 9 accounts, all of the Central Administration.

The financial volume of the decided accounts amounted to 217,262,388 m €, of which 95.5% refers to accounts rendered by Central Administration entities.

Over the last three years there has been a trend towards an increase in the number of accounts subject to a decision, heightened in 2017 with a 16% growth.

Table no. 1 - Evolution of the IVA (2014-2016)

	2015	2016	2017
Number of Accounts	608	631	732
Financial Volume (m€)	492,582,249	194,657,653	217,262,388

2.3. ENFORCEMENT OF LIABILITIES

The financial liability can be reintegratory² or sanctionatory³. The effectiveness of the first represents the imposition to the responsible entities of the recovery of the amounts corresponding to the damages caused; and the second results in the imposition of a fine. All the Court judges have jurisdictional powers, and the 1st and 2nd Chambers judges have the power to apply the Article 66 - "Other

transgressions" fines⁴, as well as to decide on the relief of sanctionatory financial liability under the law (Article 65) and the judges of the 3rd Chamber to judge the financial liabilities. In turn, the Regional Chambers Judges competencies cover the various forms of liability, including that provided for in article 66 of the OPLCA.

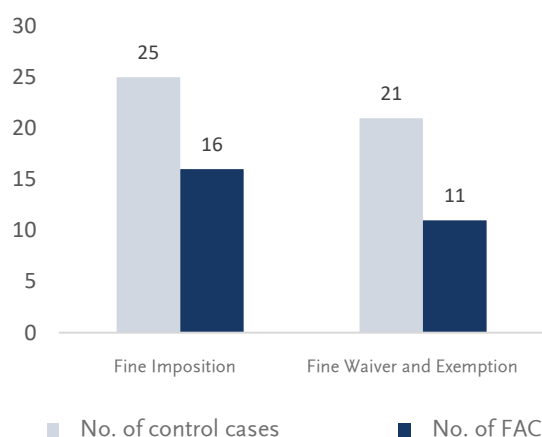
² In cases of illegal withholding, misappropriation of money or public funds, undue payments, non-collection of revenues with intent or serious misconduct, there is an obligation to compensate for failure to comply with the law, aimed at restoring the existing previous situation. Therefore this type of responsibility has rather a restitution nature.

³ Sanctionatory liability has a punitive nature, and involves the imposition of fines, for example, for breach

of financial nature legal rules, for non-liquidation, collection or delivery in State coffers of due revenues, for failure to comply repeatedly and unjustifiably with the Court recommendations or by an unjustified lack of accountability.

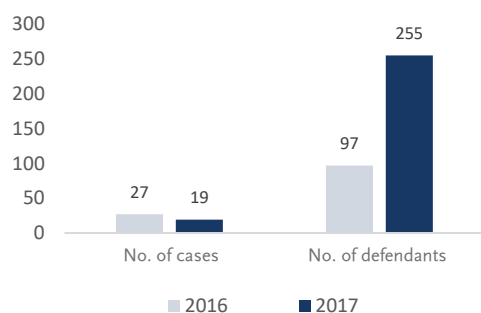
⁴ In situations where, for instance, the accounts remittance to the Court is untimely and unjustified or there is no proper provision of information and co-operation to the Court.

Imposition and waiver of fines (article 66 of the OPLCA)



The chart above distributes the fines referred to in article 66 of the OPLCA that were imposed, waived or exempted in 2017, by type of cases (control cases and fine autonomous cases - FAC). In 2017, fines were imposed on 41 cases and waived on 32 cases.

Waiver of financial liability (article 65, no. 9 of the OPLCA)



The chart above distributes the sanctionatory financial liability waiver decisions pronounced by the Court under article 65, point 9 of the OPLCA. In 2017 fines were waived in 19 cases (29.6% less than in 2016).

The 1st and 2nd Chambers judges identified the financial infringements arising from prior, concomitant and successive control cases⁵, which must be notified to the Public Prosecutor Service (PPS) for an eventual remittal of the case in the Court's 3rd Chamber.

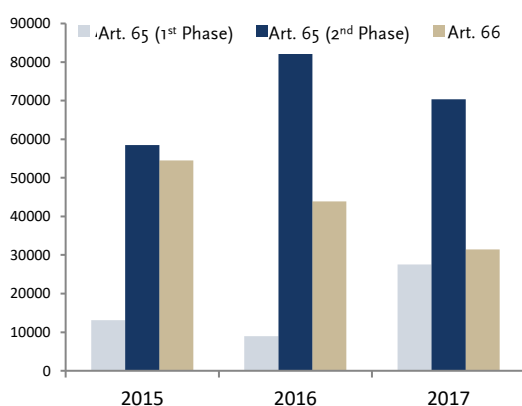
The sanctionatory financial liability is extinguished, among other causes, with the payment of the fine, and the entity responsible may voluntarily pay before the trial for the fine minimum amount (1st phase). In 2017, there were 2 cases where this occurred for a total of € 27,540.

Failing to do so, the cases are referred to the Public Prosecutor, who, prior to the opening of the enforcement of liabilities proceedings in the Court 3rd Chamber, notifies the responsible entities to voluntarily pay the fine (2nd phase). In this context, 11 fines were applied for a total of € 70,380.

⁵ In this case, the audits carried out within the preparation of the report and Opinion on the General State Account and on the Autonomous Regions Accounts.

Liabilities enforceable only by fine extinguished by voluntary payment

Unity: Euros



The chart above refers to those liabilities that are only punishable by the imposing of a fine and which were enforced before the Court 3rd Chamber trial, between 2015 and 2017. It is also worth mentioning that voluntary payment of fines imposed under Article 65 of the OPLCA occurs, mainly, with the notification of the PPS (2nd phase); however, the volume of fines paid voluntarily in the first phase was significant in 2017.

Of the 92 cases referred to the PPS for a decision with infractions evidenced (article 57 of the OPLCA), 47 (51%) were decided, and a trial was requested in 18, and 8 were extinguished by voluntary payment of a fine.

Considering the cases in which the Public Prosecutor Service requested trial to enforce financial liabilities in the Court 3rd Chamber and Regional Chambers, 13 were judged, of which 8 with convicted sentences and 5 with

acquitted sentences. As a result, restitution for undue payments (€ 17.2 m) was ordered and fines were imposed (€ 12.2 m).

The sentences delivered by the 1st, 2nd and 3rd Chambers and Regional Chambers judges, imposing fines under the article 66 of the OPLCA, are subject to appeal to the 3rd Chamber Plenary.

There were 17 appeals in trial, of which 13 were deemed well-founded and 4 unfounded.

THE PUBLIC PROSECUTOR SERVICE ALONG WITH THE COURT OF AUDITORS

The Public Prosecutor Service is represented in the Court of Auditors by five Assistant Attorneys General.

Among the competencies of the Public Prosecutor Service magistrates is the follow-up of prior control cases. They are also notified of all the audit reports in order to initiate jurisdictional proceedings in cases where they consider that there is sufficient evidence of facts resulting in financial liability, proposing actions for judgment of accounts and judgment of financial liabilities.

2.4. COOPERATION AND EXTERNAL RELATIONS

THE PARLIAMENT, THE REGIONAL LEGISLATIVE ASSEMBLIES, THE GOVERNMENT AND THE COURT OF AUDITORS

The Court's relations and cooperation with the Parliament, the Government and other sovereign bodies contribute to the impact of its action, as the Court depends on how the public institutions use the results achieved and recommendations issued.

The institutional cooperation also results in greater information for the Citizen, which tends to reinforce his trust in the State.



Delivery and Presentation of the GSA Opinion in the Parliament.

Susana Barriga/CA

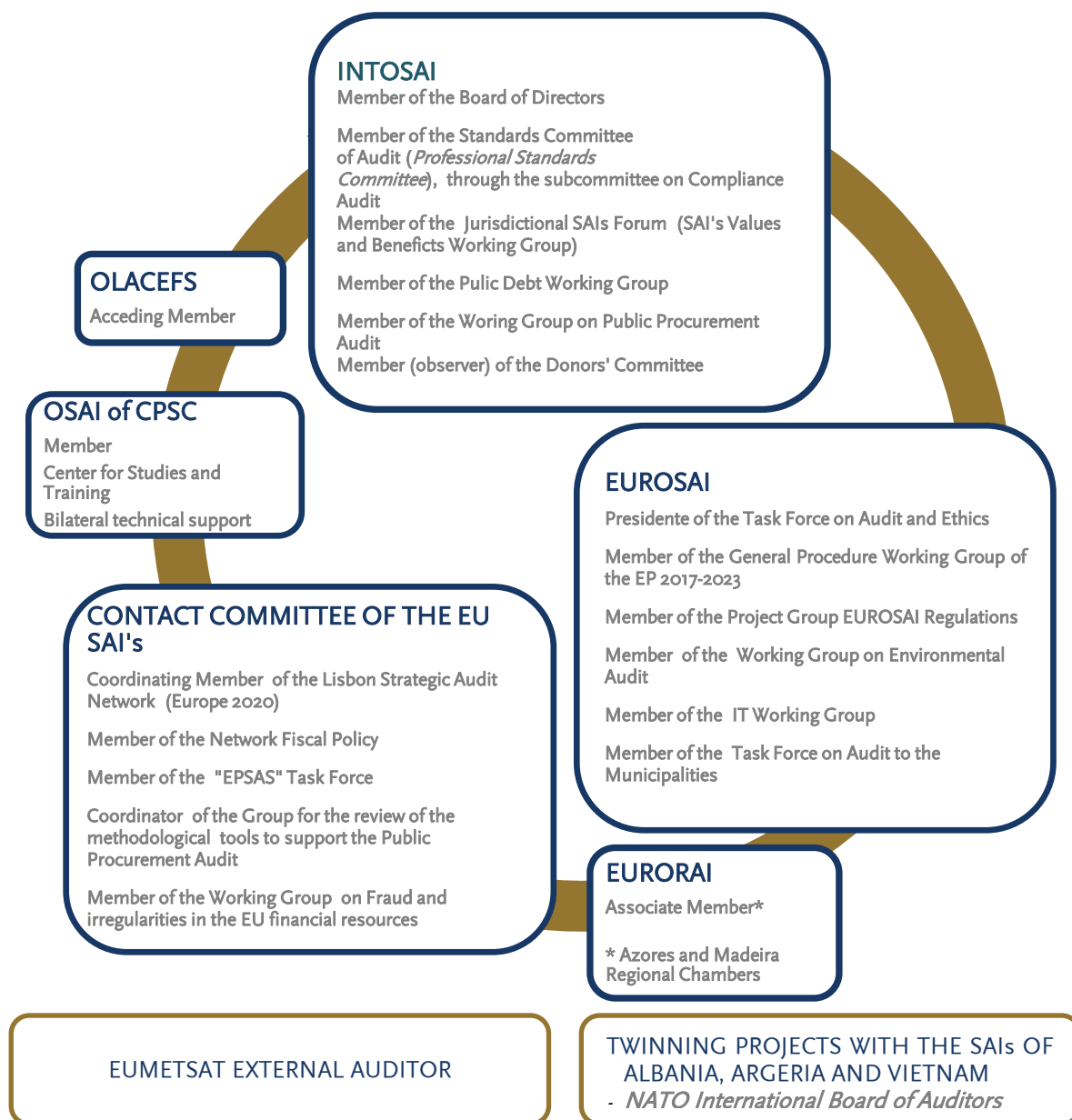
The following examples represent this institutional cooperation during 2017:

- Delivery and presentation of the Opinions on the GSA and on the Regional Accounts in the Parliament and in the Regional Legislative Assemblies
- Delivery of the Opinions on the Parliament Account and on the Regional Legislative Assemblies
- The Court also contributed to improving public governance through its **recommendations**, which resulted in a number of approved legislative and regulatory measures, notably in the clarification of hospital remuneration schemes, military retirement pension staff regulation and improvement of the internal control system in the area of military reservists.
- Hearing at the Health Committee on October 25 for clarification on the audit accomplished by the Court on the access to health care in the National Health Service
- The Public Prosecutor Service, through its representation at the Court of Auditors, made 3 notifications to other jurisdictions resulting from facts it was aware of through audit reports or in reports received from internal control bodies.

INTERNATIONAL RELATIONS

The Court of Auditors is actively involved in international organizations of supreme audit institutions and other similar bodies of which is a member (INTOSAI, EUROSAI and OSAI of CPSC).

The benefit generated by this strong commitment has several strands. A broader perspective - beyond the border - sharing of knowledge and experience and the possibility to compare with similar organizations are the most relevant. In fact, the Court has no "comparator" at national level, since it is unique in the country.



THE PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

The Court of Auditors Representatives participated in the initiatives of all the Working Groups, Task Forces, Project Groups and Committees of which the Institution is a member (see Scheme on the previous page). They are mentioned according to the importance of their developments in 2017

INTOSAI

70TH MEETING OF THE INTOSAI BOARD OF DIRECTORS (GRAZ, AUSTRIA, NOVEMBER)

This was the 1st Board of Directors in which Portugal participated after its election to this institution, having had an active voice in the discussion of the subjects on the agenda.



Of particular relevance to the CA are the issues related to: the Working Group of the SAIs with jurisdictional functions; self-assessment based on the SAI-PMF tool; the work on Public Procurement Audit; the participation and follow-up of the Public Debt

WG and WG on Large Data.

1ST MEETING OF THE WORKING GROUP ON “PUBLIC PROCUREMENT AUDIT” LISBON, JULY

This was the launching meeting of this INTOSAI Working Group, whose main objective is to prepare an international standard (ISSAI) on public procurement and have it approved.

MEETING OF THE EUROSAI WORKING GROUP ON INFORMATION TECHNOLOGIES (E-GOVERNMENT).

(LISBON, OCTOBER)



Meeting of the EUROSAI Working Group on Information Technologies, together with INTOSAI (Lisbon, October)

The CA organized the meeting of the EUROSAI Working Group on Information Technology (E-Government). At the same time, together with INTOSAI, it took place the “*Workshop on the Active IT Audit Handbook*”.

45TH MEETING OF THE EUROSAI BOARD OF DIRECTORS

(CHISINAU, MOLDOVA, FEBRUARY)

This was an extraordinary meeting aimed at reviewing the final details of the Strategic Plan and the structure for its implementation. The Court of Auditors delegation, led by its President, played a significant role in the consensus reached.

8TH MEETING OF THE TASK FORCE AUDIT & ETHICS

(LONDON, UNITED KINGDOM, FEBRUARY)

In this meeting were discussed the contents of two important documents prepared by this Project Team, which is chaired by Portugal - Guidelines on "How to implement ISSAI 30" and "How to promote ethics in the public sector". There was also a working session with auditors from the UK National Audit Office (NAO), where ethical dilemmas were discussed and resolved.



As part of the work of TFA&E, the Hungarian Supreme Audit Institution awarded the **2017 SOLIDUS Prize** to Judge Counsellor Helena Abreu Lopes for her important contribution to the research, dissemination and application of best practices in the area of Audit and Ethics.



X EUROSAI CONGRESS

(ISTANBUL, TURKEY, MAY)

The EUROSAI magna meeting theme was "The Implementation of Audit International Standards (ISSAIs): Challenges and Solutions". In this context, two sub-themes "The Contribution of the Courts of Audit for Sustainable Development, under the United Nations Agenda 2030" and "Responding to Emerging Issues (IT Security, Migration, etc.) were discussed.

In this congress the Strategic Plan of EUROSAI 2017-2023 was approved and took place the prize-giving ceremony of the "Ethics matter" video contest, sponsored by the Audit and Ethics Task Force, chaired by Portugal.



PARTICIPATION IN THE YOUNG EUROSAI CONFERENCE (YES 2.0)

(TALLINN, ESTONIA, SEPTEMBER)

The theme of this young auditors' meeting was the digital challenge and its consequences in public auditing. In addition to a number of conclusions related to the best way to tackle with the new technologies and the great data available to all, youngsters present made a commitment to mobilize their motivation, will and youthfulness to contribute to the ongoing reflection on the important challenges faced by the supreme audit institutions, in the spirit stimulated by YES.

SEMINAR OF THE ORGANIZATION OF THE CPSC SAIs

(FUNCHAL, MADEIRA, SEPTEMBER)

The topic discussed was "The Role of the Courts of Auditors in Fulfilling the United Nations 2030 Agenda for Sustainable Development." This seminar resulted in the Funchal Declaration, endorsed by the Presidents of all the Institutions present, in which they commit themselves to carry out a cooperative audit related to the Sustainable Development Goals.



COOPERATION WITH EUROPEAN UNION INSTITUTIONS

The Court of Auditors maintains relations of close cooperation and proximity with the European Court of Auditors and actively participates in the Contact Committee of the Presidents of the Courts of Auditors and similar institutions of the European Union. In 2017, **14 audits** carried out by the ECA **were followed-up**, 6 of which with involvement in the field works.

THE COURT OF AUDITORS IS THE NATIONAL COUNTERPART OF THE EUROPEAN COURT OF AUDITORS (ECA).

Within this scope, it supports the organization and monitors the implementation of the ECA control on the application of EU financial resources in Portugal.



The Court of Auditors also participated in 9 meetings related to the ECA and/or the EU Contact Committee Presidents. In addition to the participation, through its President, at the annual meeting of this Committee, the attendance at all meetings of the working groups and Task forces of which it is a member should also be underlined (see diagram on page 30).



The concerns shared by the Contact Committee members focused on the contribution reinforcement of Courts of Auditors and similar institutions to restore citizens' confidence in Public Institutions, particularly through innovative audits on matters of actuality.

The results of audits carried out on the progress achieved by Member States against the national objectives of the Europe 2020 Strategy, whose Network is coordinated by the Court of Auditors, were also discussed during 2017.

BILATERAL AND COOPERATION RELATIONS

2017 was a year of intense cooperation with European Courts of Auditors and similar Institutions and with the Community of Portuguese Speaking Countries.

The Presidents of the Cape Verde and S. Tomé and Príncipe Courts of Auditors, as well as of the Timor-Leste Court of Appeal, held bilateral meetings at the Portuguese Court of Auditors headquarters to monitor and reinforce training and cooperation actions between the Institutions.

The visits of the Presidents of the European Court of Auditors - Mr Klaus-Heiner Lehne - and of the Supreme Audit Institution of Poland - Mr Krzysztof Kwiatkowski - to discuss common issues and strengthen relations between the institutions are also to be highlighted.

During the year, there were several study visits, most notably the one of Counsellors and technicians from Mozambique, with the objective of gathering experience on State Owned Companies Sector and Private-Public Partnerships.



The Court of Auditors, together with the Superior Institute of Labour and Business Sciences, organized a postgraduate course in Public Finance for auditors of Court of Auditors of Angola.

OTHER INITIATIVES

In order to share knowledge and experiences, the following events took place:

- **The First International Congress of Comparative Law on the Fight Against Corruption**, held in Coimbra, in a joint initiative of the Court of Auditors, the Corruption Prevention Council (CPC) and the Ruy Barbosa Institute. The latter is an association formed by the Federal and State Court of Auditors of Brazil, conceived to provide professional training. The Court of Auditors contributed to this Congress by the presentation of topics such as PPPs and their control; audit fundamental principles; social rights, ethics; public procurement and local development.
- The colloquium **"Globalization, Digital Economy and Sustainable Development: What Impact on Public Finance"** organized by the Court of Auditors, the Economic and Financial Law Institute, belonging to the Law Faculty of the Lisbon University, and FONDAFIP (Fondation Internationale des Finances Publiques), in collaboration with the French Court of Auditors. In this colloquium, there was a joined-up reflection on current issues such as globalization, digital economy, sustainable development and investment, as well as the contributions of the public finances external control exercised by the Courts of Auditors and similar institutions.

3. OUR PERFORMANCE

3.1. INSTITUTIONAL INDICATORS

In 2017, institutional indicators were approved, aiming to measure the Court activity performance.

A set of seven indicators were thus defined to assess the effectiveness and efficiency of the Court available resources and the quality and impact of its work.

An analysis of their degree of achievement is presented below, with the exception of one of the indicators for evaluation of quality and impact, because data are not yet available.

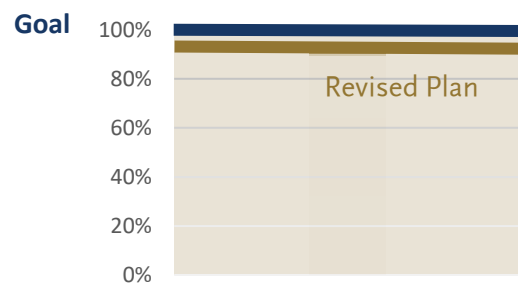
3.1.1 Use of resources

DEGREE OF IMPLEMENTATION OF THE ACTION PLAN

It aims to compare the actions concluded in the year with those planned for that same year

By 2017, the degree of implementation of the Action Plan is at 92%, close to the target of 100%.

Degree of implementation of the Action Plan

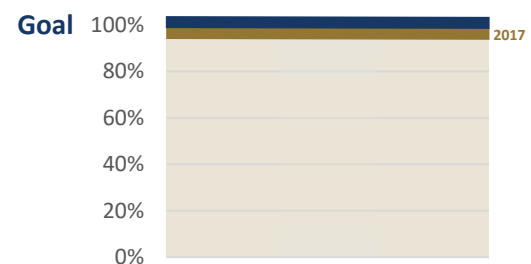


DECISION OF THE PRIOR CONTROL CASES WITHIN THE DEADLINE

Percentage of the cases decided within the legal deadline.

The Court found that 99.2% of prior control cases were decided in 2017 within the legal deadline, and therefore a very small number of tacit prior approvals occurred.

Prior Approval cases decided within the legal deadline

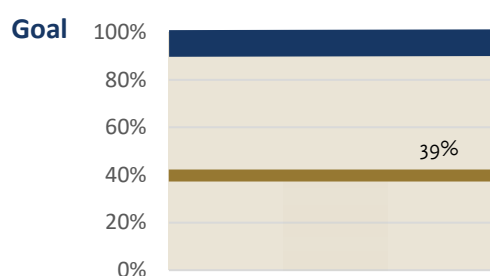


Given the fixed target (100%), it is concluded that the Court performance measured by this indicator was very good in 2017, a situation that also occurred in the two preceding years (97.9% in both).

NUMBER OF ACCOMPLISHED AUDITS IN THE FORECASTED TIME HORIZON IN THE YEAR 2017

Number of audits concluded
within the forecasted deadline
Number of audits arranged to be con-
cluded in the year

Audits and EVA **concluded** within the deadline



The percentage of audits and external verifications of accounts carried out (concomitant and successive control) within the forecasted time horizon in 2017 stood at 39.5%, falling well short of the interval established by the Court (between 90% and 100%). This reinforces the need to reflect on the causes of this situation, to improve programming, carrying out the tasks within the planned schedule, as well as to invest in more efficient use of resources to optimize the ability to accomplish audits in a timely manner.

LENGTH AVERAGE TIME FOR THE 1ST CHAMBER CASES OF JURISDICTIONAL RESOURCES ENFORCEMENT

Time elapsed since the distribution of a given jurisdictional case and the closing of the grounds, through the delivery of sentence or judgment. It should not exceed 6 months, without prejudice to the complexity of the particular cases.

In 2017, the average time for liability enforcement cases are listed in the following table:

	1 st C	2 nd C	3 rd C	ARC	MRC
Liability Enforcement Actions	-	-	248	150	170,2
Appeals	127	-	145	-	-

The 3rd Chamber financial liability cases, finalised in 2017, had an average duration of 160 days, if it is not considered a case decided in 2015, but that on appeal was decided the lowering of the instance for the new sentence delivery, which occurred in 2017.

3.1.2 Quality and impact

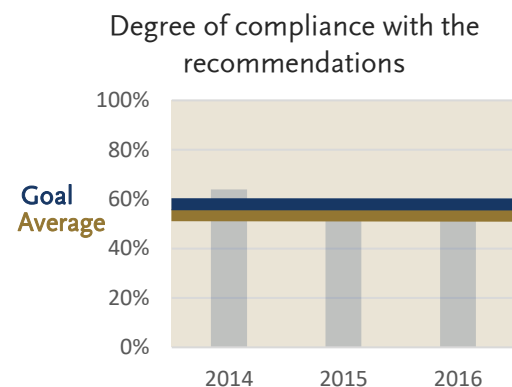
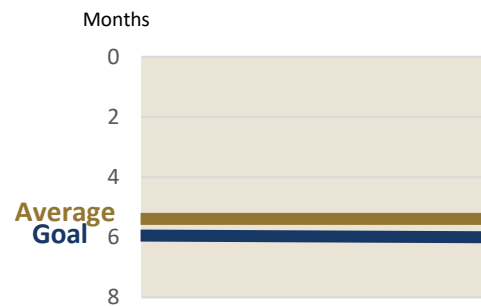
RECOMMENDATIONS FOLLOW-UP

Percentage of the Court recommendations which are accepted and implemented in the years n-1, n-2 and n-3 and known in the year n. Goal > 60%.

The Court's follow-up in 2017 of the recommendations issued in the previous three years, revealed that the average compliance level was 58%. However, the degree of compliance with the recommendations issued by the Court in 2014 was 64%, which is above the target set (60%).

It should also be pointed out that of the 953 recommendations, whose compliance was known by the Court in 2017, there were financial impacts that amounted to € 175.5 million.

Average length of time of the enforcement of liabilities and of the 1st Chamber appeals

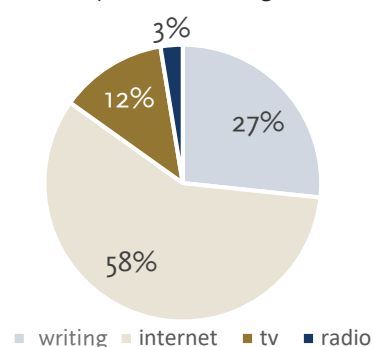


PRESENCE IN THE MEDIA

Number of media references to the Court products in the year, compared to year n-1.

In 2017, around 8764 references made by the mass media to the Court were identified, a figure relatively lower than that of 2016 (9.95% less)⁶, but recovering from the decrease observed in that same year.

Media coverage
Articles by broadcasting channel



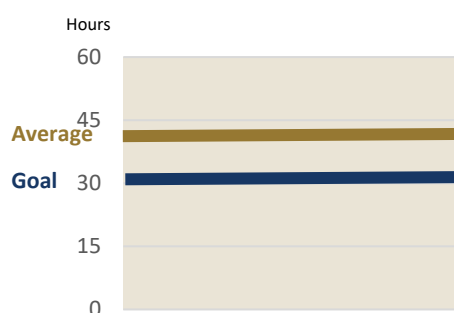
It was also observed that almost 60% of the presence in the media resulted from posting on the internet. Moreover, there has been an increase in the "use" of the Court social networks

3.2 OTHER INDICATORS

PROFESSIONAL TRAINING

As far as training is concerned, in 2017 the number of hours per participant of the special audit body was 41.8, above the target value established in the 2017 Action Plan (30 hours). Nevertheless, the training costs decreased by 16% over last year.

Training hours per participant of the Special Audit Body



⁶ In 2016 there was a larger decrease (29% less) in the number of publications compared to the previous year.

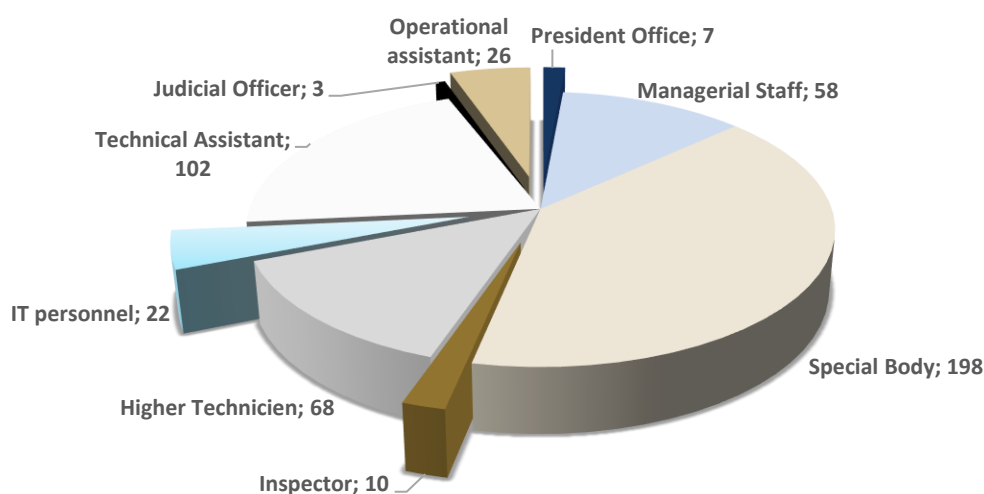
3.3. RESOURCES USED

HUMAN RESOURCES

At the end of 2017, performed duties in the Court of Auditors, the President and 17 Counsellor Judges and, in the Support Services, 494 headcounts (412 at the Headquarters, 40 at the ARC and 42 at the MRC).

Of the Counsellor Judges, 15 exercised their functions at the Headquarters (4 in the 1st Chamber, including 1 retired judge exercising his functions, 9 in the 2nd Chamber and 2 in the 3rd Chamber), 1 at the Azores Regional Chamber and 1 at the Madeira Regional Chamber.

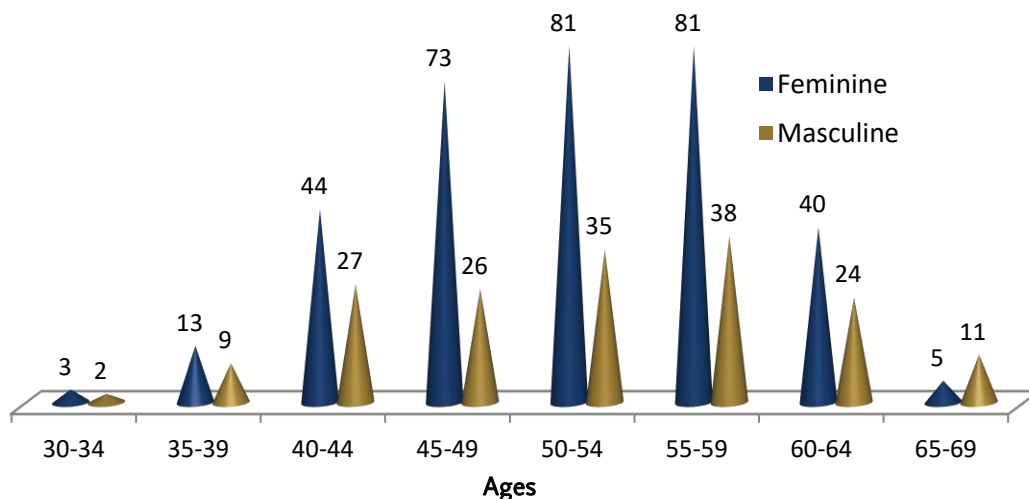
Headcounts of the Support services by professional category



In relation to the previous year, there was a decrease of 0.8% in global staff, with the special audit body accounting for the majority of headcounts with 40%.

In terms of distribution by functional areas, the majority of the headcounts (57%) is allocated to the control activity with 46% and 11% respectively in the areas of prior, concomitant and successive control.

Age profile and gender distribution of staff



It can be noted that the great majority of the headcounts (65%) are in the age groups between 45-59 years of age, followed by the age group 40-44 years with 14%. The youngest echelon with only 1% of the herds is in the range of 30-34 years.

There is therefore a need to rejuvenate the Court staff, which may occur in the near future, considering the opening, at the beginning of 2018, of an external recruitment procedure.

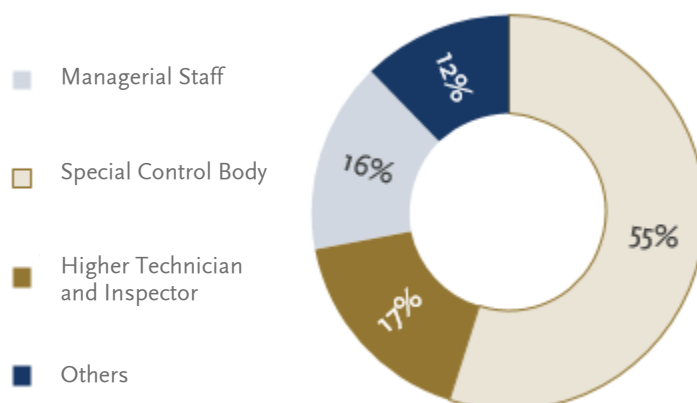
The gender distribution of the 494 headcounts who worked in the Court at the end of 2017 was of 340 women and 172 men, representing respectively 66% and 34% of the total staff.

PROFESSIONAL TRAINING

Promoting qualification, valorisation and progressive specialization of its human resources is a Court permanent concern. Thus, in 2017, 154 internal and external training actions were carried out, with a total cost of 58 m €.

The accomplished actions covered a number of thematic areas, highlighting those of informatics, accounting, laws and skills improvement, as well as the introduction of new specific training actions, given the concern for constantly seeking knowledge updating.

Number of training hours by personnel grouping



In the distribution of training hours by professional group it can be found that the headcounts of the special audit body, of the higher technician and inspection careers attended 72% of the accomplished training hours.

As regards training provided in the area of external relations, it should be emphasized the organization by the Court, within the Pro African Portuguese Speaking Countries - ET Project, of 2 traineeships for 22 workers from the East Timor Chamber of Accounts and the Mozambique Administrative Court in a total of 370 training hours.

In terms of spending, direct training costs represent 0.22% of the Court total expenditure.

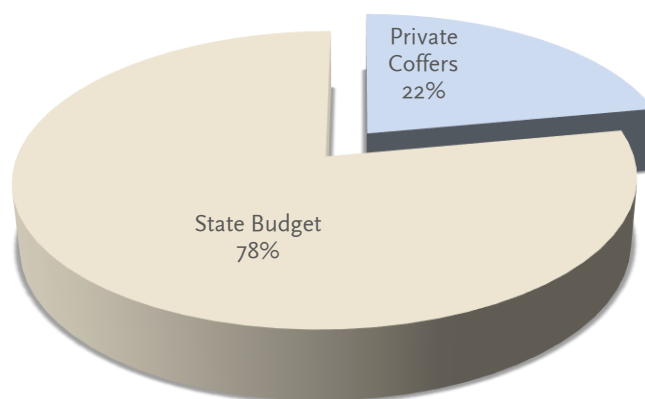
FINANCIAL RESOURCES

Pursuant to paragraphs c) and d) of the article 113 of the OPLCA, the Court of Auditors accounts shall be audited by a specialized company selected by public tender, whose opinion is published together with the consolidated account annexed to this report.

The total expenditure incurred in 2017 was 26 million, which means a weight of 0.034% in the Integrated Services and Autonomous Funds and Services Budget.

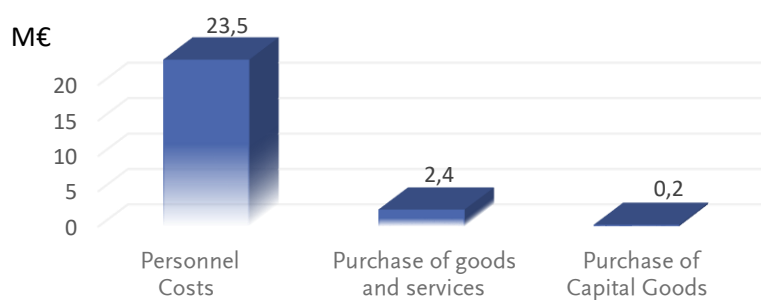
Of the expenditure incurred, 78% concerns State budget appropriations and 22% the Court's private coffers appropriations.

Sources of Financing



In the distribution of the expenditure by economic grouping, it is verified that most of it relates to expenses with the personnel, 90%.

Expenditure by economic grouping



Development of expenditure by economic grouping

Unit: 1 000€

Grouping	Headquarters	ARC	MRC	Total	
				Value	%
Personnel Costs	19 831	1 894	1 825	23 550	90,0%
Purchase of current goods and services	2 065	150	171	2 386	9,1%
Purchase of Capital goods	206	2	26	234	0,9%
Total	22 102	2 046	2 022	26 170	100,0 %

Development of expenditure by entity

Unit: 1 000€

Grouping	2015	2016		2017	
		Amount	Percentage Change	Amount	Percentage Change
Headquarters	21 378	22 222	3,9%	22 102	-0,5%
Azores Regional Chamber	1 898	2 030	6,9%	2 046	0,8%
Madeira Regional Chamber	1 868	1 956	4,7%	2 022	3,4%
Total	25 144	26 207	4,2%	26 170	-0,1%

In 2017, there is a decrease of 0.1% in and have total expenditure relating to the previous year. This decline results from the significant variation in the purchase of capital goods, mainly due to the conclusion, in the former year, of the expenses with the maintenance and repair of the Headquarters buildings.

INFORMATION TECHNOLOGY AND SYSTEMS

In the sphere of the Information Systems Strategic Development Plan - ISSDP, approved by the General Plenary in conjunction with the 2017-2019 triennials Plan, the work planned for the information systems of the Court of Auditors and its support services was maintained:

- CA Single Gateway;
- Continuing the dematerialization of proceedings;
- Adopting an integrated model of auditing accomplishment;
- Consolidate and developing internal information systems;

- Reviewing and developing an integrated planning and management system in CA and DGCA;
- Strengthening technological infrastructures and the respective rules of operation and use.

At the technological infrastructure level, there was a reinforcement of the large servers according to blade architecture, with 2016 Windows Server operating systems, along with the growth of backup systems, with the incorporation of new means, and the slaughter of older servers in compliance with the multiyear plan for increasing service efficiency/energy consumption efficiency.

As to the user level, with the gradual equipment modernization, the migration model was maintained for the most recent platforms of the MS Windows operating system and productivity tools of the MS Office "family".

SIGLAS

AAR	Azores Autonomous Region
AARA	Azores Autonomous Region Account
APSC	African Portuguese Speaking Countries
AR	Assembly of the Republic
ARC	Azores Regional Chamber
ASS-PA	Accounting Standardization System for the Public Administration
BFL	Budgetary Framework Law
CA	Court of Auditors
CAARC	Court of Auditors Azores Regional Chamber
CAMRC	Court of Auditors Madeira Regional Chamber
CC	Concomitant Control
CFL	Clearance of Financial Liabilities
CPC	Council for the Prevention of Corruption
CPSC	Community of the Portuguese Speaking Countries
DGCA	Directorate-General of the Court of Auditors
DL	Decree-Law
ECA	European Court of Auditors
EPSAS	European Public Sector Accounting Standards
ET	East Timor
ETCA	East Timor Chamber of Accounts
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
FHO	Firemen Humanitarian Organizations
GOV	Government
GSA	General State Account
INTOSAI	International Organization of Supreme Audit Institutions
IS	Integrated Systems
ISSAI	International Standards of Supreme Audit Institutions
ISSDP	Information Systems Strategic Development Plan
ITWG	Information Technology Working Group
IVA	Internal Verification of Accounts
LCLAR	Local company Legal activity regime
m€	Thousands of Euros
M€	Millions of Euros

* Article 113, paragraphs c) and d), of the Law no. 98/97, of 26 August



MAR	Madeira Autonomous Region
MARA	Madeira Autonomous Region Account
MARBFL	Madeira Autonomous Region Budgetary Framework Law
MRC	Madeira Regional Chamber
NAO	National Audit Office
NATO	North Atlantic Treaty Organization
NCPA	National Civil Protection Authority
OCTS	Oporto Collective Transports Society, Plc
OLACEFS	Organización Latinoamericana y del Caribe de Entidades Fiscalizadoras Superiores
OPAP	Official Public Accounting Plan
OPLCA	Organization and Procedural Law of the Court of Auditors
OSAI	Organization of the Supreme Audit Institutions
PAHS	Public Administration's health subsystem – Public Institute of Share Management
PC	Public Company
PI	Public Institution
Plc	Private Limited Company
PMF	Performance Measurement Framework
PPC	Public Procurement Code
PPP	Private-Public Partnership
PPS	Public Prosecutor Service
RC	Regional Chamber
SAE	State Accounting Entity
SAI	Supreme Audit Institution
SB	State Budget
SC	Successive Control
SFA	Services and Autonomous Funds
SII	Social Integration Income
SOCS	State Owned Companies Sector
SSA	Social Security Account
SSB	Social Security Budget
SSE	Solidarity supplement for the elderly
UniBFL	Implementation Unit of the Budgetary Framework Law
VAT	Value Added Tax
WG	Work Group