OECD Public Governance Reviews

Brazil's Supreme Audit Institution

THE AUDIT OF THE CONSOLIDATED YEAR-END GOVERNMENT REPORT



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Foreword

Supreme audit institutions (SAIs) are a key part of the institutional framework of democratic States and play a central role in supporting good public governance. The role of SAIs has assumed greater significance in today's uncertain times, in which governments must play a critical role in promoting sustainable economic development and social well being.

SAIs can support a more strategic and forward looking State by providing independent information on the implementation of public policies and the machinery of government. This can enhance transparency at a time when trust in public authorities is being eroded and demands for open and inclusive policy formulation and implementation are increasing.

International peer reviews are an effective instrument for SAIs to become more responsive to the evolving environments in which they operate. Reviews support SAIs to improve their performance by aligning their practices with international standards and good practices.

The OECD is a leader in the practice of peer reviews. For over 50 years, peer reviews have come to characterise the work of the Organisation in most of its policy areas and have helped to improve policymaking, disseminate best practices and facilitate compliance with established standards and principles. During the past decade alone the OECD has conducted more than 200 peer reviews focused specifically on public governance.

This peer review of Brazil's Federal Court of Accounts (TCU) clearly demonstrates that SAIs are paying increasing attention to accountability and decision-making processes, in particular in relation to the audit of the consolidated year-end government report, known as the Accounts of the President of the Republic in Brazil. The TCU strives to improve the ways in which it supports government accountability and decision-making. However, this peer review also shows that the TCU – as for SAIs more generally - cannot act alone and must be effectively supported by the legislature. Doing so will focus the TCU's attention on the clarity of communicating, reporting and substantiating its main findings in a way that elicits action from the executive branch of government, demands from the legislature, and support from society and business.

The reports and recommendations are the results of a year-long co-operation between the OECD and the TCU, the federal government, business and citizens on the audit of the Accounts of the President of the Republic and government accountability. This co-operation was supported by a series of policy discussions in Brasilia and Paris with senior officials from SAIs, the executive branches of government and the legislatures of other OECD countries. Through this co-operation, the OECD has followed the planning, implementation and communication of the audit of the Accounts of the President of the Republic.

This report is part of a series carried out under the auspices of the OECD Public Governance, Regulatory Policy and Territorial Development Committees intended to support members and non-members as they adapt their governance structures in a rapidly changing environment. It follows previous OECD peer reviews of the federal government of Brazil focused on public budgeting (2003), regulatory policy and management (2008), human resource management in government (2010), public sector integrity (2012), and territorial development (2012). All these efforts contribute to our common goal of "better policies for better lives".



Angel Gurría

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Preface

External control institutions are increasingly required to provide answers to the rapid changes in the scenario of the international crisis, with an impact on the way governments stand before systemic international crises. Not only should the regulation performed by public institutions be carried out in a stable and credible environment to attract investment, but also the very responsibility of governments has been subjected to international scrutiny – not only directly, as is the case of supranational bodies, but also indirectly, through assessment of risk of many different shades of investors.

Accountability and governance, in this context, are keywords for overcoming crises and increasing the credibility of national public administrations. Supreme audit institutions (SAIs) thus appear as key players in this new global understanding. With the publication of this comparative study performed by the Organisation for Economic Co-operation and Development (OECD), the Brazilian Court of Accounts (TCU) aims to contribute decisively to the debate on how to improve public governance and accountability.

Controlling the public administration to contribute to its improvement for the benefit of society – that is the mission set out by TCU in its strategy plan. This is a challenging, innovative mission, aligned with the principles that founded the Court.

Created in 1890, by the then Minister of Finance, Rui Barbosa, and inserted into the first republican Constitution of 1891, the Court was conceived, in the words of Barbosa, as a "magistracy agency which is intermediary between the administration and the legislature, which, placed in an autonomous position and invested with powers of review and judgement, and surrounded by guarantees against any threat, may exercise its vital functions in the constitutional body, without the risk of becoming an institution of ostentatious and useless ornaments".

The mandate of the TCU to issue a preliminary opinion on the Accounts of the President of the Republic is equally historic. It first appeared in 1911, but only with the 1934 Constitution did it become an effective part of Brazil's accountability process. Currently considered one of the major powers of the Court, it was performed for the 77th time in 2012. Therefore, in hindsight, we know that we have come a long way, with significant advances achieved over time. But that is not enough. The improvement of the performance of any institution should be a continuous, ongoing process.

Changes occur rapidly and we are constantly confronted with new challenges. We know that society is increasingly eager not only for information relating to the legality or conformity of actions taken by managers but also for the actual results of government action. With that spirit, the partnership between TCU and OECD was established for the development of this peer review. We sought a process of dialogue and mutual learning with the aim of improving the technical assessment carried out in several stages associated with government accounts.

The model chosen for this peer review is innovative as it proposes an analysis made by an entity that differs from those with which we are accustomed to dialogue at the international level. The Court is a founding member of the International Organisation of Supreme Audit Institutions (INTOSAI) and integrates several of its groups. A peer review among SAIs, comparing their practices and processes, would be, perhaps, the expected model of peer review.

Nevertheless, a different approach was chosen. The partnership was established with an institution that is highly technical and independent (like the SAIs) but able to use its extensive networking, going beyond external control institutions. Thus, the study included the participation of the executive and legislative branches of member and observer countries, allowing for a broad base of comparison and experience that can be shared.

This project is expected not only to enable the improvement of TCU work, through adoption of best practices and international standards, but also to provide a dynamic and contemporary view of the role of external control institutions in the process of public accountability and governance, generating results to Brazil and the international community.



Benjamin Zymler
President of the Brazilian Federal Court of Accounts (TCU)

Abbreviations and acronyms

ANAO	Australian National Audit Office
Aspar	Congressional Advisory Service (*Assessoria Parlamentar*), Brazilian Federal Court of Accounts
BGU	General Balance of the Union (*Balanço Geral da União*)
CGU	Office of the Comptroller General of the Union (*Controladoria-Geral da União*)
CFS	Consolidated Financial Statements, Australia
CMO	Planning, Budget and Oversight Joint Committee (*Comissão Mista de Planos, Orçamentos Públicos e Fiscalização*), Brazil
COSO	Committee of Sponsoring Organisations of the Treadway Commission
FMO	Finance Minister's Order, Australia
FY	Fiscal year
GAO	Government Accountability Office, United States
IBP	International Budget Partnership
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
NAO	National Audit Office, United Kingdom
PAC	Growth Acceleration Programme (*Programa de Aceleração do Crescimento*)
CPR	Accounts of the President of the Republic (*Contas do Presidente da República*)
SAI	Supreme audit institution

Secom	Secretariat of Communications (*Secretaria de Comunicação*), Brazilian Federal Court of Accounts
Semag	Secretariat for Government Macro-Evaluation (*Secretaria de Macroavaliação Governamental*), Brazilian Federal Court of Accounts
SIAFI	Federal Government Integrated Financial Administration System (*Sistema Integrado de Administração Financeira do Governo Federal*)
SIGPlan	Budget Planning and Management Information System (*Sistema de Informações e de Planejamento*)
SIOP	Integrated Planning and Budget System (*Sistema Integrado de Planejamento e Orçamento*)
STN	Secretariat of the National Treasury (*Secretaria do Tesouro Nacional*)
TCU	Federal Court of Accounts (*Tribunal de Contas da União*)
TMS	TCU-wide Priority Themes (*Temas de Maior Significância*)

Executive summary

The Federal Court of Accounts (TCU) has an important role in supporting a more strategic and forward-looking state

The credibility of public policies and a clean administration are crucial factors for achieving sustainable and inclusive development and for maintaining trust in government. The TCU is a key independent actor supporting good public governance within the federal government of Brazil. It helps to ensure that the government is held accountable for its management of public resources and that taxpayers' money is used for its intended purposes, in an economic, efficient and effective manner. TCU work also has a preventive effect: public officials behave differently if they know their actions can be externally evaluated by an independent and competent institution. These roles are particularly significant in Brazil given concern over the efficiency of spending and corruption in the public sector.

This review supports the TCU in enhancing the impact of the audit of the consolidated year-end government report

The external audit of the consolidated year-end government report – the Accounts of the President of the Republic (PCPR) – is regarded by the TCU as one of its most significant activities. This report is a core element of the federal government's financial reporting framework, which aims to support fiscal sustainability, achieve cost-effective service delivery and enhance fiscal legitimacy. The PCPR contains information on: the federal government's financial performance; compliance with budgetary laws; non-financial information about service delivery; and information about key factors underlying financial and non-financial performance. This OECD review is based on a year-long dialogue with the TCU and with its key government and non-governmental stakeholders on the impact of the audit of the PCPR for government accountability and decision making.

Strengthening partnership with the National Congress, while maintaining TCU independence, can increase audit impact

The TCU makes publicly available, including free of charge on the Internet, its audit of the PCPR within approximately five months of the end of the fiscal year – in line with constitutional deadlines and international good practice. Actions have also been taken to enhance the comprehensiveness of this audit and communication of main findings with the federal executive and the general public. However, legislative scrutiny of the PCPR using the audit findings is subject to years of delay. The review helps the TCU better understand the barriers and constraints affecting the use of its main findings for more effective legislative scrutiny. Partnering with the National Congress is not equivalent to diluting the TCU independence. Rather, it can help Congress members better understand the audit's main findings and how to take appropriate action.

An explicit communication strategy for the audit of the PCPR can more effectively mobilise the government's response to main findings and audit recommendations

The TCU has taken a number of actions to better communicate its main findings from the audit of the PCPR; and has been supported by increased TCU capacity for relations with Congress and the media. However, actions have focused more on enhancing dissemination of information about the audit rather than tailoring the desired action to be taken by primary audiences once they receive the main findings. An explicit communication strategy can help to define primary target audiences as well as to identify communication objectives, refine key messages and select an appropriate communications mix for each of the target audiences. An explicit strategy can also provide a sound basis for evaluating the impact of, and learning lessons from, communication activities and the audit more generally.

Reporting main findings more clearly will increase the impact of recommendations

The TCU has taken concrete actions to enhance the clarity of audit reporting related to the consolidated financial statement of the federal government – the General Balance of the Union (BGU) – in parallel with this peer review. Aligning the form and content of the audit opinion with international standards could better guide audiences' understanding of its meaning. Moreover, framing qualifications and recommendations in terms of their impact on government accountability and performance can better guide target audiences' understanding of their significance. Strengthening the link between the audit report and main findings – and in the process, streamlining the audit report – can further support understanding of how the main findings and TCU judgement was reached. Clearly reporting main findings also support the communication strategy for this audit.

Structuring planning around audit objectives and TCU knowledge of material risks can enhance the quality and purpose of audit findings

The TCU has taken a number of actions to enhance planning and implementation of its audit of the PCPR in parallel with this peer review. The introduction of a more structured audit planning process will help to refine the TCU strategy to produce higher quality and more purposeful main findings, in a more effective and efficient manner. Actions which are also underway to map high-level accounting processes for the preparation of the PCPR and to analyse TCU financial audit practices against INTOSAI Financial Audit Guidelines, are critical first steps. However, planning could further benefit from more direct linking with the audit objectives defined in the TCU Internal Rules and from leveraging institutional knowledge of material risks to the integrity of government reporting. This can help to better define the extent and scope of necessary audit tests to provide competent, relevant and reasonable evidence and support main findings.

Key recommendations for the Brazilian Federal Court of Accounts

Audit objectives and reporting

- Align the audit opinion with international standards to better guide audiences' understanding of its meaning for integrity in government reporting
- Frame main findings to better guide audiences' understanding of their significance for accountability and performance
- Strengthen the link between the audit report and main findings, focusing audiences' attention on how the judgement and findings were reached
- Assess whether the impact of the audit report can be enhanced by releasing its content at different moments of the accountability and decision-making processes

Audit planning and implementation

- Further develop the audit matrix to support the collection of more competent, relevant and reasonable evidence to support the main findings
- Draw more systematically on TCU internal knowledge of deficiencies in internal control and government reporting to support more effective and efficient audit work
- Link efforts to enhance audit capabilities with the TCU human resource management reforms and periodically review audit practices to support professional audit work
- Use improvements in the audit strategy to focus attention on how to enhance government reporting, and not only audit reporting

Communicating audit findings and assessing impact

- Develop an explicit co-ordinated audit communication strategy based on understanding target audiences to increase awareness and use of main findings
- Focus communication activities on the main findings can support audiences' understanding of their significance for government accountability and performance
- Report systematically on the executive's actions to address qualifications, and not just to implement recommendations, to enhance government accountability
- Assess impact more broadly to demonstrate the audit on public governance and support improved audit reporting and communication

Assessment and recommendations

The external audit of the Accounts of the President of the Republic (CPR) is a key instrument for supporting government accountability

The Accounts of the President of the Republic (CPR) – Brazil's consolidated year-end government report – is a core element of the federal government's financial reporting framework. Table 0.1 presents the elements of this framework, established by the 1988 Constitution of the Federative Republic of Brazil and the Law on Fiscal Responsibility (Complementary Law 101/2000). This reporting framework has supported efforts to strengthen fiscal transparency as well as to lock in long-term economic development, mitigate short-term fiscal risks and respond to development challenges (OECD, 2011; OECD & ECLAC, 2012). Moreover, transparency in financial reporting is considered critical for improving the cost-effectiveness and quality of service delivery and building legitimacy, a significant challenge in Brazil and many Latin American countries (OECD, 2008; 2009).

The CPR contains information on *i)* the federal government's financial position, financial performance and cash flows; *ii)* federal executive's compliance with the budgetary laws and in-year amendments; *iii)* financial and non-financial information about service delivery activities and achievements; and *iv)* information about key factors underlying financial and non-financial performance. This information is reported in two main components, as defined by the Organic Law on the Federal Court of Accounts (TCU) (Law 8 443/1992), namely: *i)* the General Balance of the Union (BGU) – i.e. the consolidated financial statement of the federal government – and *ii)* a report by the central authority of the Internal Control System of the Federal Public Administration (i.e. the Office of the Comptroller General of the Union, or CGU). Financial information contained in the CPR is currently reported on a modified cash basis but will be presented on a full accrual basis from fiscal year 2014.

The TCU considers the external audit of the CPR as one of its most significant control and oversight processes. The significance of this audit stems from a variety of factors, including its objective, history and procedure. This audit is the first constitutional responsibility of the TCU and directly supports the legislative oversight function. Moreover, it is one of the longest-standing activities of the TCU, having been conducted since 1892. The decision on this audit is also taken in an extraordinary session of the TCU Plenary.

It is critical to note, however, that the audit of the CPR is only one of over 8 000 TCU control and oversight processes completed every year (Table 0.2). Both the audit of the CPR as well as other control and oversight reports and quarterly are made available to the public free of charge on the Internet. Some of these processes may be discussed within the National Congress, in the Planning, Budget and Oversight Joint Committee (a joint committee spanning both chambers) and/or commissions within the Federal Senate and Chamber of Deputies. In addition to these processes, the TCU provides a summary of these processes in quarterly and annual reports to the National Congress.

Table 0.1. Brazil's federal government financial reporting framework

Reporting instrument	Description and content	Deadline for publication	Responsibility for production	Available online	Audited by TCU
"Transparency Portal of the Federal Public Administration"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated daily)	Office of the Comptroller General of the Union (CGU)	Yes	No
"SIGA Brasil"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated daily)	Planning, Budget & Oversight Joint Committee (National Congress)	Yes	No
"Fiscalize"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated weekly)	Chamber of Deputies (National Congress)	Yes	No
Summarised budget execution reports	Coverage of all expenditure, including public debt and debt rescheduling, and present expenditure for each administrative unit, although not for each programme or action carried out by the unit in question. The reports also provide comparisons between year-to-date expenditures and original estimates for most categories.	Within 30 calendar days following the end of every 2-month period	Secretariat of the National Treasury (STN)	Yes	No
Fiscal management reports	Cash-based reporting on compliance with limits set in the Law on Fiscal Responsibility & information on corrective measures taken, or to be taken, if limits are exceeded	Within 30 calendar days following the end of every 4-month period	Head of each branch of the federal government	Yes	Yes
Accounts of accountable officials	Financial statement of the respective accountable official & narrative of performance, in accordance with the parameters defined by the Federal Court of Accounts (TCU)	Approximately 3-6 months following the end of the fiscal year (report); within 2 years after end of fiscal year (audit opinion/report)	Accountable officials	Yes	Yes
Accounts of the President of the Republic (CPR)	General Balance of the Union (BGU) & report by the central authority of the Internal Control System of the Federal Public Administration	Approximately 3 months following the end of the fiscal year (report); approximately 5 months following end of the fiscal year (audit opinion/report)	Office of the Comptroller General of the Union (CGU) & Secretariat of the National Treasury (STN)	Yes	Yes
National Public Sector Balance	Consolidated financial statement of the general government (i.e. BGU and comparable reports of state and municipal governments)	30 June (i.e. 6 months following the end of fiscal year)	Secretariat of the National Treasury (STN)	Yes	No

Notes: n.a. = Not applicable.

Source: Adapted from 1998 Constitution of the Federative Republic of Brazil, Arts. 71.I and 71.II; Law on Fiscal Responsibility (Complementary Law 101/2000), Arts. 54 and 55, Organic Law on the TCU (Law 8 443/1992), Art. 7; TCU Normative Instruction 63/2010 regarding the Organisation, Presentation and Process for the Year-end Reports of Accountable Officials; TCU Normative Decisions 107/2010 and 108/2010 regarding the Guidelines for the Year-end Reports of Accountable Officials for FY 2010 and FY 2011, respectively.

Table 0.2. Brazilian Federal Court of Accounts' control and oversight processes portfolio

Control & oversight processes, by type	2006	2007	2008	2009	2010
A. Control processes	3 079	2 865	3 698	4 028	3 270
A1. Audits of the year-end report of public officials	1 366	1 337	1 773	2 062	1 114
A2. Audits of *ad hoc* report of public officials	1 712	1 527	1 924	1 965	2 155
A3. Audit of the Accounts of the President of the Republic (CPR)	**1**	**1**	**1**	**1**	**1**
B. Oversight processes (=B1+B2+B3+B4)	3 142	3 902	4 549	5 104	4 835
B1. Initiated by TCU (B1.1+B1.2+B1.3+B1.4+B1.5)	665	716	612	697	809
B1.1. Background research	322	258	201	284	104
B1.2. Audits	201	123	140	182	595
B1.3. Inspection	57	284	225	158	25
B1.4. Accompaniment	37	27	18	28	41
B1.5. Monitoring	48	24	28	45	44
B2. Initiated by external request (B2.1+ B2.2+B2.3)	1 985	2 736	3 448	3 828	3 398
B2.1. National Congress requests	76	104	94	127	160
B2.2. Complaints	267	429	491	523	522
B2.3. Representations	1 642	2 203	2 863	3 178	2 716
B3. Inquiries	59	87	68	84	66
B4. Other processes	433	363	421	495	562
C. Total processes (=A+B)	6 221	6 767	8 247	9 132	8 105

Notes:

Audits of the year-end report of (individual) accountable public officials aim to verify the legality, economy, legitimacy, efficiency and efficacy of the use of budgetary and non-budgetary resources.

Audits of *ad hoc* report of accountable public officials aim to investigate possible illegal or illegitimate activity (e.g. embezzlement, diversion of funds, property or public value), and calculate sanctions as necessary.

The term "accountable official" is defined as "public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration" (1988 Constitution, Art. 70).

The audit of the Accounts of the President of the Republic aims to verify the legality, economy, legitimacy, efficiency and efficacy of the use of budgetary and non-budgetary resources.

Background research aims to support better knowledge and understanding of the functioning of administrative units, governmental systems, programmes, projects and activities; it may also be used to identify areas of future attention by the TCU.

Audits may include *i)* financial audits to examine the financial statements of a specific public organisation; *ii)* compliance audits to examine the legality and legitimacy of management acts; and *iii)* operational (performance) audits to examine the economy, efficiency and effectiveness of public organisations, programmes and activities.

Inspections aim to clarify doubts or gaps created by lack of information or omission. Inspections are also used for verifying complaint and representation processes.

Accompaniments aim to examine the legality and legitimacy of management acts from an accounting, financial and budgetary perspective, and to evaluate public organisation's systems, programmes and activities, with a focus on economy, efficiency and efficacy.

Monitoring verifies implementation and compliance with TCU audit determinations.

Oversight processes initiated at the request of National Congress may include requests for information, audits and inspections by the Presidents of the Federal Senate and Chamber of Deputies and the chairs of congressional commissions.

Complaints refer to activities to investigate reports made by private, non-government organisations and the public denouncing an irregularity or illegality concerning the public administration.

Representations refer to activities to investigate reports made by public authorities and TCU technical units/officials denouncing an irregularity or illegality concerning the public administration.

Inquiries relate to doubts over the application of legal and regulatory devices addressed to the TCU by the President of the Republic; the Presidents of the Federal Senate and Chamber of Deputies or the chairs of congressional commissions; the President of the Supreme Federal Court or superior courts; the Attorney General of the Union; Prosecutor General of the Union; ministers of state or any authorities within the federal executive, as well as armed forces commanders.

Box 0.1. The Brazilian Federal Court of Accounts

The 1988 Constitution of the Federative Republic of Brazil establishes the Federal Court of Accounts (TCU) as an auxiliary body to the National Congress, and gives it broad powers of control and oversight over federal public sector entities and federal public funds. The Constitution defines the TCU as a collegiate body, made up of nine ministers: 1/3 appointed by the Chamber of Deputies, 1/3 by the Federal Senate and 1/3 by the President of the Republic with the prior approval of the Federal Senate. It requires that TCU ministers will be appointed for an open-ended term, until mandatory retirement at 70 years of age, and grants them the same rights and guarantees as magistrates of the Superior Court of Justice.

The nine TCU ministers elect among themselves a president and vice-president for a term of one year, extendable for an additional year. Decisions within the TCU are taken collectively by the Plenary or one of two chambers. The Plenary is made up of nine ministers, the chambers by four ministers each. The TCU president is not a member of the chambers.

The TCU follows a court-of-accounts SAI model and, in this regard, is more similar to the supreme audit institutions (SAIs) of France, Germany, the Netherlands, Portugal and Spain. Moreover, the TCU juridical powers – i.e. to judge and punish those it finds guilty of misconduct – has been directly influenced by the Portuguese Court of Accounts, stemming from historic ties between the two countries. The TCU shares similarities with the French Court of Audit, which in turn has strongly influenced the Portuguese Court of Accounts (Tavares, 1998).

Organisational model of supreme audit institutions in Brazil and select countries

Audit office	Audit board	Court of accounts
Australia, Canada, Chile, Mexico, South Africa, United Kingdom, United States	Netherlands	**Brazil**, France, Germany, Portugal, Spain

The Organic Law on the TCU (Law 8 443/1992) grants Brazil's SAI broad audit powers and the freedom to decide upon the content, timing and dissemination of its audit reports. The TCU may audit both the regularity and performance of the use of public funds. This mandate has expanded during the 1990s to incorporate oversight of public procurement (including the processing of complaints from contractors, suppliers and citizens) and monitoring compliance with expenditure limits established in the Law on Fiscal Responsibility. The Organic Law on the TCU guarantees external auditors' access to necessary documents and information from public sector entities. The Organic Law on the TCU also grants it significant managerial freedom.

The TCU ministers are supported by three general secretariats – one co-ordinating strategic planning and relationships with external actors, one co-ordinating external control and oversight processes, and one co-ordinating internal administration. The TCU is staffed with approximately 2 600 officials, of which 1 500 are auditors, and a budget of approximately BRL 1.4 billion (EUR 0.6 billion; USD 0.7 billion). It must report quarterly and annually to the National Congress on its activities.

Notes:

Audit office: A monocratic organisation with all rights, powers and responsibilities in an auditor general. An audit office is part of a parliamentary system and reports all audit findings to the legislature, typically to a parliamentary committee responsible for holding the government or public organisations accountable based on SAI reports.

Audit board: A collegiate organisation, headed by a number of members who form its college or governing board and take decisions jointly. A board is normally part of a parliamentary system and its audit reports are submitted to the legislature, where there is usually some form of public accounts committee to act on them.

Court of accounts (or court of audit): A collegiate organisation, headed by a number of members who form its college or governing board and take decisions jointly. This model is generally a self-standing court dealing only with financial matters. Less commonly, it may be part of the supreme court, and subsequently be known as a *chamber of accounts*.

Source: Definitions adapted from INTOSAI (2010), "Financial Audit Guideline: Glossary of Terms to the INTOSAI Financial Audit Guidelines", International Standards of Supreme Audit Institutions (ISSAI) 1003, INTOSAI Professional Standards Committee, Financial Audit Subcommittee Secretariat, Riksrevisionen, Sweden.

The TCU has broadened the formal objective of this audit over time to enhance government transparency and accountability

This objective is supported by two reporting elements: an audit opinion and a supporting audit report. These elements have different objectives as defined in the TCU Internal Rules, and have been broadened evolved over time by decision of the TCU Plenary (Table 0.3). Taken as a whole, the objectives of the TCU audit of the CPR is broader than comparable SAI audits of the consolidated year-end government report in many countries. The SAIs in Australia, Canada, South Africa and the United States typically focus on dimensions of regularity in auditing the consolidated year-end government report. However, the breadth of the TCU audit shares similarities with the audit of SAIs in France, Mexico and Portugal, which also cover dimensions of performance of budget execution (Table 0.4).

Table 0.3. Evolution of the objectives of the Brazilian Federal Court of Accounts' audit on the Accounts of the President of the Republic

1977 (1st TCU Internal Rules)	1993 (2nd TCU Internal Rules)	2002 (3rd TCU Internal Rules)	2012 (4th TCU Internal Rules)
A. Audit opinion, including :			
	Assessment of whether the BGU adequately represents the financial, budgetary, accounting & asset positions as of 31 December		
		Assessment of whether implementation of the federal budget, & other operations financed using federal public resources, complied with constitutional norms, laws & regulations	
B. Audit report, including:			
	Assessment of whether implementation of the federal budget, & other operations financed using federal public resources, complied with constitutional norms, laws & regulations		
			Assessment of compliance with the fiscal rules established in the Law on Fiscal Responsibility
		Assessment of the legitimacy, economy & efficiency of programmes financed by the federal budget & the achievement of goals established in the Pluri-annual Plan & Budget Directives Law	
	Assessment of the impact of the federal budget & financial administration on Brazil's socio-economic development		

Notes: BGU = General Balance of the Union; TCU = Federal Court of Accounts.

The Law on Fiscal Responsibility establishes a general framework for budgetary planning, execution and reporting, applicable to all levels of government. The law comprises general targets and limits for selected fiscal indicators, corrective institutional mechanisms in case of non-compliance, and institutional sanctions for non-compliance.

The Budget Directives Law is an annual law establishing directives for the formulation and execution of the federal budget over a medium-term framework of three years. It must be submitted to the National Congress for examination and approval 4.5 months before submission of the Draft Annual Budget Law.

The Pluri-annual Plan sets the government's priorities over the medium term, together with explicit targets and indicative budgetary appropriations at the programme level. It is released during the first year of every administration and spans the entire term of the administration.

Source: Adapted from 1977 Federal Court of Accounts' Internal Rules (Resolution 14/1977), Arts. 85-86, 92; 1993 TCU Internal Rules (TCU Resolution 15/1993), Arts. 181-182; 2002 TCU Internal Rules (TCU Resolution 155/2002), Arts. 228-229; 2012 TCU Internal Rules (TCU Resolution 240/2011), Art 228-229.

Table 0.4. Objectives of the audit of the consolidated year-end government report in Brazil and selected countries

Country	Audit report(s)	A. Regularity					B. Performance		
		Attestation of financial accountability	Financial systems & transactions	Internal control & internal audit function	Compliance with budget & fiscal targets	Attestation of performance measures & monitoring arrangements	Economy of administrative activities	Efficiency in the utilisation of resources	Actual impact of activities compared with intended impact
Australia	Independent Auditors Report on the Consolidated Financial Statements for the Period Ended 30 June 20XX Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 20XX (supporting report)	●	●	●	o	o	o	o	o
Brazil	**Audit opinion on the Accounts of the President of the Republic (CPR)** **Audit report on the Accounts of the President of the Republic (CPR)**	● ●	● ●	● ●	**o** ●	**o** ●	**o** ●	**o** ●	**o** ●
Canada	Independent Auditor's Report on the Annual Financial Report of the Government of Canada	..	..	..	..	..	..	..	..
Chile	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	Court of Audit Opinion on the State's Annual Financial Report Court of Audit Report on the Execution of Financial Laws (supporting report) Court of Audit Opinion on the Social Security Accounts Court of Audit Annual Report on the Social Security Account (supporting report)	● ● ● ●	o ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●	o ● ● ●	● ● ● ●
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	Annual Audit Report on the Public Accounts	●	●	●	●	●	●	●	●

Table 0.4. Objectives of the audit of the year-end government report in Brazil and selected countries (*cont.*)

Country	Audit report(s)	A. Regularity					B. Performance		
		Attestation of financial accountability	Financial systems & transactions	Internal control & internal audit function	Compliance with budget & fiscal targets	Attestation of performance measures & monitoring arrangements	Economy of administrative activities	Efficiency in the utilisation of resources	Actual impact of activities compared with intended impact
Netherlands	..	..	..	..	..	..	..	..	..
Portugal	Opinion on the General State Accounts	●	●	●	●	o	●	●	●
South Africa	Report of the Auditor-General to Parliament on the Consolidated Financial Statements of the National Departments, the National Revenue Fund, State Debt & Loan Accounts of the National Treasury General Report on National Audit Outcomes (supporting report)	●	●	●	●	o	o	o	o
Spain	..	o	●	●	●	o	●	●	●
United Kingdom	Certification & Report of the Comptroller & the Auditor General on the Whole of Government Accounts	●	●	●	o	o	o	o	o
United States	Statement of the Acting Comptroller General of the United States	●	●	●	o	o	o	o	o

Notes:

● = Yes, o = No; n.a. = Not applicable (no audit of the consolidated year-end government report); .. = Missing data.

Australia: In late 2011, the Auditor-General Act 1997 was amended to give the Auditor-General (and the Australia National Audit Office) explicit authority to undertake audits of the appropriateness of key performance indicators as presented in public sector entities' Portfolio Budget Statements and subsequently, the completeness and accuracy with which they are reported in these entities' annual reports. A pilot is under way to establish a methodology and approach for undertaking this work. In the medium term (approximately 3-4 years), if ongoing funding for this function is provided to the ANAO, it is likely that an audit of the appropriateness of key performance indicators and the completeness and accuracy of their reporting will be included as part of each public sector entities' annual financial statements audit and subsequently, the year-end government report.

Source: Response options adapted from INTOSAI (2001), "Basic Principles in Government Auditing", *International Standards of Supreme Audit Institutions* (ISSAI), 100, INTOSAI Professional Standards Committee, Copenhagen, *www.issai.org*.

The audit report on the CPR is structured into nine chapters, including a concise one-page chapter containing the TCU opinion. Many of the chapters roughly correspond to one or two of the audit objectives discussed in previous paragraphs (Table 0.5). In addition, there are dedicated chapters for a thematic topic selected by the TCU minister responsible for the audit (*i.e.* the rapporteur) and the audit main findings. The thematic topic is intended to shape discourse on public governance for the year. Recent thematic topics have included government actions to support sustainable growth within Brazil's economy (audit of the FY 2011 CPR), the effectiveness of regulatory agencies in protecting consumer rights (FY 2010) and agricultural priorities, actors, programmes and resourcing (FY 2009). Chapter 8 ("Conclusions") includes a synthesis of the main audit findings from the various chapters of the audit report as well as the TCU qualifications and recommendations. Qualifications relate to issues identified in the analysis of the CPR. Recommendations are suggestions by the TCU to the federal executive to improve its reporting and enhance performance.

Changes in the audit objective are also evidenced by the relative weight accorded to different topics in the audit report and main findings, i.e. qualifications and recommendations. The emphasis of audit reporting has shifted focus from thematic topics (FY 2001-02) to compliance of budget execution with budgetary laws & regulations (FY 2003-04 and FY 2009-11), the regularity of the BGU (since FY 2004) and compliance and performance of government sectoral actions (FY 2006-09) (Figure 0.1). Between FY 2001 and FY 2006 there was also an effort to reduce the size of the report, though this trend has since been reversed with a renewed focus on the compliance and performance of government sectoral actions.

The audit of the CPR is completed in a timely manner but legislative scrutiny is subject to long delay

The TCU makes publicly available, including on the Internet, its audit of the CPR within approximately 5 months of the end of the fiscal year – in line with Brazil's constitutional deadlines and international good practices (Figure 0.2). Brazil's 1988 Constitution obligates the TCU to issue its audit opinion within 60 days of receiving the CPR from the National Congress. The Constitution also specifies that the National Congress must receive the CPR within 60 days of the start of the first legislative session for the year. This session starts at the beginning of February each year. The Law on Fiscal Responsibility requires that the TCU opinion on the CPR be fully disclosed, including electronically. The OECD (2002) "Best Practices for Budget Transparency" states that the external audit of the consolidated year-end government report be released within six months of the end of the fiscal year and made publicly available, including free of charge, on the Internet.

Legislative scrutiny of the CPR using the TCU audit opinion is, however, subject to much delay, weakening government accountability and decision making. The role of legislative scrutiny of the CPR and audit opinion is elevated in Brazil: the 1988 Constitution explicitly states that the TCU audit opinion should be "preliminary", which the TCU emphasises should be taken to mean that the National Congress has the exclusive competence to issue the opinion on the CPR and to judge the performance of the President of the Republic. The delay in legislative scrutiny is despite the National Congress having a permanent committee – the Planning, Budget and Oversight Joint Committee (CMO) – with responsibility and substantial powers to scrutinise the performance and accountability of the President of the Republic. The CMO has taken, on

average, two-and-a-half years during the past decade to initiate its review of the CPR after receiving the audit opinion (Figure 0.3).

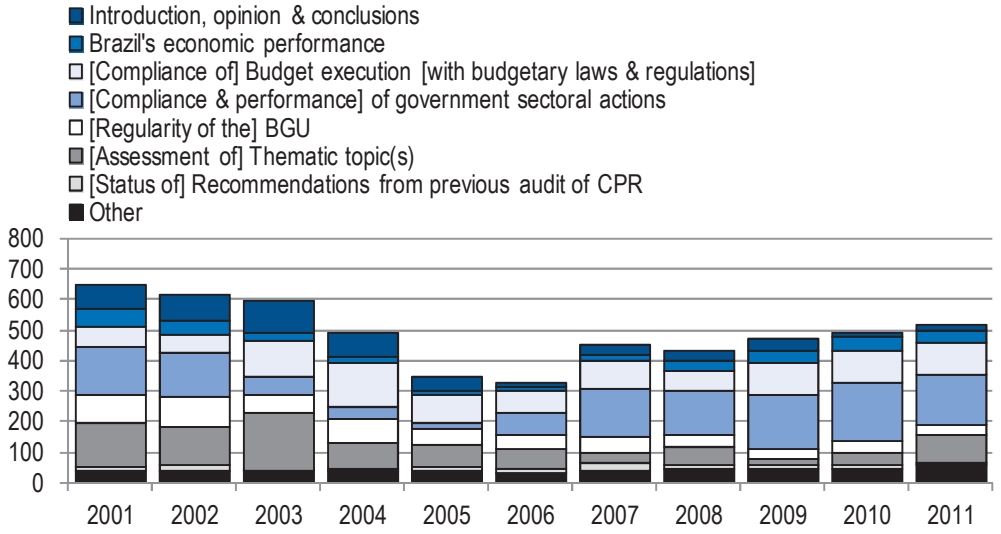
Table 0.5. Link between the audit report on the FY 2011 Accounts of the President of the Republic and the audit objectives as defined by the Brazilian Federal Court of Accounts' Internal Rules

Chapter of the TCU audit report	Link to the TCU audit objective / scope	Chapter content
1. Introduction	n.a.	
2. Brazil's economic performance	An assessment of the impact of the federal budget & financial administration on Brazil's socio-economic development	Assessment of the federal government's fiscal, monetary & credit policies, including *i)* achievement of the federal government's inflation & employment targets & *ii)* compliance with the federal government's public debt targets
3. [Compliance of] Budget execution [with budgetary laws & regulations]	An assessment of whether implementation of the federal budget, & other operations financed using federal public resources, have complied with constitutional norms, laws & regulations & An assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility	Assessment of federal revenue collection & compliance with fiscal targets to achieve a primary surplus Assessment of tax expenditure including trends, the management of such expenditure by government systems, & the impact of tax expenditure against policy goals Assessment of the collection of administrative fines, including collection performance by public sector entities, the functioning of government systems to monitor collection, & measures adopted to increase collection Assessment of the volume, composition & collection of federal collectable debt Assessment of implementation of the federal government's priority actions defined in the Budget Directives Law Assessment of government expenditure, by expenditure type & function of government, & compliance with ceilings/limits defined in the Budget Directives Law Assessment of the federal executive's compliance with the Law on Fiscal Responsibility Assessment of the evolution & compliance the investment budgets of state-owned & mixed-capital enterprises financed by the federal government
4. [Compliance & performance of] Government sectoral actions	An assessment of the legitimacy, economy & efficiency of programmes in the Annual Budget Law & the achievement of goals in the Budget Directives Law & Pluri-annual Plan	Assessment of the financial & physical implementation of the Pluri-annual Plan targets & the functioning of systems that support its monitoring & reporting Assessment of financial & physical implementation of the Growth Acceleration Programme & the functioning of systems that support its monitoring & reporting Assessment of the financial & physical implementation of the Annual Budget Law & compliance with constitutional expenditure targets for health, education & irrigation
5. [Regularity of the] BGU	An assessment of whether the BGU adequately represent its financial, budgetary, accounting & asset positions as of 31 December	
6. [Assessment of] Thematic topic(s)	n.a.	Discussion of one or more special topic(s) selected by the TCU minister responsible for the audit of CPR (i.e. the rapporteur)
7. [Status of] Recommendations from previous audit of CPR	n.a.	Assessment of the implementation of the TCU recommendations from the previous audit of the CPR
8. Conclusions	Synthesis of the findings presented in Chapters 2 through 6, as well as TCU qualifications & recommendations	
9. [TCU] Audit opinion	Synthesis of the findings presented in Chapters 3 & 5	

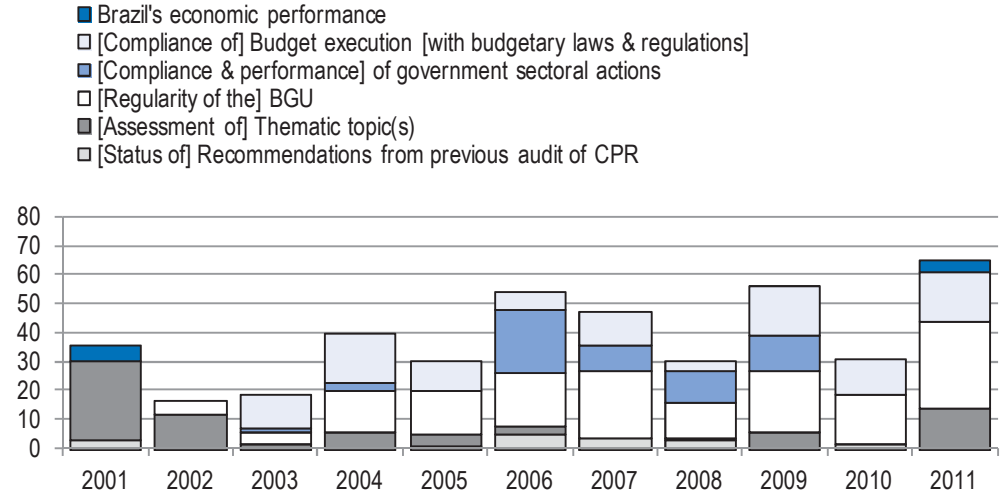
Notes: BGU = Consolidated financial statements of the federal government; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; n.a. = Not applicable.

Figure 0.1. Brazilian Federal Court of Accounts' audit report on the Accounts of the President of the Republic

A. Page numbers, by report chapter, by audited fiscal year

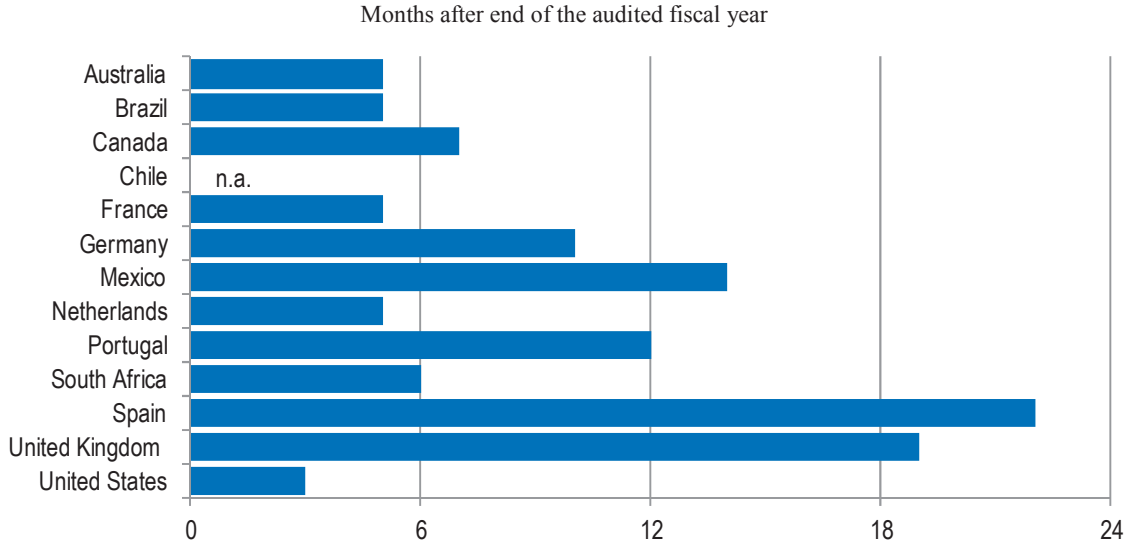


B. Number of qualifications and recommendations, by report chapter, by audited fiscal year



Notes: BGU = General Balance of the Union; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; "Other" refers to material such as the table of contents, chapter cover pages, etc.

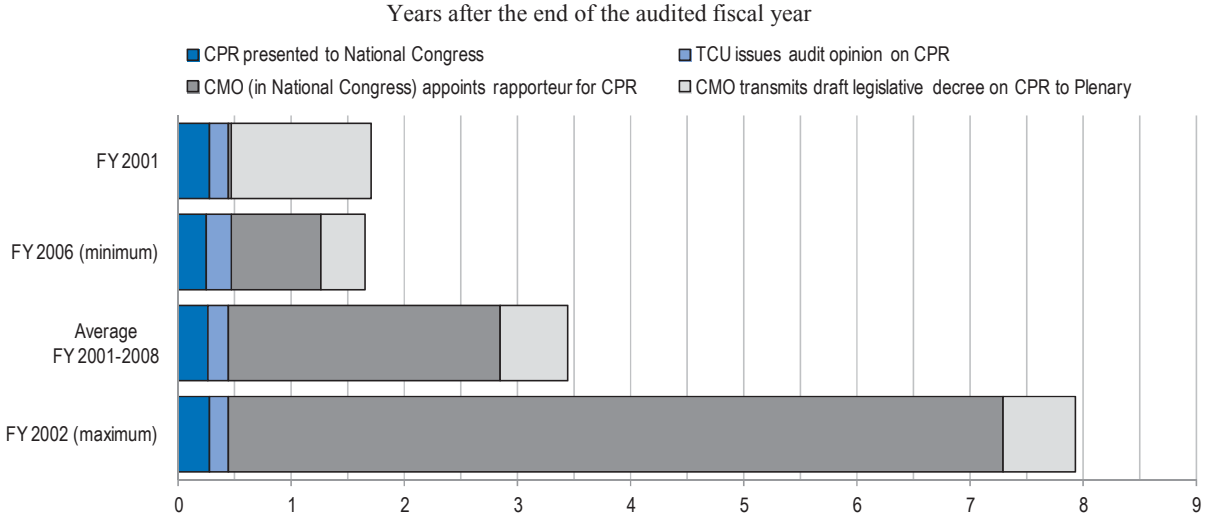
Figure 0.2. Completion of the audit of the consolidated year-end government report in Brazil and selected countries



Notes: n.a. = Not applicable.

Chile: No consolidated year-end government report.

Figure 0.3. Total time taken for scrutiny of Accounts of the President of the Republic within the National Congress Planning, Budget and Oversight Joint Committee



Notes: CMO = Planning, Budget and Oversight Joint Committee; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; Average only for FY 2001-08, as process has not concluded for FY 2009, FY 2010 or FY 2011.

However, the National Congress' deliberation does not conclude with CMO deliberations. Once the CMO issues a draft legislative decree and report, the CPR must formally be discussed and approved by both chambers of the National Congress (*i.e.* the Chamber of Deputies and the Federal Senate). During the last decade, the National Congress has only concluded deliberations on the FY 2001 CPR (Table 0.6).

The TCU could seek to understand the main barriers and constraints facing the National Congress' scrutiny of the CPR. The TCU considers its immediate work completed upon publication of its audit opinion and audit report, until it begins to monitor the government actions to address qualifications and implement recommendations. Greater understanding of these constraints and barriers could assist the TCU in working together with the National Congress to enhance public sector accountability and inform decision making, linking *ex post* and *ex ante* budget oversight.

Table 0.6. Status of National Congress' deliberations on the Accounts of the President of the Republic

Shading indicates status within the National Congress
(dark blue = completed; light blue = not concluded; white = not begun)

Audited fiscal year	National Congress Planning, Budget & Oversight Joint Committee draft Legislative Decree (*Paracer*)	Federal Senate draft Legislative Decree (PDS)	Chamber of Deputies draft Legislative Decree (PDC)	National Congress Legislative Decree
2001	Parecer 82/2003-CN	PDS 775/2002	PDC 2 662/2002	Decree 447/2002
2002	Parecer 46/2010-CN	Begun; not concluded	PDC 40/2011	Yet to commence
2003	Parecer 3/2007-CN	PDS 77/2007	Begun; not concluded	Yet to commence
2004	Parecer 1/2009-CN	PDS 60/2009	Begun; not concluded	Yet to commence
2005	Parecer 47/2010-CN	PDS 91/2011	Begun; not concluded	Yet to commence
2006	Parecer 2/2009-CN	Begun; not concluded	PDC 1 376/2009	Yet to commence
2007	Parecer 12/2011-CN	PDS 189/2011	Begun; not concluded	Yet to commence
2008	Parecer 48/2010-CN	Begun; not concluded	PDC 42/2011	Yet to commence
2009	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence
2010	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence
2011	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence

Note: Data correct as of November 2012.

Box 0.2. The Brazilian National Congress Planning, Budget and Oversight Joint Committee

Brazil's National Congress is a comprised of the Federal Senate and the Chamber of Deputies. The Federal Senate is composed of 81 representatives from the 26 states and the Federal District, elected in single-seat constituencies. Federal senators are popularly elected for an eight-year term, with elections staggered so that two-thirds and one-third are elected alternatively every four years. The Chamber of Deputies is composed of 513 deputies popularly elected to 4-year terms by proportional representation.

The Planning, Budget and Oversight Joint Committee is responsible for examining the Accounts of the President of the Republic (CPR) and the TCU audit opinion. It delegates technical discussions on the CPR and the TCU audit opinion to a Subcommittee for Evaluation, Oversight and Control. This subcommittee is one of four permanent committees under the Planning, Budget and Oversight Joint Committee; the others focus on revenue estimates, budget amendments and irregularities in public works.

The evaluation of the CPR by the Subcommittee for Evaluation, Oversight and Control must be approved by the majority of its respective members before a vote by the members of the Planning, Budget and Oversight Joint Committee and subsequently the plenary of the National Congress.

Box 0.2. The Brazilian National Congress Planning, Budget and Oversight Joint Committee (*cont.*)

The Planning, Budget and Oversight Joint Committee has substantial powers of summons, as defined under the 1988 Constitution. It may summon federal ministers, political appointees or citizens, as well as federal public entities, to submit any documents and information concerning their respective programmes and financial plans. It may also request the TCU to conduct control and oversight processes and to share other information concerning the accountability of financial, budgetary and operational systems.

Legal basis, composition and leaderships of the legislative budget oversight committee, in Brazil and selected countries

Country	Name	Referring chamber	Size (quorum)	Party proportionality	Chair	Committee term
Australia	Joint Committee of Public Accounts & Audit	Joint	16	Yes	Opposition/ independent	3 years
Brazil	Planning, Budget & Oversight Joint Committee, *within which*	Joint	40	Yes	Ruling party	1 year
	- Subcommittee for Evaluation, Oversight & Control	Joint	10	Yes	Ruling party	1 year
Canada	Public Accounts Committee	Lower	17	Yes	Opposition	5 years
Chile	Budget Joint Committee	Joint	26	Yes	Voted internally	1 year
France	Finance Committee, *within which*	Lower	73 (37)	Yes	Opposition	1 year
	- Mission of Evaluation & Control	Lower	16	Yes	Ruling party & Opposition	1 year
Germany	Appropriations Committee, *within which*	Lower	41 (21)	Yes	Opposition	4 years
	- Subcommittee on Public Accounts	Lower	15	Yes	Opposition	4 years
Mexico	Federal Superior Audit Oversight Committee	Lower	30	Yes	Opposition	4 years
Netherlands	Public Expenditure Committee	Lower	23 (none)	Yes	Voted internally	4 years
Portugal	Budget Committee	Lower	21 (11)	Yes	Opposition	4 years
South Africa	Standing Committee on Public Accounts	Lower	16	Yes	Opposition	5 years
Spain	Joint Committee for the Relationship with the Court of Accounts	Joint	43	Yes	Ruling party	4 years
United Kingdom	Public Accounts Committee	Lower	16 (4)	Yes	Opposition	5 years
United States	..	..	..	..	..	..

Aligning the audit opinion with international standards can better guide audiences' understanding of its meaning for integrity in government reporting

An audit opinion is normally in a standard format, which obviates having to state at length the findings of all audit tests, but nonetheless conveys a message in a generally understandable context. The TCU opinion on the CPR could be more closely aligned with the elements defined in *International Standards of Supreme Audit Institutions* (ISSAI) 400: "Reporting Standards in Government Auditing" (INTOSAI, 2001b) and that are included in the opinions of other SAIs (Table 0.9).

Table 0.7. Content and presentation of supreme audit institution's audit opinion on the consolidated year-end government report in Brazil and selected countries

Country	Name of audit report	Audited fiscal Year	A. Content				B. Presentation			
			Identification of subject matter	Objective & scope	Legal basis	Compliance with audit standards	Suitable title	Complete-ness	Details on addressee	Signature & date
Australia	Independent Auditors Report on the Consolidated Financial Statements for the Year Ended 30 June 20XX	2010/ 2011	●	●	●	●	●	●	●	●
Brazil	**Audit opinion on the Accounts of the "Federal Executive"**	**2010**	**o**	**o**	**●**	**o**	**●**	**o**	**o**	**o**
	Audit opinion on the Accounts of the "Federal Executive"	**2011**	**o**	**o**	**●**	**o**	**●**	**o**	**o**	**●**
Canada	Independent Auditor's Report on the Annual Financial Report of the Government of Canada, Fiscal Year 20XX	2010/ 2011	●	●	●	●	●	●	●	●
Chile	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	Court of Audit Opinion on the State's Annual Financial Report 20XX	2010	o	●	●	●	●	●	o	o
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	Annual Audit Report on the Public Accounts	2010	●	●	●	●	●	●	●	●
Netherlands	..	..	..	..	..	..	..	..	..	..	..
Portugal	Opinion on the 20XX General State Accounts	2010	●	●	●	●	●	o	●	●
South Africa	Report of the Auditor-General to Parliament on the Consolidated Financial Statements of the National Departments, the National Revenue Fund, and State Debt & Loan Accounts of the National Treasury	2010	●	●	●	●	●	●	●	●
Spain	..	2010	●	●	●	●	●	●	●	●
United Kingdom	Certification & Report of the Comptroller & the Auditor General on the Whole of Government Accounts, Year Ended 31 March 20XX	2009/ 2010	●	●	●	●	●	●	●	●
United States	Statement of the Acting Comptroller General of the United States	2010	●	●	o	●	●	●	●	●

Notes:

● = Yes, o = No; n.a. = Not applicable (i.e. no audit of the consolidated year-end government report); .. = Missing data.

Identification of subject matter: The opinion should identify the financial statements to which it relates, including the name of the audited entity and the period covered by the financial statements and the subject that has been audited.

Objectives and scope: The opinion should include reference to the objectives and scope of the audit as a basis for establishing the audit's purpose and boundaries.

Legal basis: Audit opinions should identify the legislation or other authority providing for the audit.

Compliance with standards: Audit opinions should indicate the auditing standards or practices followed in conducting the audit, thus assuring the reader that the audit has been carried out in accordance with generally accepted procedures.

Suitable title: The opinion should be preceded by a suitable title or heading, helping the reader distinguish it from statements and information issued by others.

Signature and date: The opinion should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor was aware up to that date.

Details on addressee: The opinion identifies those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This may be unnecessary where formal procedures exist for its delivery.

Completeness: The opinion should be appended to and bound with the financial statements to which they relate.

Source: Definitions adapted from INTOSAI (2001), "Reporting Standards in Government Auditing", *International Standards of Supreme Audit Institution* (ISSAI), 400, INTOSAI Professional Standards Committee, Copenhagen, *www.issai.org*.

The audit opinion could clearly identify the subject matter to which it refers, *i.e.* the title of the document to which the opinion relates. The audit opinion does not mention the precise title of the CPR as it is presented to the National Congress by the President of the Republic – *e.g.* the CPR for Fiscal Year 20XX; it makes reference to the "Accounts of the Federal Executive" (*Contas do Poder Executivo*) and the constitutional basis for the CPR. The TCU opinion also states that it based on analysis of the BGU and the report by the central authority for Internal Control of the Federal Public Administration (*i.e.* the CGU), but does not explain the relationship of these documents to the CPR; they in fact constitute the CPR. Clear identification of the subject matter is particularly significant, as the TCU opinion on the CPR is not characterised by "completeness" – *i.e.* it is not published and bound together with the document to which it relates.

Moreover, the TCU could explicitly and unambiguously report its audit opinion in a format that is consistent with its audits of other accounts. The opinion on the CPR has been "approved, with qualifications" for the last decade, but this format does not conform to the format of audits of other accounts that may be judged as "regular", "regular with qualifications", "irregular" or "unsettleable". The TCU explains that the different format of the audit opinion on the CPR reflects the broadened scope of this audit. However, an audit opinion need not be limited simply to the attestation of financial accountability. Constitutional or statutory obligations may require the SAI to report specifically on the execution of budgetary laws, reconciling budgetary estimates and authorisation with the results set out in the financial statements (INTOSAI, 2001b). If deemed necessary, multiple audit opinions could be issued addressing individually: *i)* budget compliance with constitutional norms, laws and regulations; *ii)* regularity of the BGU; *iii)* the functioning of key internal control systems; *iv)* compliance with fiscal ceilings established in the Law on Fiscal Responsibility. The TCU may wish to include an opinion on the reliability of non-financial information reported in the CPR, in line with emerging good SAI practice.

In parallel with this peer review, the TCU began steps to enhance its financial audit capabilities in line with *INTOSAI Financial Audit Guidelines* (ISSAI 1 000-2 999) and international good practices. This is expected to support improvements in form, content and format audit opinion over time. This could be complemented with a review of TCU compliance audit capabilities with ISSAI 4 200: "INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements" (INTOSAI, 2010b). This is particularly relevant for the TCU as the audit of the CPR includes an assessment of compliance with various budgetary laws, as previously highlighted in Table 0.4.

Framing audit main findings can better guide audiences' understanding of their significance for government accountability and performance

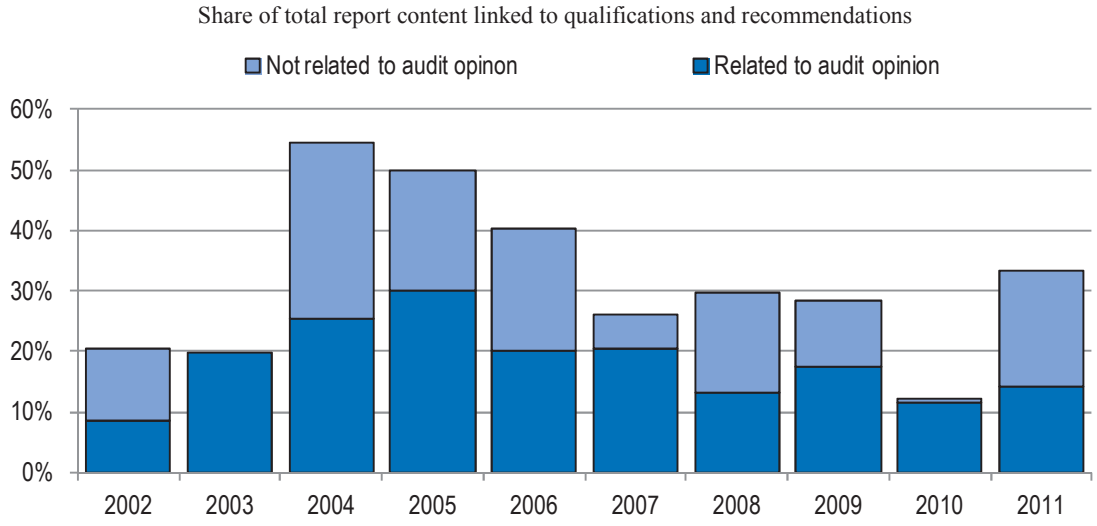
Together with the audit opinion, qualifications and recommendations constitute the main findings of the audit of the CPR. As noted in the preceding section, qualifications relate to material weaknesses identified by the TCU in its audit of the CPR. Recommendations are suggestions by the TCU to public administrators in order to improve processes and enhance performance. The TCU qualifications and recommendations presented in the Conclusions of the audit report on the CPR tend to be technical and presented in an abstract manner. The TCU does not explain why qualifications matter in relation to the audit objectives and scope, or how addressing the qualifications and implementing recommendations will contribute to a "cleaner" audit

opinion and enhanced government accountability and performance. Explaining clearly the significance of qualifications and/or the rationale for implementing recommendations can empower audiences of the audit report to hold the government to account.

Strengthening the link between the audit report and main findings can better focus attention on how the judgement and findings were reached

The link between TCU audit report and the main findings (*i.e.* audit opinion, qualifications and recommendations) on the CPR is relatively weak. This link increased for the audits of the FY 2004, FY 2005 and FY 2006 CPR, when the TCU proactively sought to reduce the size of its audit report, but has since declined (Figure 0.4). This weak link between the audit report and main findings raises concern that audit evidence may be crowded out by other information or, worse, that this information could blur the objective and focus of the audit reporting. The TCU practice departs from ISSAI 400: "Reporting Standards in Government Auditing" which notes that the audit report should "[set] out the findings in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and *relevant* audit evidence, and be independent, objective, fair and constructive" (INTOSAI, 2001b, Para. 7a; emphasis in italics). Moreover, it is good practice for regularity audits to be accompanied by a report on the audit tests conducted, including a statement of "positive assurance" on those items tested for compliance and "negative assurance" on those items not tested; for performance audits, the report should include all significant instances of non-compliance that are pertinent to the audit objectives (INTOSAI, 2001b).

Figure 0.4. Link between the Brazilian Federal Court of Accounts' audit report and main findings on the Accounts of the President of the Republic



Notes:
Related to audit opinion - i.e. Chapters 3 ([Compliance of] Budget execution [with budgetary laws & regulations]) & 5 ([Regularity of the] BGU);

Not related to audit opinion: i.e. Chapters 2 (Brazil's economic performance), 4 ([Compliance & performance of] Government sectoral actions) & 6 ([Assessment] of Thematic topic(s)).

As a result of discussions linked to this peer review, the TCU has already taken action to address this observation. For example, Chapter 5 of the audit report on the FY 2011 CPR was significantly reconfigured to provide only information that substantiates its qualifications and recommendations on the BGU. This is not the case for the other chapters, which tend to provide only an independent narrative of budget execution and performance. In addition, the qualifications and recommendations in the audit report included, for the first time, explicit reference to the relevant chapter and section the evidence was contained.

The TCU could further address this concern by questioning the role for the audit report to provide a narrative of government performance and questioning the role of the audit report to promote visibility of its other control and oversight processes. That weak link may reflect past concern over the reliability and effective transparency of the CPR and challenges facing TCU external communications. The audit report appears as a parallel narrative of the federal executive's performance over the last fiscal year, rather than a focusing on significant concerns over content contained in the CPR or key challenges and risks to government performance and accountability. It may also reflect an overemphasis by the TCU on providing independent information and leveraging the audit report on the CPR as an instrument of communication. The underlying factors that may have given rise to this situation are arguably less relevant today (Table 0.8).

Assessing whether releasing the content of audit reporting at different moments of the accountability and decision-making processes can enhance impact

As noted in the preceding section, the TCU issues its audit report in a timely manner in line with constitutional deadlines and international good practice. The TCU does not, however, give explicit consideration to the content of its audit report and the timing of the federal government's accountability and decision-making processes. For example, audit report contains an analysis of government debt, the primary surplus and compliance with targets set in the Law on Fiscal Responsibility. This analysis can shape congressional deliberations on the macro-fiscal framework for the annual budget, specifically the Budget Directives Bill. This Budget Directives Bill is characterised as Brazil's pre-budget document (Blöndal, Goretti and Kristensen, 2003). The OECD (2002) considers that the pre-budget document should explicitly state the government's long-term economic and fiscal policy objectives and medium-term policy intentions for the forthcoming budget and, at a minimum, the following two fiscal years. However, because the analysis is included in the audit report, it is received relatively late into the discussion of the Budget Directives Bill – reducing the possible impact of the TCU analysis to inform government decision making (Figure 0.5).

The TCU could take concrete actions to understand when the information currently contained in its report accompanying the audit opinion could be most useful with respect to scrutiny of last, and the formulation of future, annual budgetary laws within the federal executive and the National Congress. Moreover, specific attention could be given to whom this information is useful. The TCU could direct attention not only at the CMO (introduced in the preceding section), but also sectoral committees within the National Congress. Within the federal executive attention could be given to the Office of the President of the Republic and the Federal Ministry of Planning, Budget and Management, Federal Ministry of Finance, Office of the Comptroller General of the Union and/or

federal ministries. Finally, the TCU could take concrete action to understand the level at which information is useful for the needs of these different audiences, *i.e.* whole-of-government, function of government and/or ministry portfolio. An alternative would be to develop various more focused reports and to release them for specific accountability and decision making processes.

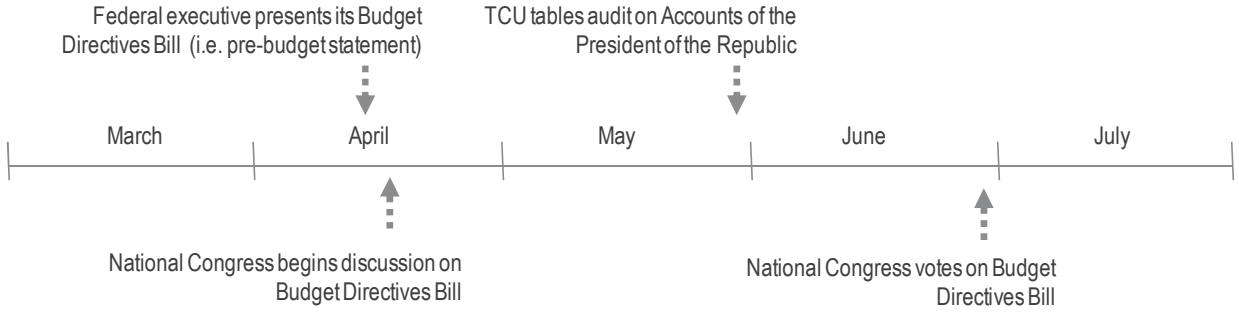
Table 0.8. Factors contributing to the current state of the audit report on the Accounts of the President of the Republic

Previous challenges	Hypothesised impact on audit reporting on CPR	Situation today	Expected situation in the future
External to the TCU: Concern over federal government reporting			
Systemic weaknesses over the Internal Control System of the Federal Public Administration, including concern over the independence of internal audit	TCU sought to provide a parallel narrative to the CPR in its audit of this report, in order to provide independent information to National Congress & the general public	Internal audit function centralised within CGU; attention focused on introducing a risk-based approach & use of new techniques; however, internal control still remit of internal auditors, not managers	More risk-based approach to internal control within the federal public administration, providing more reliable information in the CPR
CPR voluminous & indigestible - 5 000 pages, 6 volumes - undermining effective transparency in financial reporting	TCU sought to make information contained in the CPR more digestible for the National Congress & the general public	CPR has been condensed with the objective of making information more transparent (1 300 pages, 1 volume)	Federal executive to improve usability of CPR, reflecting commitments to international agreements (e.g. Open Government Partnership, Global Initiative on Fiscal Transparency)
Internal within the TCU: Promoting the visibility of control and oversight processes			
Limited interaction between TCU & National Congress (& committees) – focused only on year-end report & quarterly activity reporting, as outlined in the Organic Law on the TCU		Growing interaction between the TCU & the National Congress (& its committees) with a revised mandate of the TCU Congressional Advisory Service since 2008 & a policy of proactive engagement with the National Congress	Continuation of situation today
TCU communications function focused narrowly on publishing information on its decisions & reports, preparing TCU ministers on media engagement, & strengthening internal communications	TCU sought to use year-end report to raise awareness of the findings of its main control & oversight activities conducted during the previous reporting period	Improved reporting to the media & other external stakeholders, with a revised mandate for the TCU Secretariat of Social Communications & a policy of proactive communication	Development of a TCU institutional & product-specific communications strategy, drawing on an understanding of the needs of specific audiences & targeted communications research
Limited availability of TCU instruments to provide a whole-of-government level, with most activities focusing at a micro-level, not permitting the elevation of cross-cutting issues & risks within the public administration		TCU has begun to publish thematic reports presenting main challenges & risks facing the federal government, aggregating main findings & recommendations (e.g. public works, 2014 World Cup, 2016 Olympics)	More systematic publication of thematic reports presenting main challenges & risks facing the federal government, aggregating main findings & recommendations for all government sectors/ functions

Notes: CGU = Office of the Comptroller General of the Union; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts.

Figure 0.5. Link between TCU audit reporting on Accounts of the President of the Republic and federal government budget decision making

Example of Chapter 2 of TCU audit report and the formulation of the macro-fiscal framework for the annual budget



Source: Adapted from Blöndal, J.R., C. Goretti and J.K. Kristensen (2003), "Budgeting in Brazil", *OECD Journal on Budgeting*, Vol. 3, No. 1, pp. 97-131, doi: 10.1787/budget-v3-1-en

Developing further the audit matrix can support the collection of more competent, relevant and reasonable evidence to support the main findings

The TCU introduced the use of an audit matrix as a tool to support audit planning and the definition of information needs for its audit of the FY 2011 CPR. Although the TCU has experience using audit matrices as a tool for planning its compliance and performance audit activities, this was the first time one was applied to the audit of the CPR. Previously, planning of the audit of the CPR had only involved a production plan to support the timely production of the audit report. The production plan captured information such as page limits, deadlines and responsibilities for drafting and review of the different chapters, sections and subsections of the audit report. While the production plan has helped to deliver the audit on time and in line with the priorities and guidelines of the audit, it does not provide a strategy for the audit work. The recently introduced audit matrix for the audit of the CPR seeks to identify the questions that need to be answered and what this will be able to establish, as well as what information is required and the source of this information. However, in comparison, the audit matrix for TCU compliance and performance audit activities also identifies what procedures will be used to address the respective audit questions, the object of analysis as well as possible findings, as well as resourcing issues (*e.g.* internal responsibility and timing).

Additional information could be incorporated into the audit matrix to support the formulation of a more effective audit strategy for the CPR and help the TCU to align its practices with ISSAI 300: "Field Standards in Government Auditing". This standard emphasises that audit findings should be supported by competent, relevant and reasonable evidence regarding the subject matter under audit. Supporting materials should be sufficiently complete and detailed to enable audiences to ascertain what work was performed to support the audit findings (INTOSAI, 2001c). The current matrix for the audit of the CPR could be augmented to explicitly link the audit questions with the audit objectives defined in the TCU internal rules (previously presented in Table 0.4). The matrix could explicitly link between its audit questions and audit objectives for the CPR, as defined in the TCU Internal Rules. The matrix could also include information on the subject matter and audit criteria to structure the collection of competent, relevant and

reasonable audit evidence supporting the auditor's judgement and main findings. Augmenting the matrix with information on qualifications from the audit of the previous years' CPRs and other deficiencies in internal control can also help to determine the scope of the audit work.

Drawing more systematically on internal TCU knowledge of deficiencies in internal control and reporting can support more effective and efficient audit work

The TCU has engaged more of its secretariats of external control (*i.e.* audit units) in the audit of the CPR since FY 2009 to enhance quality of this audit. This engagement has sought to leverage their knowledge about government entities and programmes as input into audit reporting. However, this engagement is limited to the drafting of the audit report rather than audit planning. Rather than focusing on the number of secretariats of external control involved in the audit of the CPR, the TCU could focus on how it sourced information from its other control and oversight processes as input into the audit of the CPR. At present the audit of the CPR draws largely on the work initiated specifically for the thematic topic selected by the rapporteur of the audit or the routine activities of the Secretariat of Government Macro-Evaluation (Semag): the secretariat that co-ordinates the audit of the CPR. In particular, Semag assesses compliance of budget execution with appropriations set in the Annual Budget and Budget Directives Laws during the fiscal year, based on semester reporting on budget realisation. Semag also assesses the government's compliance with fiscal ceilings established in the Law on Fiscal Responsibility, based on the fiscal monitoring reports prepared by each branch of government within 30 days after the end of every 4-month period.

The TCU could take action to better leverage knowledge generated from its other control and oversight processes to support the audit of the CPR. For example, the TCU could utilise audits of the accounts of individual public officials (*i.e.* individual reporting entities) to identify more systematic risks affecting the regularity of CPR reporting and government performance reported in the CPR. There is currently no connection between the work of the audits of the CPR and the accounts of individual public officials. Whereas the audit of the CPR must be completed within 5 months following the end of the fiscal year, the Organic Law on the TCU stipulates that the external audit of year-end reports of accountable officials must be completed within 24 months following the end of the fiscal year. In practice, the TCU does not begin auditing even the most materially significant of the year-end reports of individual public officials until eight to nine months following the end of the fiscal year. Nor do TCU officials see a link between the audits of the CPR and entity re, as in the case of many other SAIs (*e.g.* Australia, the Netherlands, Spain and the United States, among others). Moreover, TCU could accelerate efforts to introduce a common methodology to assess risks federal government entities and programmes.

Linking efforts to enhance audit capabilities with TCU human resource reforms and periodically reviewing audit practices can support professional audit work

The TCU is taking steps to enhance its financial audit capabilities in line with *INTOSAI Financial Audit Guidelines* (ISSAI 1 000-2 999) and international good practices to develop a strategy to strengthen financial audit capability. As part of this work, the TCU is analysing gaps between its financial audit practices and *INTOSAI Financial Audit Guidelines*. The next steps of the project include identifying gaps between the actual TCU financial audit procedures and these international standards and

good practices. The TCU training institute (*Instituto Serzedello Corrêa*) will also develop a postgraduate programme in financial auditing, drawing upon the results of the technical assistance as well as other experts on external control and oversight. The TCU analysis is timely, as most of the standards in the *INTOSAI Financial Audit Guidelines* were only published in the last few years: 10 in 2007 and the remaining 28 in 2010. The TCU could also analyse gaps between the TCU compliance audit manual and ISSAI 4 200: "INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements", as audit of the CPR includes an assessment of compliance with various budgetary laws (INTOSAI, 2010b).

It is imperative that actions to strengthen financial audit capabilities are aligned with the implementation of the TCU competency framework, to ensure synergies with – and to support implementation of – human resource management reforms. Efforts to modernise human resource management practices and develop the competencies of officials are key elements of the 2011-15 TCU Strategic Plan. Competency management was introduced into the TCU in 2006 with the aim of stimulating the development of a workforce of capable and motivated professionals, and enhancing TCU effectiveness. The TCU could consider putting in place mechanisms to assure that subsequent updates to the *INTOSAI Financial Audit Guidelines* are reflected in its guidelines and audit procedures in a timely manner. The INTOSAI Financial Audit Subcommittee will begin a review of two standards from the *INTOSAI Financial Auditing Guidelines* in 2012, with a further 36 scheduled to be revised after 2013. The INTOSAI Compliance Audit Subcommittee will begin to review ISSAI 4 200 after 2016. Ensuring TCU standards remain up to date could be achieved by a peer review of the TCU financial audit methodology in five years' time, and involve a number of SAIs represented on the INTOSAI Subcommittees on Financial Audit and Compliance Audit.

Using improvements in the audit strategy can focus attention on enhancing government reporting, and not only audit reporting

As noted in the preceding section, the Organic Law on the TCU states that the CPR should comprise two elements: *i)* the BGU; and *ii)* a report by the central authority of the Internal Control System of the Federal Public Administration. The General Norms for the Preparation and Control of the Budget and Financial Statements define the content of the BGU, with the Federal Ministry of Finance regulating the accounting basis for the statements. The Organic Law on the TCU gives the Brazil's SAI authority to define the content of the report by the central authority of the Internal Control System of the Federal Public Administration, which it does through the annual instruction (*aviso*). This instruction is sent to the CGU in October-November of each year. This instruction often requires the federal executive to furnish additional information in the CPR.

This instruction could be used to require the federal executive to make explicit assertions – or statements of compliance – regarding the information contained in the CPR and be audited as part of the tests supporting the TCU audit objectives. Moreover, it could also be used to focus the attention of the federal executive to enhance the qualitative characteristics of reported information and not just the display of core information and disclosure of supporting information as currently is the case. Qualitative dimensions include *inter alia* the relevance, intelligibility, verifiability and comparability of the information presented by the federal executive. To ensure that actions to positively shape the CPR are aligned with the needs of the report's primary audiences, the TCU

could take specific action to understand challenges and barriers facing its use. The independence and objectivity of the TCU make it a meaningful vehicle to moderate and balance the views of the National Congress. In seeking to understand challenges and barriers facing the use of the CPR, the TCU may consider co-ordinating and co-operating with the CGU and the Secretariat of the National Treasury to enhance the CPR. Those two bodies are, as noted previously, responsible for the preparation of the CPR. In engaging with the CGU and the Secretariat of the National Treasury, the TCU may reflect on the existing international guidelines on "Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector" to effectively manage any risks that could arise (INTOSAI, 2010c).

Developing an explicit co-ordinated audit communication strategy based on an understanding of target audiences can raise awareness and use of main findings

The TCU has taken a number of actions to improve communications of its audit findings on the CPR – and its control and oversight processes more generally – during the last decade. Actions specific to the audit findings on the CPR include introducing an executive summary on the audit report, a dedicated webpage for the audit opinion and audit report, and media friendly "synthesis sheets". Specifically for the audit of the FY 2011 CPR, the TCU hosted a seminar with stakeholders from the federal executive, launched a journalism award, and hosted a series of activities with major Brazilian universities. Communication of the audit findings on the CPR have also benefited from TCU actions to strengthen its institutional communications system. The responsibilities and resourcing of TCU units interacting with the National Congress and the media have been increased, with a direct impact on the communication of TCU control and oversight processes. These actions are consistent with ISSAI 20: "Principles of Transparency and Accountability". Principles 7 and 8 of this standard encourage SAIs to communicate publicly on the results of their audits findings in a timely fashion through the media, Internet and other means (INTOSAI, 2009).

The TCU could better define its communication objectives, focusing on what it seeks from primary, secondary and other audiences once they receive the main findings on the CPR. Although the TCU has invested in broadening the audience for its audit of the CPR, it has yet to articulate a clear communication objective for each target audience, nor a prioritisation of these audiences. The current communication objectives for the audit of the CPR are articulated very similarly to the desired results of the TCU strategic plan: i.e. to have a positive impact on government transparency and accountability, to develop public management and to enhance the institutional image of the TCU itself (TCU, 2011). Moreover, the TCU defines the audience of its audit in general terms. The TCU could focus on understanding categories of audiences within these broader groupings, their knowledge and understanding of the audit, and how they use the audit main findings. An explicit co-ordinated communication strategy could help the TCU to focus on these issues as well as to allocate internal roles and responsibilities for communicating the main audit findings and provide a sound basis for evaluating, and learning lessons from, communication activities. Box 0.3 presents the generic content of a communication strategy for the TCU audit of the CPR.

This role of an explicit co-ordinated communication strategy can also be considered in conjunction with the long delay in legislative scrutiny of the CPR. The TCU does not currently comprehend the main barriers and constraints facing the National Congress'

scrutiny of the CPR. Greater understanding of these constraints and barriers could assist the TCU in working together with the National Congress to enhance public sector accountability and inform decision making, linking *ex post* and *ex ante* budget oversight. Moreover, an explicit co-ordinated communication strategy can help to address the current disconnect between the content of the audit report and the main audit findings, as well as to frame these findings to guide audiences' understanding of their significance.

Box 0.3. Generic content for a communication strategy for the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

Introduction and overview

- *Introduction,* outlining why a communication strategy is being developed, what it hopes to achieve and who is responsible for the communication strategy.
- *Background,* briefly stating the objectives and scope of the audit being communicated, providing sufficient detail for someone who has no knowledge of the audit.
- *Rationale for the communication strategy,* stating why a communication strategy is necessary and what the target audience is expected to "do" as a consequence of receiving the communication messages. The rationale should draw on lessons from past audits related to: *i)* target audiences; *ii)* communication objectives; *iii)* communication activities; and *iv)* the impact of communication activities.

Objectives and messages

- *Audit objectives & scope,* providing the overarching context necessary for understanding how the communication strategy will support the desired audit outcomes.
- *Communication objectives:* These should be clear and measurable so as to inform the development of an appropriate communication strategy and serve as the basis for evaluating that strategy. Communication objectives are distinct from communication tasks that are undertaken to achieve the objective; they may include raising awareness, changing attitudes and changing behaviours.
- *Target audiences:* The more thoroughly target audiences are understood, the greater is the likelihood of a strategy succeeding. Broad descriptions such as "the legislature", "the executive" and "citizens" are less likely to result in a strategy that works. Target audiences may be grouped into the categories of primary (those directly affected or that need to take action); secondary (those benefiting from the main findings and/or perhaps influencing the primary audience); and other stakeholders (those having a general interest). Attention may also be given to specific audiences, such as those who lack access to information through, for example, low income, poor education, low literacy levels, disability or geographical isolation.

Messages and evaluation

- *Key messages,* including details of audit findings (i.e. the audit opinion, qualifications, other key messages and recommendations), as well as positive actions taken by the auditee since the last audit; and a clear "call to action" outlining what the target audience should do as a result of receiving the messages. The key messages should encapsulate the purpose of the communication activity in as few words as possible. Attention should also be given to whether separate objectives and key messages exist for different target audiences.
- *Proposed communications mix,* outlining all of the proposed components of the communication strategy. The mix should include a brief description of planned press releases, events, etc. Specific attention should be accorded to instruments to target audiences with little or no access to information. The specific mix should be guided by communications research on the target audiences and evaluation of past communication strategies.

Box 0.3. Generic content for a communication strategy for the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic (*cont.*)

- *Evaluation,* which plays a crucial role in ensuring that communication activities are well directed and that lessons can be learned. Evaluation also helps gather information necessary to meet accountability requirements.

Management and resourcing

- *Communication management,* defining the roles and responsibilities of the members of the communications team. This could include defining the roles of different divisions within the organisation, especially if these different units are responsible for different stakeholders. It should be included on any internal approval processes and who is ultimately responsible for approval.
- *Timeline,* with start-to-finish coverage and any specific dates that need to be accommodated, such as announcements and launches. Consideration should also be given to other significant events beyond the scope of influence of the institution responsible for the communication strategy.
- *Budget,* stating the amount of money and staff time available for implementing the communication strategy, with specific amounts for each component of the strategy and what activities each includes. A share of resources should be set aside for evaluation**.**

Using communication activities to focus on main findings can support audiences' understanding of their significance for accountability and performance

The executive summary and synthesis sheets on the audit of the CPR appear to focus on the TCU analysis contained in the audit report rather than the objectives, scope and main findings. For example, the synthesis sheet on the audit of the FY 2011 CPR, titled "Conclusions, Qualifications and Recommendations", made reference to the fact that the audit resulted in 25 qualifications, but did not list or discuss even one of them. The same synthesis sheet noted that there were 40 recommendations for the audit of the CPR but only listed 10 of them, and did not discuss any expected impact of their implementation. The synthesis sheet on the audit of the FY 2011 CPR titled "Conclusions" did not make reference to any qualifications or recommendations. Where the synthesis sheets do focus on the audit qualifications and recommendations, most focus on those related to budget execution and thematic topics rather than the BGU (Table 0.9).

Reporting systematically on executive's actions to address qualifications, not just to implement recommendations, can enhance accountability

The TCU only systematically includes information on the status of the audit recommendations in the subsequent audit report on the CPR. The audit report has a dedicated chapter "[Status of] Recommendations from the previous audit of the CPR". The TCU treats past recommendations separately from current recommendations rather than having a list of items in the audit report. Of the 100 TCU recommendations in the audits of CPRs between FY 2006 and FY 2010, 43 were removed for being implemented; 35 were removed after being partially implemented; and 22 were removed without being implemented at all (Table 0.10). Moreover, there is no reporting of the federal executive's actions to address qualifications identified in the audit on CPR. The TCU reports that it does monitor actions by the federal executive to address qualifications and implement

recommendations through routine control and oversight processes. However, this is not subsequently reported in subsequent audit reports on the CPR, nor is information on this reported through the dedicated TCU webpage for the audit of the CPR – a key instrument for communication on the TCU audit of the CPR.

Table 0.9. Inclusion of qualifications and recommendations in the Brazilian Federal Court of Accounts' synthesis sheets on the audit of the Accounts of the President of the Republic

Audited fiscal year	2009		2010		2011	
	Synthesis sheet on conclusions, qualifications & recommendations	Full report	Synthesis sheet on conclusions	Full report	Synthesis sheet on conclusions, qualifications & recommendations	Full report
Qualifications	15	16	0	8	0	25
Recommendations, *of which linked to audit report chapter:*	13	33	0	23	10	40
2. Brazil's economic performance	0	0	0	0	0	2
3. [Compliance of] Budget execution [with budgetary laws & regulations]	7	9	0	4	4	11
4. [Compliance & performance of] Government sectoral actions	2	2	0	0	0	0
5. [Regularity of the] BGU	3	19	0	16	0	13
6. [Assessment of] Thematic topic(s)	1	3	0	0	6	14
7. [Status of] Recommendations from previous audit of the CPR	0	0	0	2	0	0

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic. The FY 2010 synthesis sheet referred only to "conclusions".

Table 0.10. Brazilian Federal Court of Accounts' reporting on audit recommendations from previous Accounts of the President of the Republic

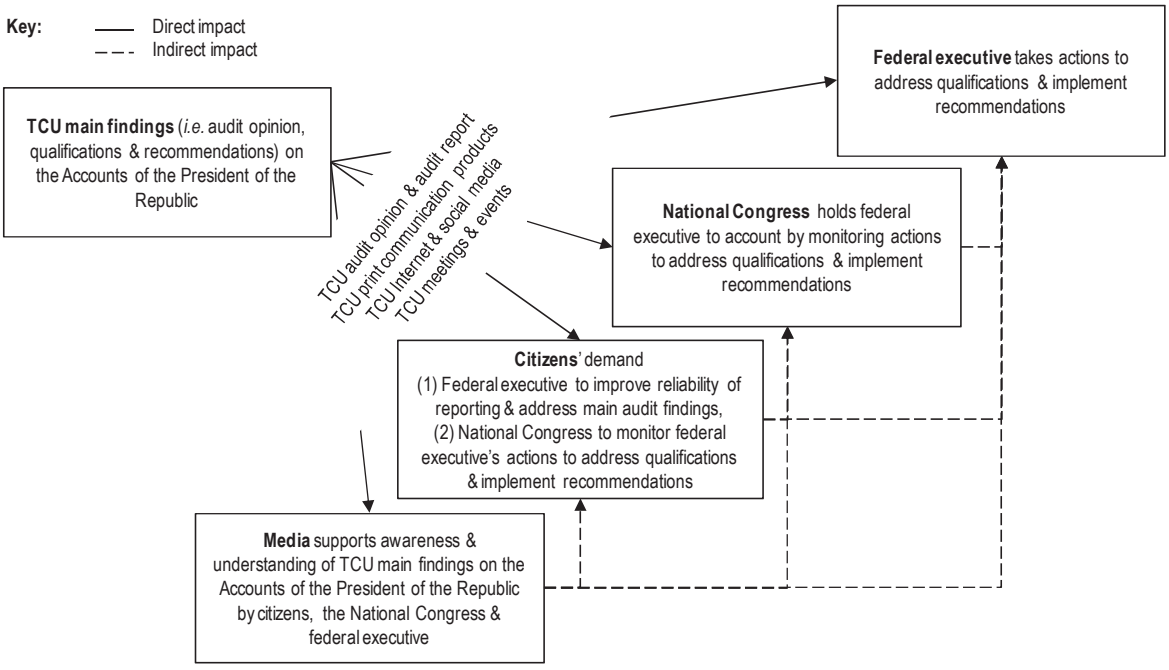
	Audited fiscal year				
	2006	2007	2008	2009	2010
Recommendations considered implemented & removed/being implemented & removed	6	10	10	6	11
Recommendations being partially implemented & removed	9	6	8	7	5
Recommendations not considered implemented & carried forward	19	10	6	14	0
Recommendations not considered implemented & removed	3	3	4	6	6

Assessing impact more broadly can demonstrate the audit on public governance and support improved audit reporting and communication

The TCU does not have any specific systems and indicators to measure the impact of its communication activities related to the audit of the CPR or the impact of the audit more generally. In addition to reporting the federal executive's actions to respond to the

main findings the TCU can: *i)* survey the National Congress' awareness, understanding and use of the main findings; and *ii)* assess media coverage of the main findings. Figure 0.6 illustrates the channels through which the TCU audit main findings could have an impact. This figure serves for illustrative purposes and the TCU could focus on understanding categories of audiences within these broader groupings and their preferred communications mix to receive information on the main findings.

Figure 0.6. Possible impact of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic



Periodically survey members of the National Congress' awareness and understanding of the CPR audit, its objectives and the clarity of main audit findings could support understanding of its constitutional function as an auxiliary body to the legislature. SAIs in a number of OECD countries survey members of the legislature as input into evaluating their audit impact – the Australian National Audit Office provides an example (Box 0.4). In doing so, the TCU should use good-practice methodologies to ensure quality survey results; seek to understand the factors that underlie the results; and be conscious of and understand the limitations of perception surveys (OECD, 2012). The TCU could also more systematically monitor and report internally on discussions related to the audit of the CPR in the National Congress. Discussions with a number of TCU officials indicated confusion even over the process that the National Congress follows to judge the CPR using the TCU audit opinion and audit report.

Evaluating the media coverage on the audit of the CPR, and how the coverage reflect the content and tone of the TCU press release and audit reporting more generally, can support learning and revision of the TCU communication strategy. At present, the TCU does not systematically survey and report internally on media coverage related to the audit findings of the CPR. The TCU Secretariat for Communications (Secom) contracts a

third party to perform both qualitative and quantitative analysis of media coverage of its audit processes, determining: *i)* the number of print and Internet news media and articles published about TCU control and oversight processes in general; *ii)* which TCU audit processes are of most interest to these print and Internet news media; and *iii)* which TCU audit processes are explored in most depth by these print and Internet news outlets. Secom currently only provides information on the number of news outlets and articles published in relation to the TCU audit of the CPR.

Box 0.4. Australian National Audit Office Surveys of parliament committee members and committee secretaries

The Australian National Audit Office (ANAO) commissions periodic surveys to measure its performance in meeting the needs of parliamentarians and to identify opportunities for improving its service to Parliament. More specifically, the survey aims to:

- obtain constructive feedback on the performance of the ANAO in meeting the needs and expectations of members of parliament, the Joint Committee of Public Accounts and Audit, and other parliamentary committees;
- identify measures that could be implemented to enhance the ANAO relationship with Parliament; and
- increase awareness within Parliament of the ANAO product range and services.

Particular attention accorded to the Joint Committee of Public Accounts and Audit, the primary point of contact between the ANAO and Parliament. This committee's main role is to hold government agencies accountable for the lawful, efficient and effective use of public funds. The Joint Committee examines all ANAO reports presented for discussion in Parliament. The ANAO has commissioned surveys in 2000, 2002, 2008 and 2011. Parliamentary committee secretaries were also included in the survey for the first time in 2008. These secretaries are public servants who serve as the contact point for committee-related business.

All 226 parliamentarians (150 members of the House of Representatives and 76 senators) are invited to participate in the survey. Completion of the survey is through a face-to-face interview with a senior research consultant and a senior ANAO officer during one of the parliamentary sitting periods; a telephone interview with a senior research consultant; or completion of a hard-copy questionnaire. All 34 committee secretaries are invited to respond to the survey through a telephone interview with a senior research consultant.

Broadly, the 2011 survey found that ANAO officials were rated highly by parliamentarians and parliamentary committee secretaries for their accessibility, responsiveness, and the extent to which advice or information provided addressed their needs. Survey respondents also valued the work of the ANAO, with many remarking that the ANAO played a vital role in keeping government agencies accountable. Moreover, respondents considered that the ANAO produces high-quality products, is independent and nonpartisan, and has integrity as an organisation.

The 2011 survey identified some areas where the ANAO could improve, and the ANAO has developed a number of initiatives for 2012-13, including development of a communications plan to guide its engagement with members of Parliament. The ANAO will also look to develop a more concise brochure to outline the objectives and key findings of each performance audit. It is also considering other approaches to better express the key themes and findings of an audit and to reduce the complexity in its reports, to the extent practical.

Source: ORIMA Research (Organisational Improvement and Market Research) (2009), "Australian National Audit Office, 2008 Parliamentary Survey", Australian National Audit Office.

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Chapter 1

Consolidated year-end government reporting

This chapter provides an overview of consolidated year-end government reporting in Brazil, benchmarking it against international standards and experiences in 12 countries. The overview presents i) *the content, reporting boundaries and accounting basis of Brazil's consolidated year-end government report – the Accounts of the President of the Republic (*Contas do Presidente da República*, or CPR); and* ii) *the general process for the preparation, external audit and legislative scrutiny of the CPR. The analysis contained in this chapter is framed by the OECD "Best Practices for Budget Transparency",* International Standards of Supreme Audit Institutions *"Lima Declaration of Guidelines on Auditing Precepts" (ISSAI 1) and "Mexico Declaration on the Independence of Supreme Audit Institutions" (ISSAI 10), as well as the World Bank Institute's framework on public accounts committees.*

Introduction

This chapter provides an overview of consolidated year-end government reporting in Brazil, benchmarking it against international standards and experiences in 12 countries. The OECD (2002) "Best Practices for Budget Transparency" considers the timely preparation of the consolidated year-end government report, its external audit by a country's supreme audit institution (SAI) and subsequent scrutiny by the legislature as critical for accountability and informed decision making in government. The Best Practices establish that the audited consolidated year-end government report by made available, including free of charge on the Internet within 6 months following the end of the fiscal year. The role of an SAI with respect to the consolidated year-end government report is to provide independent assurance of the quality and integrity of reported information. The role of the legislature is to hold the executive to account for its management of public finances and the delivery of public policies, drawing upon the SAI audit main findings.

The "Lima Declaration of Guidelines on Auditing Precepts" and "Mexico Declaration on the Independence of Supreme Audit Institutions" emphasise that SAIs can only accomplish their tasks if they are independent of the entity that they audit (i.e. "organisational independence") and protected against outside influence by way of functional and financial independence (INTOSAI, 1977; 2007). A number of factors contribute to effective *ex post* budgetary oversight by legislatures, including clarity of their role and responsibilities, broad powers of inquiry and follow up, frequent and open working procedures with a bipartisan approach. The World Bank Institute's framework on public accounts committees provides a structure for analysing the legislature's structures and powers with respect to public financial management (Stapenhurst, et al. 2005).

In providing an overview of the preparation, external audit and legislative scrutiny of Brazil's consolidated year-end government report – the Accounts of the President of the Republic (*Contas do Presidente da República,* or CPR) – this chapter addresses the following questions:

- What are the content, reporting boundaries and accounting basis of the CPR, and its relationship with other elements of the federal government's financial reporting framework?
- What is the general process and timing for the preparation, external audit and legislative scrutiny of the CPR – and its timing *vis-à-vis* the OECD "Best Practices for Budget Transparency"?
- Which entity within the federal executive is responsible for preparing the CPR and what is its commitment for enhancing transparency in federal government financial reporting?
- What are the features of Brazil's SAI – the Federal Court of Accounts (*Tribunal de Contas da União,* or TCU) – and its level of independence *vis-à-vis* the Lima and Mexican Declarations?
- What structures and powers does Brazil's National Congress have to scrutinise the CPR and to hold the executive to account for the handling of public finances and the effectiveness of decisions by the responsible authorities?

The CPR is a core element of the federal government's financial reporting framework established by the 1988 Constitution of the Republic of Brazil and the 2000 Law on Fiscal Transparency (Complementary Law 101/2000). The CPR is comprised of *i)* the federal government's consolidated financial statements– the General Balance of the Union (*Balanço Geral da União,* or BGU) prepared by the Secretariat of the National Treasury (*Secretaria do Tesouro Nacional,* or STN) – which includes social security accounts, and *ii)* a report from the central authority of the Internal Control System of the Federal Public Administration, i.e. the Office of the Comptroller General of the Union (*Controladoria-Geral da União,* or CGU). The CGU report provides a narrative of the federal executive's performance during the previous fiscal year and helps to contextualise the content of the BGU.

The CPR does not, however, include an assessment of the functioning of the Internal Control System of the Federal Public Administration, as its name may suggest. The inclusion of such an assessment could augment the CPR and demonstrate the federal executive's progress in enhancing the systems that deliver public policies financed and controlled by the federal executive.

The preparation of the CPR by the CGU and the audit opinion of the TCU are published, including on the Internet free of charge, within five months following the end of the fiscal year. This is in line with Brazil's constitutional deadlines and international good practice, such as the OECD "Best Practices for Budget Transparency". Moreover, international commitments to enhance fiscal transparency by Brazil's federal executive – and the CGU in particular – and the independence of the TCU provide a solid foundation for improving the CPR. The CGU is a champion for open government both in Brazil and internationally, as demonstrated by its leadership in initiatives such as the Open Government Partnership and Global Initiative on Fiscal Transparency. The TCU has a high level of independence from the federal executive and National Congress and is committed to enhancing the value and benefit it provides to Brazilian citizens.

However, the National Congress only begins to scrutinise the CPR using the TCU audit opinion, on average two-and-a-half years after receiving these materials. This is despite the National Congress having a dedicated committee with substantial powers for this function: the Planning, Budget and Oversight Joint Committee (*Comissão Mista de Planos, Orçamentos Públicos e Fiscalização*, or CMO). A key challenge facing the TCU is that it does not understand the process or comprehend the main barriers and constraints facing the National Congress' scrutiny of the CPR. The TCU considers its work completed upon the publishing of its audit opinion and accompanying audit report. Comprehending the main barriers and constraints affecting legislature scrutiny of the CPR using the TCU opinion is a critical step to enhance the relevance and impact of this audit work.

Consolidated year-end government report

The 1988 Constitution of the Federative Republic of Brazil obliges the President of the Republic to present the CPR to the National Congress, and for the TCU to issue an opinion on the CPR within the five months of the end of the fiscal year. This deadline is established based on separate deadlines for the presentation of the CPR by the federal executive and the external audit by the TCU. The CPR must be submitted to the National Congress within 60 days of the start of the first legislative session for the year, which is always at the beginning of February. The TCU must in turn issue an opinion on the CPR within 60 days of receiving it from the National Congress. The Constitution states that the

TCU opinion is "preliminary" which the TCU articulates this as meaning that its opinion is a technical judgement of the CPR and that the National Congress' opinion is a political judgement of the President of the Republic.

The Law on Fiscal Responsibility requires that the TCU audit opinion on the CPR be fully disclosed, including electronically. Neither the Constitution nor the Law on Fiscal Responsibility stipulates that there must be full disclosure of the National Congress' opinion on the CPR.

General content, reporting boundaries and accounting basis

The general content of the CPR is defined by the Organic Law on the TCU (Law 8 443/1992), the General Norms for the Preparation and Control of the Budget and Financial Statements (Law 4 320/1964) and an annual TCU instruction (*aviso*). The Organic Law on the TCU stipulates that the CPR comprise two elements: *i)* the BGU; and *ii)* a report by the central authority of the Internal Control System of the Federal Public Administration. The General Norms for the Preparation and Control of the Budget and Financial Statements defines the content of the BGU. The Organic Law on the TCU gives Brazil's SAI authority to define the content of the report by the central authority of the Internal Control System of the Federal Public Administration, which it does through the annual instruction.

Table 1.1 compares the reporting boundaries of the CPR that of comparable reports in selected benchmark countries.

The BGU is comprised of four statements and prepared by the STN, the central authority of the Financial Management System of the Federal Public Administration. A statement of budget balance compares actual revenue and expenditure against the levels appropriated in the Annual Budget Law (*Lei Orcamento Anual*). A statement of financial position presents budgetary and non-budgetary revenue and expenditure from the reporting period together with the cash balance from the previous period. A statement of equity presents information on all government assets and liabilities. A statement of changes in equity discloses the change in the equity arising from, or independent of, budget execution during the reporting period. Under the current accounting basis, the federal government reports revenue on a cash basis and expenditure on an accrual basis.

The BGU is currently reported on a modified cash basis but to be presented on a full accrual basis from fiscal year (FY) 2014, to be based on International Public Sector Accounting Standards (IPSAS). The adoption of full-accrual financial reporting will bring the accounting basis for the BGU in line with that in Australia, Canada, Chile, France, South Africa, Spain, the United Kingdom and the United States (Table 1.2).

Whereas the BGU covers all branches of the federal government, the report by the central authority of the Internal Control System of the Federal Public Administration (i.e. the CGU) is limited to the federal executive. Brazil's Law on Fiscal Responsibility established that the heads of other branches of the federal government present their respective year-end reports and have these reports audited by the TCU in parallel with the CPR – which happened for FY 2000 through FY 2006. However, this obligation was suspended in 2007 by a decision of Brazil's Federal Supreme Court (*Supremo Tribunal Federal*). The decision found that the 1988 Constitution establishes that only the CPR – and the performance of the President of the Republic – be judged by the National Congress. The year-end reports of the heads of other branches of the federal government are now judged only by the TCU.[1]

Table 1.1. Consolidated year-end government reports in Brazil and selected countries

Country	Name of report	Produced since fiscal year (FY)	Produced by	Reporting boundaries: Levels of government	Reporting boundaries: Within national government	Reporting boundaries: Within the executive	Audited by SAI
Australia	Commonwealth Consolidated Financial Statement	1994-95	Department of Finance & Deregulation	CG	E+L+J	LM+A+SOE	Yes
	Final Budget Outcome	1998-99	Department of the Treasury & Department of Finance & Deregulation	CG	E+L+J	LM+A	No
Brazil	**Accounts of the President of the Republic (CPR) , *comprised of:* - General Balance of the Union (BGU) - Report by the central authority of the Internal Control System of Federal Public Administration**	**1892[1]**	**Secretariat of National Treasury** **Office of the Comptroller General of the Union (CGU)**	**CG+SS** **CG+SS**	**E+L+J** **E**	**LM+A+SOE** **LM+A+SOE**	**Yes**
Canada	Annual Financial Report of the Government of Canada	..	Department of Finance	CG	E+L+J	LM+A+SOE	Yes
	Public Accounts of Canada	..	Receiver General	CG	E+L+J	LM+A+SOE	Yes
Chile	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	Financial Statements of the Central Government	1959	Ministry of Budget, Public Accounts & State Reform, Director General of Budget	CG	E+L+J	LM	Yes
	Financial Statements of Social Security	2005	Department of Social Affairs	CG+SS	E+L	LM	Yes
Germany	Budget Account & Property Account	1949	Federal Ministry of Finance	CG	E+L+J	LM+A	Yes
Mexico	Federal Public Finance Account	1824	Secretariat of Finance & Public Credit	CG+SG+LG	E+L+J+other	LM+A+SOE + other	Yes
Netherlands	Central Government Annual Financial Report & Central Government Trial Balance	1927	Ministry of Finance	CG	E+L+J	LM+A	Yes
Portugal	General State Account, including the Social Security Account	Prior to 1930	Ministry of Finance, Directorate General of Budget	CG+SS	E+L+J	LM+A	Yes
	Regional Account of the Azores	1976	Vice-Presidency of the Regional Government of the Azores	SG	E+L	LM+A	Yes
	Regional Account of Madeira	1976	Secretariat of Regional Planning and Finance	SG	E+L	LM+A	Yes

Table 1.1. Consolidated year-end government reports in Brazil and selected countries (*cont.*)

Country	Name of report	Produced since fiscal year (FY)	Produced by	Reporting boundaries			Audited by SAI
				Levels of government	Within national government	Within the executive	
South Africa	Consolidated Financial Information	1999	South African National Treasury	CG	E+L+J	LM+A+SOE	Yes
	Consolidated Financial Information by province	1999	Provincial Treasuries	SG	E+L+J	LM+A+SOE	Yes
Spain	Consolidated State Accounts	1978	Ministry of Finance, General Control & Audit Office	CG+SS	E+L+J	LM+A+SOE +other	Yes
United Kingdom	Whole of Government Accounts	2009-10	HM Treasury	CG, LG	E	LM+A+SOE +other	Yes
United States	Financial Report of the United States Government	1975	United States Treasury	CG	E	..	Yes

Notes:

GG = General government; CG = Central government; SG = State/provincial government; LG = Local government; SS = Social security; E = Executive; L = Legislature; J = Judiciary; LM = Line ministries; A = Central government agencies; SOEs = State-owned enterprises; SAI = Supreme audit institution; n.a. = Not applicable; .. = Missing data.

Line ministries: Central government organisations responsible for designing and implementing policies in line with wider government policies, and for the direction of agencies under their authority. These ministries may be called departments in some countries and are responsible for their own budget portfolios, although they must report to the central budget authority and are subject to their review.

While they usually come under the authority of line ministries and report to a minister, *central government agencies* can also in some cases report directly to the chief executive (e.g. president/prime minister or cabinet).

State-owned enterprises: Organisations that are entirely or mainly owned and/or controlled by the public authorities; because of the nature of their activities, the technology they employ, and their mode of operation, these establishments are classed as industries.

Australia: The Commonwealth Consolidated Financial Statement was first produced for FY 1994-95 but was unaudited by the Australian National Audit Office (SAI of Australia). The first Commonwealth Consolidated Financial Statement to be audited by the Australian National Audit Office was that for FY 1996-97.

Brazil: The consolidated year-end government report has been produced since 1892. Between 1892 and 1933, the TCU issued an audit opinion prior to the year-end report being published and presented to the National Congress. From 1934 the TCU has issued its audit opinion following publication of the year-end report and its presentation to the National Congress.

Mexico: Branches of government also include autonomous entities, administrative courts and trusts funds.

Netherlands: "Other" includes specific budgets (e.g. national debt, states) and budget funds.

United States: The prototype of the Financial Report of the United States Government, previously referred to as the Consolidated Financial Statements, was initially produced for FY 1975. The Financial Report of the United States Government was subsequently shaped by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The Chief Financial Officers Act of 1990 created the Chief Financial Officers for 14 cabinet-level departments and 10 agencies and required them to submit annual financial statements to the Office for Management and Budget providing complete, consistent, reliable and timely information to the public about government activities. The Government Management Reform Act of 1994 established that the Financial Report of the United States Government be audited by the United States SAI (the Government Accounting Office), beginning in FY 1997.

Table 1.2. Accounting basis for the consolidated year-end government report (financial statements) in Brazil and selected countries

Full accrual basis	Modified accrual basis	Modified cash basis	Full cash basis
Australia, Canada, Chile, France, South Africa, Spain, United Kingdom, United States	-	**Brazil,** Mexico	Germany, Netherlands, Portugal

Notes:

- = No countries with modified accrual basis among benchmark countries.

Full accrual basis: Measures and reports the cost of goods and services consumed during the reporting period. This is often called expense accounting. Reported assets are expanded to include physical assets such as land, buildings and equipment, and also deferred costs. As with modified accrual accounting, all amounts due at the end of the period are reported as liabilities. Revenue continues to reflect amounts that came due during the period.

Modified accrual basis: Recognises transactions or events when they occur regardless of when cash is paid out or received. The focus is on measuring and reporting the cost of goods and services acquired during the reporting period. This is frequently referred to as expenditure accounting. Revenue reflects amounts that came due during the period. Certain tax revenue may be recognised in a manner that approximates this basis, because of the practical difficulties in determining the extent to which such revenues are attributable to the reporting period. Reported assets include cash, claims to cash such as accounts receivable and loans, investments and deferred expenditure. All amounts due at the end of the period are reported as liabilities, including trade payables and accruals, borrowing on financial markets, employee pension liabilities and deferred revenue.

Modified cash basis: Extends the cash basis by recognising receipts and disbursements that pertain to, but that arise in a specified period after, the reporting period. In addition to cash on hand at the beginning and end of the period, modified cash accounting shows cash received and disbursed in the specified period as assets and liabilities, respectively. The specified period for recognising receipts may differ from that used for disbursements, and sometimes only disbursements are so recognised.

Cash basis: Recognises transactions or events when cash is received or paid. Financial reports prepared on this basis would show cash received and disbursed over a specified period and the balance of cash on hand at the beginning and end of the period.

Mexico: Until FY 2011, the federal government of Mexico operated under the modified cash basis system. In accordance with the General Governmental Accounting Law published in the Official Gazette on 31 December 2008, the federal government of Mexico's accounting basis has been on a full accrual basis system since FY 2012.

South Africa: Public entities report on full accrual basis and their consolidation is done on full accrual basis. In comparison, state departments report on a modified cash basis and the consolidation of state department reports is done on this basis.

Source: Adapted from OECD (2009), "An Overview of Accrual Accounting and Budgeting Practices in Individual Countries", Working Party of Senior Budget Officials – 9th Annual OECD Public Sector Accruals Symposium, 2-3 March, GOV/PGC/SBO(2009)3, *www.oecd.org/officialdocuments/displaydocumentpdf?cote=GOV/PGC/SBO(2009)3&doclanguage=en.*

The report by the central authority of the Internal Control System of the Federal Public Administration does not provide an assessment of the functioning of internal control, as may be suggested by the report's name. Internal control is commonly recognised as the set of means put in place to mitigate risks and to provide reasonable assurance that public organisations: *i)* deliver quality services in an efficient manner, in accordance with planned outcomes; *ii)* safeguard public resources against misconduct and (active and passive) waste; *iii)* maintain, and disclose through timely reporting, reliable financial and management information; and *iv)* comply with applicable legislation and standards of conduct (INTOSAI, 2004). The inclusion of an explicit statement by the federal executive on the functioning of internal control could augment the CPR and demonstrate progress in enhancing the systems that deliver public policies financed and controlled by the federal executive.

Since FY 2006/2007, the federal executive has sought to redesign the CPR to make it a more effective instrument for transparency. A key element of this redesign, as articulated by the CGU and the STN, has been the delineation of the objective of the

BGU and the report by the central authority of the Internal Control System of the Federal Public Administration. The intention is to give each component of the CPR its own identity, targeting different audiences. The BGU is intended to meet the financial reporting obligations required by the General Norms for the Preparation and Control of the Budget and Financial Statements. The report by the central authority of the Internal Control System of the Federal Public Administration is intended to provide a narrative of federal executive's performance for the previous fiscal year, extracting the relevant information relating to the federal executive from the BGU.

Link to the federal government financial reporting framework

As noted in the previous section, the CPR is a core element of the federal government's financial reporting framework defined in Brazil's 1988 Constitution of the Federative Republic of Brazil and Law on Fiscal Responsibility. This framework aims to enhance the sustainability of public finances, improve cost-effective service delivery and build fiscal legitimacy – a significant challenge in Brazil and in many Latin American countries (OECD, 2008; 2009b) – through promoting fiscal transparency. The framework has supported efforts to lock in long-term economic development, mitigate short-term fiscal risks and respond to development challenges (OECD, 2011; OECD & ECLAC, 2012).

The federal government's financial reporting framework also includes *i)* online reporting of budget execution updated in real time; *ii)* summarised budget execution reports released every two months; *iii)* fiscal management reports released every four months; *iv)* year-end reports of accountable officials released four to six months following the end of the fiscal year; and *v)* the national public sector balance (i.e. the consolidated financial statement of the general government) released within six months following the end of the fiscal year. All of these reports are available to the public, including on the Internet free of charge. Only three elements of this financial reporting framework, however, are audited by the TCU: the CPR, the year-end reports of accountable officials and the fiscal management reports of each branch of the federal government (Table 1.3).

The year-end reports of individual accountable officials are not the same of year-end reports of individual public sector entities as exists in other countries (Table 1.4). Accountable officials are defined as "public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration".[2] There are approximately 3 000 accountable officials in the federal public administration, with many public sector entities having more than one accountable official.

The preparation of the CPR is distinct from the preparation of the year-end reports of accountable officials. The latter are not used by the federal executive as input for preparing the CPR. Rather, the CPR is prepared by drawing data directly from the management information systems of the federal public administration. Core among these is the Federal Government Integrated Financial Administration System (*Sistema Integrado de Administração Financeira do Governo Federal,* or SIAFI). Established in 1987, SIAFI constitutes a single database of accounting and financial information related to federal budget execution. All transactions – including allocation, commitment, verification and payment – must be performed through SIAFI. Information from this and other core management information systems is supplemented as necessary with information from public sector entities.

Table 1.3. Brazil's federal government financial reporting framework

Reporting instrument	Description and content	Deadline for publication	Responsibility for production	Available online	Audited by TCU
"Transparency Portal of the Federal Public Administration"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated daily)	CGU	Yes	No
"SIGA Brasil"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated daily)	Planning, Budget & Oversight Joint Committee (National Congress)	Yes	No
"Fiscalize"	Cash-based financial reporting of budget execution, by economic and organisational categories	n.a. (updated weekly)	Chamber of Deputies (National Congress)	Yes	No
Summarised budget execution reports	Coverage of all expenditure, including public debt and debt rescheduling, and present expenditure for each administrative unit, although not for each programme or action carried out by the unit in question. The reports also provide comparisons between year-to-date expenditures and original estimates for most categories.	Within 30 calendar days following the end of every 2-month period	STN	Yes	No
Fiscal management reports	Cash-based reporting on compliance with limits set in the Law on Fiscal Responsibility & information on corrective measures taken, or to be taken, if limits are exceeded	Within 30 calendar days following the end of every 4-month period	Head of each branch of the federal government	Yes	Yes
Year-end reports of accountable officials	Financial statement of the respective accountable official & narrative of performance, in accordance with the parameters defined by the TCU	Approximately 3-6 months following the end of the fiscal year (report); within 2 years after end of fiscal year (TCU audit)	Accountable officials	Yes	Yes
Accounts of the President of the Republic (CPR)	BGU & report by the central authority of the Internal Control System of the Federal Public Administration	Approximately 3 months following the end of the fiscal year (CPR); approximately 5 months following end of the fiscal year (TCU audit)	CGU & STN	Yes	Yes
National Public Sector Balance	Consolidated financial statement of the general government (i.e. BGU and comparable reports of state and municipal governments)	30 June (i.e. 6 months following the end of fiscal year)	STN	Yes	No

Notes:

BGU = General Balance of the Union; CGU = Office of the General Comptroller General of the Union; CPR = Accounts of the President of the Republic; STN = Secretariat of the National Treasury; TCU = Federal Court of Accounts; n.a. = Not applicable.

On the income side, the Secretariat of Federal Revenue also publishes a monthly balance of revenue collection by source of revenue that shows deviations compared to estimated figures.

Source: Adapted from 1998 Constitution of the Federative Republic of Brazil, Arts. 71.I and 71.II; Law on Fiscal Responsibility (Complementary Law 101/2000), Arts. 54 and 55, Organic Law on the TCU (Law 8 443/1992), Art. 7; TCU Normative Instruction 63/2010 regarding the Organisation, Presentation and Process for the Year-end Reports of Accountable Officials; TCU Normative Decisions 107/2010 and 108/2010 regarding the Guidelines for the Year-end Reports of Accountable Officials for FY 2010 and FY 2011, respectively.

Table 1.4. Public sector entity year-end reports in Brazil and selected countries

Country	Name of report	Entities required to produce report	Level of accountability	Number of entities/ individuals preparing reports	Audited by SAI
Australia	Individual entity annual reports	LM+A+SOE+other	Minister, head of agency or public organisation	Approx. 185	Yes
Brazil	**Management report**	**LM+A+SOE**	**"Accountable officials"**	**Approx. 3 000**	**Yes**
Canada	Departmental performance reports	LM+A	Minister, head of agency	Approx. 100	Yes
Chile	n.a.	n.a.	n.a.	n.a.	n.a.
France	n.a.	n.a.	n.a.	n.a.	n.a.
Germany	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	Various reports[1]	LM	Minister, head of agency	29	Yes
	Various reports[2]	A+SOE+other	Minister, head of agency	185	Yes
	Various reports[3]	Trust funds	..	369	Yes
Netherlands	Ministerial and non-ministerial annual reports	LM	Ministers	28	Yes
Portugal	Financial statements	A+SOE	Head of agency; accountable officials	Approx. 2 600	Yes
South Africa	Annual report	LM+A+SOE	Minister, head of agency or public organisation	CG: 316	Yes
			Head of state or local government	SG: 271; LG: 337	Yes
Spain	Annual accounts & annual financial statements	LM+A+SOE+other	..	Approx. 12 000	Yes
United Kingdom	Statutory accounts	LM+SOEs+LG+other	Minister, head of agency or public organisation	Approx. 3 000	Yes
United States	Agency reports	..	Minister, head of agency or public organisation	..	Yes

Notes:

CG = Central government; SG = State/provincial government; LG = Local government; SS = Social security; E = Executive; L = Legislature; J = Judiciary; LM = Line ministries; A = Central government agencies; SOEs = State-owned enterprises; SAI = Supreme audit institution; .. = Missing information.

Line ministries are central government organisations responsible for designing and implementing policies in line with wider government policies, and for the direction of agencies under their authority. These ministries may be called departments in some countries and are responsible for their own budget portfolios although they must report to the central budget authority and are subject to their review.

While they usually come under the authority of line ministries and report to a minister, *central government agencies* can also in some cases report directly to the chief executive (e.g. president/prime minister or cabinet).

State-owned enterprises are organisations that are entirely or mainly owned and/or controlled by the public authorities; because of the nature of their activities, the technology they employ, and their mode of operation, these establishments are classed as industries.

Brazil: Accountable officials are defined as public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration.

Mexico: (1) Government units, autonomous entities, legislature, judiciary, presidency of Mexico, attorney general of Mexico and administrative courts must prepare *i)* a worksheet; *ii)* the state of budget execution; *iii)* state income analytics; *iv)* an analysis of treasury accounts; *v)* the state of federal government debt; *vi)* adjustments to the budget exercise; *vii)* adjustments to the Income Law, and *viii)* main variations to the balance sheet accounts and results. (2) Central government agencies and state-owned enterprises must prepare *i)* a worksheet; *ii)* an income statement; *iii)* analysis of cash flow; *iv)* state of origin and application of resources; *v)* cash flow; *vi)* the state of budget execution, and *vii)* state integral analytical internal and external debt. (3) Units and entities whose budgets have been transferred to trust funds or entities that co-ordinate trust fund operation must provide: *i)* accomplishment report on trust fund targets and goals in addition to the report on exercised resources.

Netherlands: In addition to 11 ministerial annual reports, separate annual reports are published (by the responsible ministers) for 8 specific budgets (e.g. national debt, states general) and for 9 budget funds (e.g. municipality fund, infrastructure fund).

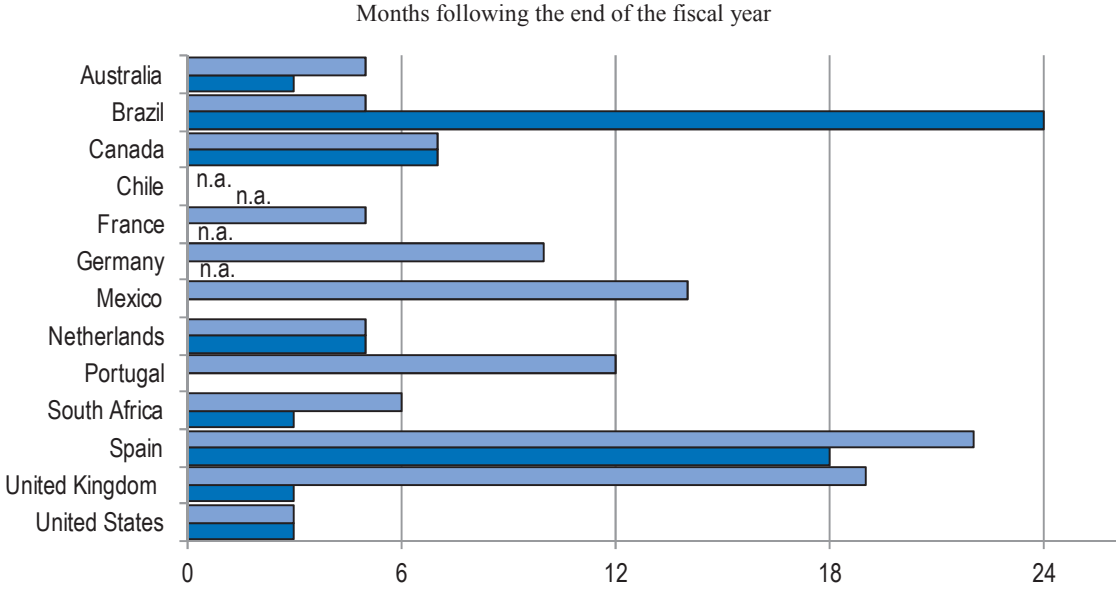
Spain: Public foundations, public consortia and other public entities from the central, regional and local governments.

United Kingdom: The number of individual public sector entities' year-end reports presented in the table includes only those that are included in the consolidated year-end government report.

The external audits of the CPR and the year-end reports of accountable officials are also separate from one another. The TCU audit of the CPR is completed before the TCU begins to audit the year-end reports of accountable officials. Whereas the audit of the CPR must be completed within five months following the end of the fiscal year, the Organic Law on the TCU stipulates that Brazil's SAI audit of the year-end reports of accountable officials be completed within 24 months following the end of the fiscal year. The TCU does not, however, begin to audit even the most materially significant of these reports until eight to nine months following the end of the fiscal year.

Moreover, the planning and implementation of the TCU audits of the CPR and the year-end reports of accountable officials are separate from one another. This is different from the selected benchmark countries involved in this peer review, where publication of the audit of year-end reports of individual public sector entities takes place either together with or before the consolidated year-end government report (Figure 1.1). In many cases there is also a direct relationship between the audits of these two types of year-end reports (see Chapter 3 of this peer review).

Figure 1.1. Completion of the audit of the consolidated year-end government and individual public sector entity year-end reports in Brazil and selected countries



Notes:

n.a. = Not applicable.

Brazil: The year-end reports of individual public officials are not at the level of individual public sector entities. Accountable officials are defined as "public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration".

Chile: No consolidated year-end government report or year-end reports of individual public sector entities.

France: No year-end reports of individual public sector entities.

Germany: No year-end reports of individual public sector entities.

Mexico: Data missing on year-end reports of individual public sector entities.

Portugal: Data missing on year-end reports of individual public sector entities.

General process for preparation, external audit and legislative scrutiny

Preparation of the CPR begins during the last quarter of each fiscal year. As a first step, the TCU issues an annual instruction to guide the CGU in preparing the CPR – specifically the report by the central authority of the Internal Control System of Federal Public Administration. The CGU proceeds to consolidate information from a number of federal public sector entities: the Central Bank of Brazil, the Federal Ministry of Finance (including STN), the Federal Ministry of Planning, Budget and Management, other federal ministries and official development agencies. In recent years, the TCU has issued its annual instructions in the middle of October rather than at the end of November or early December, as it had in the past. This change has been accompanied by closer co-ordination between the TCU and the CGU in order to develop the content of and enhance the CPR. The CGU sends the CPR to the Office of the President of the Republic (*Casa Civil*) for signature and transmission to the National Congress at the end of March or the beginning of April. The procedure is completed either on the same day, or within one working day of the Office of the President of the Republic receiving the CPR.

The National Congress receives the CPR from the Office of the President of the Republic in line with the deadline established in the 1988 Constitution: 60 days after the first legislative session for the year. During the last decade, however, the TCU has received the CPR from the National Congress anywhere up to one month after it has been transmitted by the Office of the President of the Republic to the National Congress, as was the case for the FY 2001 and FY 2007 CPRs.

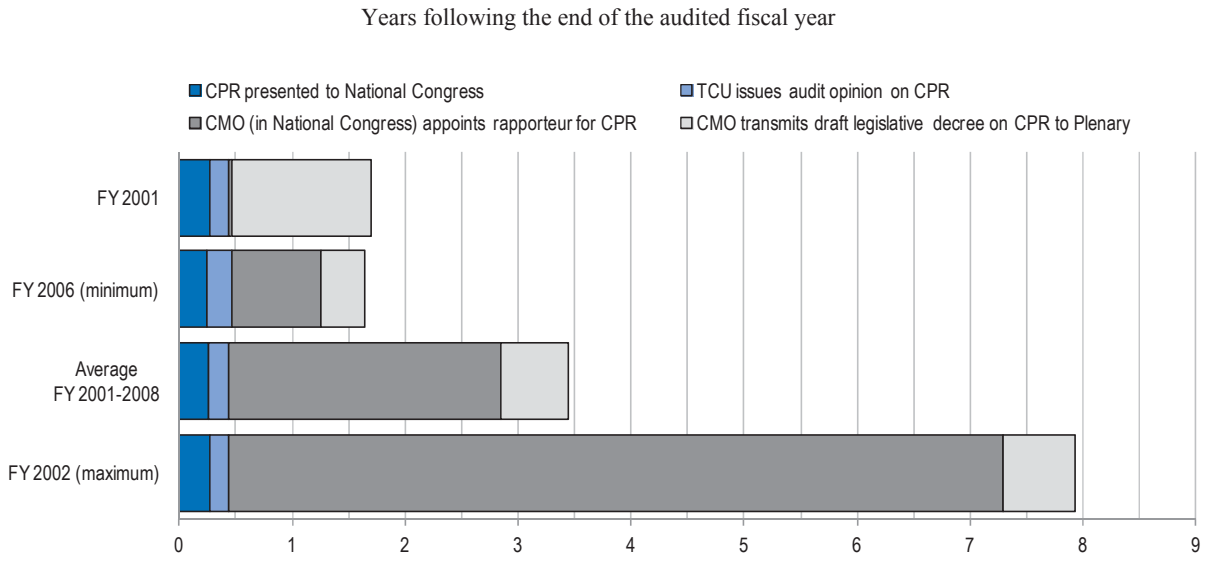
The TCU issues its opinion on the CPR at the end of May or beginning of June, in line with its constitutional deadline of 60 days after receiving it from the National Congress. TCU Internal Rules require that the draft audit opinion and a supporting report be circulated internally within the TCU within 50 days of receiving the CPR from the National Congress. The TCU Internal Rules also require the TCU to finalise its audit opinion at least 72 hours before the audit opinion is presented to the National Congress. The TCU opinion is published in the Official Gazette of the Federal Government of Brazil (*Diário Oficial da União*), the Official Journal of the TCU (*Diário Oficial da TCU*), and on a TCU webpage dedicated to the audit of the CPR (see Chapter 4 of this peer review). In addition, the CGU provides a link on the webpage where it publishes the CPR to the dedicated TCU webpage for audit reporting.

The process whereby the TCU audits the CPR after it has been published and sent to the National Congress by the President of the Republic began in 1934. Prior to that year the TCU would issue its opinion before the CPR was sent to the National Congress by the President of the Republic, and this opinion would be appended and published together with the CPR.

National Congress scrutiny of the CPR using the TCU opinion is subject to much delay. This is despite the National Congress having a permanent committee – the CMO – with responsibility and substantial powers to scrutinise the performance and accountability of the President of the Republic. These powers are discussed in the subsequent section. During the last decade the CMO has deliberated on seven of ten CPR reports; it has yet to conclude deliberations on the FY 2009, FY 2010 or FY 2011 CPR. The CMO has taken on average two years and five months to appoint a rapporteur for its review of the CPR after receiving the TCU opinion; periods have ranged from eight calendar days for FY 2001 to six years and ten months for FY 2002. Subsequently the CMO has taken on average seven months to finalise its review of the CPR – with periods

ranging from three months for FY 2007 to one year and three months for FY 2001 (Figure 1.2).[3]

Figure 1.2. Total time taken for scrutiny of Accounts of the President of the Republic within the National Congress Planning, Budget and Oversight Joint Committee



Notes:

Average only for FY 2001-08 as process has not concluded for FY 2009, 2010 or 2011.

CMO = Planning, Budget and Oversight Joint Committee; CPR = Accounts of the President of the Republic; FY = Fiscal year; TCU = Federal Court of Accounts.

Annex 1.A1 presents underlying dates for figure.

The National Congress' review of the CPR does not, however, conclude with completion of the CMO task. During the last decade, the National Congress has only concluded scrutiny of the FY 2001 CPR (Table 1.5). Once the CMO issues a draft legislative decree and supporting report on the CPR, it must be discussed and approved by both chambers of the National Congress (i.e. the Chamber of Deputies and the Federal Senate).[4] The two chambers each appoint a separate rapporteur to review the CPR and the draft legislative decree that has been prepared by the CMO. Review in both chambers is carried out as an ordinary procedure; with a minimum of 40 sessions in one chamber, followed by a minimum of 40 sessions in the other, for comment and discussion. If either chamber does not approve the CMO report and draft legislative decree on the CPR, the documents go back to the CMO for redrafting.

The TCU does not currently understand the process for nor comprehend the main barriers and constraints affecting the National Congress' scrutiny of the CPR. In the past the TCU has considered its work completed upon the publishing of its opinion and accompanying audit report. Understanding the process for and comprehending the main barriers and constraints affecting legislature scrutiny of the CPR using the TCU opinion is a critical step to enhance the relevance and impact of this audit work. This information could help the TCU to assess whether it can better communicate its main findings and improve the clarity of its audit reporting, as well as facilitate better working relations with the National Congress – though, in the process, actions should be taken to safeguards TCU independence.

Table 1.5. Status of National Congress' deliberations on the Accounts of the President of the Republic

Shading indicates status within the National Congress
Dark blue = completed; light blue = not concluded; white = not begun

Audited fiscal year	National Congress Planning, Budget & Oversight Joint Committee draft Legislative Decree (*Paracer*)	Federal Senate draft Legislative Decree (PDS)	Chamber of Deputies draft Legislative Decree (PDC)	National Congress Legislative Decree
2001	Parecer 82/2003-CN	PDS 775/2002	PDC 2 662/2002	Legislative decree 447/2002
2002	Parecer 46/2010-CN	Begun; not concluded	PDC 40/2011	Yet to commence
2003	Parecer 3/2007-CN	PDS 77/2007	Begun; not concluded	Yet to commence
2004	Parecer 1/2009-CN	PDS 60/2009	Begun; not concluded	Yet to commence
2005	Parecer 47/2010-CN	PDS 91/2011	Begun; not concluded	Yet to commence
2006	Parecer 2/2009-CN	Begun; not concluded	PDC 1 376/2009	Yet to commence
2007	Parecer 12/2011-CN	PDS 189/2011	Begun; not concluded	Yet to commence
2008	Parecer 48/2010-CN	Begun; not concluded	PDC 42/2011	Yet to commence
2009	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence
2010	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence
2011	Begun; not concluded	Yet to commence	Yet to commence	Yet to commence

Note: Data correct as of November 2012.

Box 1.1. Legislative scrutiny of year-end government reports in the Netherlands

Legislative scrutiny of year-end government reports in the Netherlands is led by the Public Expenditure Committee, located in the House of Representatives. This Committee was established in 1923 and its competence and task is regulated in the Rules of Procedure of the House of Representatives. The Public Expenditure Committee deals with the structure and working of the budget policy making. It is one of a number of committees in the House of Representatives: 10 committees deal with the laws and policies of specific line ministries (e.g. Foreign Affairs Committee; Defence Committee; Social Affairs and Employment Committee; and Finance Committee); 5 committees deal with cross-cutting issues (e.g. Kingdom Relation Committee; Intelligence and Security Services Committee; Immigration, Integration and Asylum Committee; European Affairs Committee; and the Public Expenditure Committee); other committees deal with the House activities. The House of Representatives may also establish temporary committees of inquiry.

The role of the Public Expenditure Committee includes dealing with the reports of the Netherlands' supreme audit institution, the Netherlands Court of Audit (*Algemene Rekenkamer*) – as well as discussing any proposed amendments of the Law on the Budget System and supporting other House of Representatives committees in scrutinising minister's budget proposals.

On the day the Netherlands Court of Audit makes its audit reports on the year-end government reports public and sends them to the executive and legislature, the Court makes a closed presentation for members of the Public Expenditure Committee about the report. All Netherlands Court of Audit reports must include a written response on the conclusions by the respective minister and the written reaction of the SAI to this response. A list of written questions is then sent to the responsible minister(s) and a separate list with questions to the Netherlands Court of Audit. The minister and the Netherlands Court of Audit are given approximately three weeks to prepare answers to the questions. The answers of the minister(s) and of the Netherlands Court of Audit are then put on the agenda of a follow-up meeting of the committee. The relevant committee is then able to decide in a procedure meeting what actions and follow-up it will undertake, such as organising a hearing or a roundtable. Committees often decide to schedule an oral debate on the report with the responsible minister.

Box 1.1. Legislative scrutiny of year-end government reports in the Netherlands (cont.)

Scrutiny of the year-end reports in the House of Representatives is completed during a two month period: from the middle of May until the first week of July. The process concludes with a decision of the plenary. The focus of the House of Representatives is on the efficiency and effectiveness of budget spending. Since the 1990s, irregularities in budget spending in the Netherlands have been less than 1% for every budget law. For FY 2010, motions were put to the plenary and passed to discharge all ministers for their policies and financial management of their departments, albeit with some ministers having to commit to improvements in their department's financial management practices

The Public Expenditure Committee performs an evaluation of the accountability process carried out by the separate committees; its report is sent to the plenary. The evaluation report is relevant for keeping up the high standard of the process and for possible improvements of the process.

From FY 2012, Netherlands Court of Audit reports are sent directly to the relevant legislative committee (e.g. a report about energy policy is sent to the Economic Affairs, Agriculture and Innovation Committee). Prior to FY 2012, Netherlands Court of Audit reports were first sent to the Public Expenditure Committee. At the end of FY 2012 there will be an evaluation of the House of Representatives' new operating procedures that will include the views of the Netherlands Court of Audit.

The executive is obligated to respond formally to recommendations made by the Public Expenditure Committee and other committees within three weeks, although this can be extended to six weeks. The ministers send responses to the House of Representatives, and these will be transmitted directly by the Clerk's Department to the committee in charge. The executive's response can be debated in legislature. This depends on the political opportunity and weight of the item. To accommodate the monitoring of recommendations the clerks will register certain commitments of the responsible minister in a parliamentary monitoring system. Once a year, ministers must also send a list of "pending commitments to parliament" together with their budget bill. Supplementary to that: the Netherlands Court of Audit may undertake special investigations to review if recommendations are implemented. The Netherlands Court of Audit sends these reports to the House of Representatives. The procedure to handle this kind of report is the same as the handling of new reports sent to parliament: the committee's written questions to the responsible minister will, depending on the quality of the answers, be followed up by an oral debate of the committee in charge with the responsible minister.

Source: Public Expenditure Committee, House of Representatives, Netherlands.

Actors involved in the reporting process

As noted in the preceding section, consolidated year-end government reporting includes the preparation of the report by the executive, external audit by a country's SAI and scrutiny by the legislature. In Brazil these functions are prepared by the CGU and the STN, TCU and National Congress, respectively. This section presents *i)* the CGU and the STN and their commitments to enhancing transparency in federal government financial reporting; *ii)* the TCU and its level of independence from the executive and legislature *vis-à-vis* the Lima and Mexican Declarations, as minimum assurance for the quality of its audit work; and *iii)* the National Congress and its powers to hold the executive to account for the handling of public finances and the effectiveness of the decisions of the responsible authorities.

Federal executive – Report consolidation

The CGU – the central authority of the Internal Control System of the Federal Public Administration – leads the preparation of the CPR. The broader mandate of the CGU includes co-ordinating actions to enhance internal control and transparency within the

federal executive. In addition to consolidating the CPR, the CGU is responsible for: *i)* evaluating goals established in the Pluri-annual Plan; *ii)* evaluating delivery and management of government programmes; *iii)* evaluating implementation of the Annual Budget Law; *iv)* controlling loans, guarantees and assets of the federal government; *v)* providing information on the delivery of projects financed through the federal budget; *vi)* auditing the management of federal public resources; and *vii)* auditing the federal government management systems (e.g. accounting, financial management, budget, etc.). With this authority, the CGU has developed its knowledge of public sector entities' programmes, introduced computer-assisted audit tools and piloted operational risk management methodologies. These actions help to better target internal control activities, improve the identification and correction of reporting errors and enhance the reliability of financial reporting (OECD, 2012).

The CGU knowledge on internal control and material risks facing government reporting is reinforced by its role as a shared mandatory internal audit service for federal ministries since 2001. The centralisation of the internal audit function in Brazil is similar to arrangements in the Netherlands, Portugal and Spain (Table 1.6). Previously, all Brazilian federal ministries had their own "in-house" internal audit service that audited the administrative units within the ministry and agencies and foundations, under the supervision of each minister. The policy shift was driven by concern over the independence of the internal audit function. The change also resulted in the obligation that all federal agencies and foundations establish their own internal audit services, rather than having this function filled by their respective supervising federal ministers. State-owned and mixed-capital enterprises have always had their own internal audit functions. The CGU evaluates the performance of internal audit within agencies, foundations and public enterprises (including both state-owned and mixed-capital enterprises).

Table 1.6. Centralisation of internal audit within the direct public administration in Brazil and selected countries

Central (national) government

Centralised	Decentralised
Brazil, Mexico, Netherlands, Portugal, Spain	Australia, Canada, Chile, France, Germany, South Africa, United Kingdom, United States

Note:

Mexico: Internal audit within the executive branch is centralised within the Secretariat of Public Administration. Internal audit within both the legislature and judiciary are decentralised. Internal audit at the state (regional) level is also decentralised.

Source: Adapted from OECD (2012), *OECD Integrity Review of Brazil: Managing Risks for a Cleaner Public Service*, OECD Public Governance Reviews, OECD Publishing. doi: 10.1787/9789264119321-en

The CGU has played a role in enhancing the federal government's financial reporting framework, and is taking a lead role in a number of international initiatives to enhance transparency and accountability. Actions to enhance the framework include, for example, redesigning the CPR to enhance effective transparency, as discussed in the preceding section. The CGU has also led the development of real-time online reporting of budget execution through the creation of the Transparency Portal of the federal public administration (OECD, 2012). At an international level, the CGU requested the OECD to conduct a *Public Sector Integrity Review* of the federal public administration in 2011 – the first G20 country to do so; founding the Open Government Partnership, a multilateral

initiative to promote transparency and harness new technologies for good public governance in 2011; and founding the Global Initiative for Fiscal Transparency, a multilateral initiative to enhance transparency, citizen engagement and accountability in fiscal management in 2012.

The CGU has a dedicated division as part of its shared audit service responsible for consolidating the CPR (Table 1.7). The remainder of the CGU shared audit service (the *Secretaria Federal de Controle Interno*) is arranged around organisation of the direct federal public administration. Resource mobilisation and flexibility are not recognised as problems within the CGU. The staffing of the CGU has increased steadily over time to include approximately 2 700 active public officials in 2010 (Table 1.8). The CGU receives a lump-sum appropriation for its operating expenditure, but with a sublimit for wages, allowing the CGU to reallocate material expenditure without approval from the Federal Ministry of Finance.

Table 1.7. Organisation of the shared audit service within Brazil's Office of Comptroller General of the Union

Departments	Divisions
Planning and co-ordination	Planning and evaluation Audit techniques, procedures & quality Special operations Foreign funded loans & grants
Economic	Federal Ministry of Finance (two divisions) Federal Ministry of Planning, Budget and Management Federal Ministry of Development, Industry and Trade **Accounts of the President of the Republic (CPR)**
Social	Federal Ministry of Social Development and the Fight Against Hunger Federal Ministry of Justice Federal Ministry of Health Federal Ministry of Education (two divisions)
Infrastructure	Federal Ministry of the Environment Federal Ministry of Mines and Energy Federal Ministry of Science and Technology Federal Ministry of Transport Federal Ministry of Cities Federal Ministry of National Integration
Production and technology	Federal Ministries of Agriculture, Fisheries and Aquaculture (within one division) Federal Ministry of Agrarian Development Federal Ministry of Tourism Federal Ministries of Sports and Culture (within one division) Federal Ministry of Communications
Employment and social security	Federal Ministry of Social Welfare Federal Ministry of Labour and Employment Social Services System ("System S") Personnel audits and audits of *ad hoc* reports by individual accountable officials (within one division)

Note:

Social Services System ("System S") comprises parastatal organisations that play a specific role in the training and welfare of employees of companies from some sectors of industry, commerce, services, agriculture and livestock. These specific organisations were created by the government but are not state-owned enterprises or agencies. Their financial resources are collected through compulsory contributions made by private companies as well as from the social security system in general. Although the System S does not execute public policies, it supports broader social goals.

Source: Adapted from OECD (2012), *OECD Integrity Review of Brazil: Managing Risks for a Cleaner Public Service*, OECD Public Governance Reviews, OECD Publishing. doi: 10.1787/9789264119321-en

Table 1.8. Resourcing of Brazil's Office of the Comptroller General of the Union

A. Number of public officials

Category of official	2005	2006	2007	2008	2009	2010
Supervisory & management officials	388	408	408	408	408	408
Other public officials	1 730	1 866	1 924	2 137	2 215	1 985
Total active public officials	2 154	2 310	2 368	2 581	2 659	2 719
Retirees & pensioners	32	75	124	164	239	287
Total public officials	2 186	2 385	2 492	2 745	2 898	3 006

B. Budget appropriation (million BRL)

Type of expenditure	2005	2006	2007	2008	2009	2010
Personnel	175.8	270.9	354.8	413.9	532.7	591.5
Materials	3.1	0.8	1.0	1.7	1.7	2.0
Capital	2.8	5.1	7.1	10.7	4.8	12.5
Other	53.9	45.4	51.8	58.6	60.8	90.8
Total	235.6	322.1	414.8	484.9	600.0	696.8

Note: Public official data refer to the month of November for each year surveyed.

Source: OECD (2012), *OECD Integrity Review of Brazil: Managing Risks for a Cleaner Public Service*, OECD Public Governance Reviews, OECD Publishing.doi: 10.1787/9789264119321-en

The activities of the CGU linked to the CPR are supported by the STN, the central authority of the Accounting System of the Federal Public Administration. The STN prepares the BGU as input for the CPR. More generally, the STN is responsible for: *i)* maintaining and improving the chart of accounts of the federal government; *ii)* establishing rules and procedures for proper accounting of transactions and significant events by federal public sector entities; *iii)* maintaining and improving information systems for recording transactions and significant events and generating information for management decision making and ministerial oversight; and *iv)* supporting the preparation of year-end reports of accountable officials and the identification of irregularities resulting in losses to the state treasury. The STN also establishes the accounting standards for federal government financial statements and, in that respect, shares similarities with the finance ministries in the Netherlands, Portugal and Spain (Table 1.9).[5]

Table 1.9. Responsibility for establishing accounting standards for government financial statements in Brazil and selected countries

Finance ministry/ central budget authority	Finance ministry/ central budget authority with recommendations of advisory board	Public-private sector standards body	Other
Brazil, Germany, Netherlands, Portugal, Spain	Canada, France, South Africa, United Kingdom, United States	Australia	Mexico

Notes:

Mexico: The National Council for the Harmonisation of Accounts. The Council is composed of 13 members from the three levels of government. Its main task is to establish the parameters (guidelines) that must be adopted for public accounting. Moreover, the law mandates that the accounting rules be based on best international practices.

South Africa: The Accrual Accounting Standards Board sets standards and the Minister of Finance approves these and sets effective dates for implementation. The National Treasury (under the Minister of Finance) sets the standards for reporting on the modified cash basis used by central and state departments in anticipation of the implementation of accrual accounting.

Source: Adapted from OECD (n.d.), International Budget Practices and Procedures Database (v2), *www.oecd.org/gov/budget/database*, responses to Question 63 "How are the technical standards for the budget and related documents and the technical accounting standards for financial statements determined?"

Federal Court of Accounts – External audit

The 1988 Constitution of the Federative Republic of Brazil establishes the TCU as an auxiliary body to the National Congress. The role of the TCU is to provide external control and oversight over federal public resources, including federal ministries, agencies, foundations, as well as state-owned and mixed-capital enterprises. This includes federal public funds that are transferred to subnational governments for the delivery of federal public programmes and services. The TCU does not, however, audit public resources budgeted by subnational governments (i.e. states, municipalities and the Federal District). The external audit of those funds is conducted by the subnational courts of accounts in each of Brazil's 26 states and the Federal District. A further six municipalities (i.e. Bahia, Ceará, Goiás, Pará, Rio de Janeiro and Sao Paulo) have their own court of accounts focused on local budget execution.

In exercising its control and oversight function, the TCU conducts a combination of juridical, regularity and performance audits (Table 1.10). The TCU has not conducted *a priori* audits of public expenditure since 1967. Moreover, since the 1980s, the TCU has focused increasing attention on the economy, efficiency and effectiveness of public policies.

The TCU follows a court of accounts (or court of audit) model of SAI; in this regard it is more similar in the organisation model of the SAIs in France, Germany, the Netherlands, Portugal and Spain (Table 1.11), though there are still much heterogeneity regarding the organisation of courts of accounts. The organisational model and functions of the TCU have been directly influenced by the Portuguese Court of Accounts, and indirectly by the French Court of Audit. The influence of the former stems from the historic ties between Brazil and Portugal. The Portuguese Court of Accounts has been strongly influenced by the French Court of Audit – and previously by the Belgian Court of Accounts (Tavares, 1998).

The TCU operates in plenary and in one of two chambers. The Plenary is made up of all nine TCU ministers, including the president and vice president. These two officers are elected by the Plenary for a term of one year, extendable for an additional year. In the recent past, the president has been the longest-serving TCU minister that has yet to occupy the position of president; and the vice-president has been the second longest-serving TCU minister that has yet to occupy the position of president.[6] TCU ministers take decisions collectively through the Plenary or one of its two chambers (Table 1.12).

The TCU authorities are supported by three general secretariats – for the TCU presidency, general management and external control (Figure 1.3). The General Secretariat for the TCU Presidency manages *inter alia* TCU strategic planning, information technology, and relations with the National Congress and the media. The General Secretariat for TCU Administration is responsible for TCU human resources, procurement, logistics and financial management. The General Secretariat for External Control establishes practices and procedures and co-ordinates the activities within the 45 TCU secretariats of external control.

The TCU has its own Prosecution Service that attends every session in which a decision is to be taken on an audit opinion, including the audit of the CPR. The TCU Prosecution Service is comprised of a prosecutor general, three deputy prosecutors general and four prosecutors, and is autonomous and functionally independent from the TCU President. The TCU Prosecutor General is appointed by the President of the

Republic for a period of two years and has the same privileges as a TCU minister. The deputy prosecutors general and prosecutors are recruited by public examination, overseen by the Brazilian Bar Association.[7] The rights, guarantees and powers of members of the TCU Prosecution Service are regulated by the Organic Law on the Public Prosecutor of the Union. Administrative support for the TCU Prosecution Service is provided by the TCU Secretariat of General Administration.

Table 1.10. Types of audit activities conducted by supreme audit institutions in Brazil and selected countries

Country	*A priori* audit	*Ex post* audit		
		Judicial	Regularity	Performance
Australia	o	O	●	●
Brazil	**o**	●	●	●
Canada	o	O	●	●
Chile	●	●	●	o
France	o	●	●	●
Germany	●	O	●	●
Mexico	o	O	●	●
Netherlands	o	O	●	●
Portugal	●	●	●	●
Spain	o	●	●	●
South Africa	o	O	●	●
United Kingdom	o	O	●	●
United States	o	O	●	●

Notes:

● = Yes; o = No.

A priori *audit:* The SAI authorises or advises on public expenditure as part of the process of financial control. For example, the SAI may receive details of all payments together with supporting documentation; it will then check the accuracy, legality and regularity of all transactions. The SAI will also ensure that there is sufficient budgetary provision for the transaction to be made.

Juridical audit refers to judgement regarding the accounts of individuals with whom personal responsibility for the use of public funds rests.

Regularity audit includes: *i)* attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements; *ii)* attestation of financial accountability of the government administration as a whole; *iii)* audit of financial systems and transactions, including evaluation of compliance with applicable statutes and regulations; *iv)* audit of internal control and internal audit functions; *v)* audit of the probity and propriety of administrative decisions taken within the audited entity; and *vi)* reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed.

Performance audit includes: *i)* audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies; *ii)* audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and *iii)* audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

Source: Definitions adapted from INTOSAI (2001), "Basic Principles in Government Auditing", *International Standards of Supreme Audit Institutions* (ISSAI), 100, INTOSAI Professional Standards Committee, Denmark. Data adapted from NAO (National Audit Office, United Kingdom) (2005), *State Audit in the European Union*, National Audit Office, London, *www.nao.org.uk/publications/0506/state_audit_in_the_eu.aspx.*

Table 1.11. Organisational model of supreme audit institutions in Brazil and selected countries

Audit office	Audit board	Court of accounts
Australia, Canada, Chile, Mexico, South Africa, United Kingdom, United States	Netherlands	**Brazil**, France, Germany, Portugal, Spain

Notes:

Audit office: A monocratic organisation with all rights, powers and responsibilities in an auditor general. An audit office is part of a parliamentary system and reports all audit findings to the legislature, typically to a parliamentary committee responsible for holding the government or public organisations accountable based on SAI reports.

Audit board: A collegiate organisation is headed by a number of members who form its college or governing board and take decisions jointly. A board is normally part of a parliamentary system and its audit reports are submitted to the legislature, where there is usually some form of public accounts committee to act on them.

Court of accounts (or court of audit): A collegiate organisation, headed by those members who form its college or governing board and take decisions jointly. This model is generally a self-standing court dealing only with financial matters. Less commonly, it may be under the supreme court, and subsequently be known as a *chamber of accounts*.

Source: Definitions adapted from INTOSAI (2010), "Financial Audit Guideline: Glossary of Terms to the INTOSAI Financial Audit Guidelines", *International Standards of Supreme Audit Institutions* (ISSAI) 1003, INTOSAI Professional Standards Committee, Financial Audit Subcommittee Secretariat, Riksrevisionen, Sweden, *www.issai.org*.

Table 1.12. Composition and portfolio of the Brazilian Federal Court of Accounts' plenary and chambers

	Plenary	1st & 2nd Chambers
Composition	All nine TCU ministers, chaired by TCU President	Each chamber has four ministers 1st Chamber is chaired by TCU Vice-President 2nd Chamber is chaired by longest-serving minister The portfolios of the chambers are not fixed, but change with the rotation of portfolios of the ministers – once every two years
Portfolio	Audit of the Accounts of the President of the Republic (CPR) Audits & inspections of administrative units of higher-level government bodies – e.g. the superior courts, the Federal Senate & Chamber of Deputies, the Office of the Public Prosecutor of the Union, the Office of the President of the Republic & the Office of the Attorney General of the Union Audits, inspections & information requested directly by the National Congress, its chambers and committees Operational (performance) audit Complaints received internally from within the federal public administration and the general public	Audit of accounts of public officials Audits & inspections initiated by the TCU, other than those dealt with by the TCU Plenary Audits of the admission of public officials into the direct & indirect federal public administration Audits of the legality of the payment of pension & retirement benefits to federal public officials, military personnel and their beneficiaries

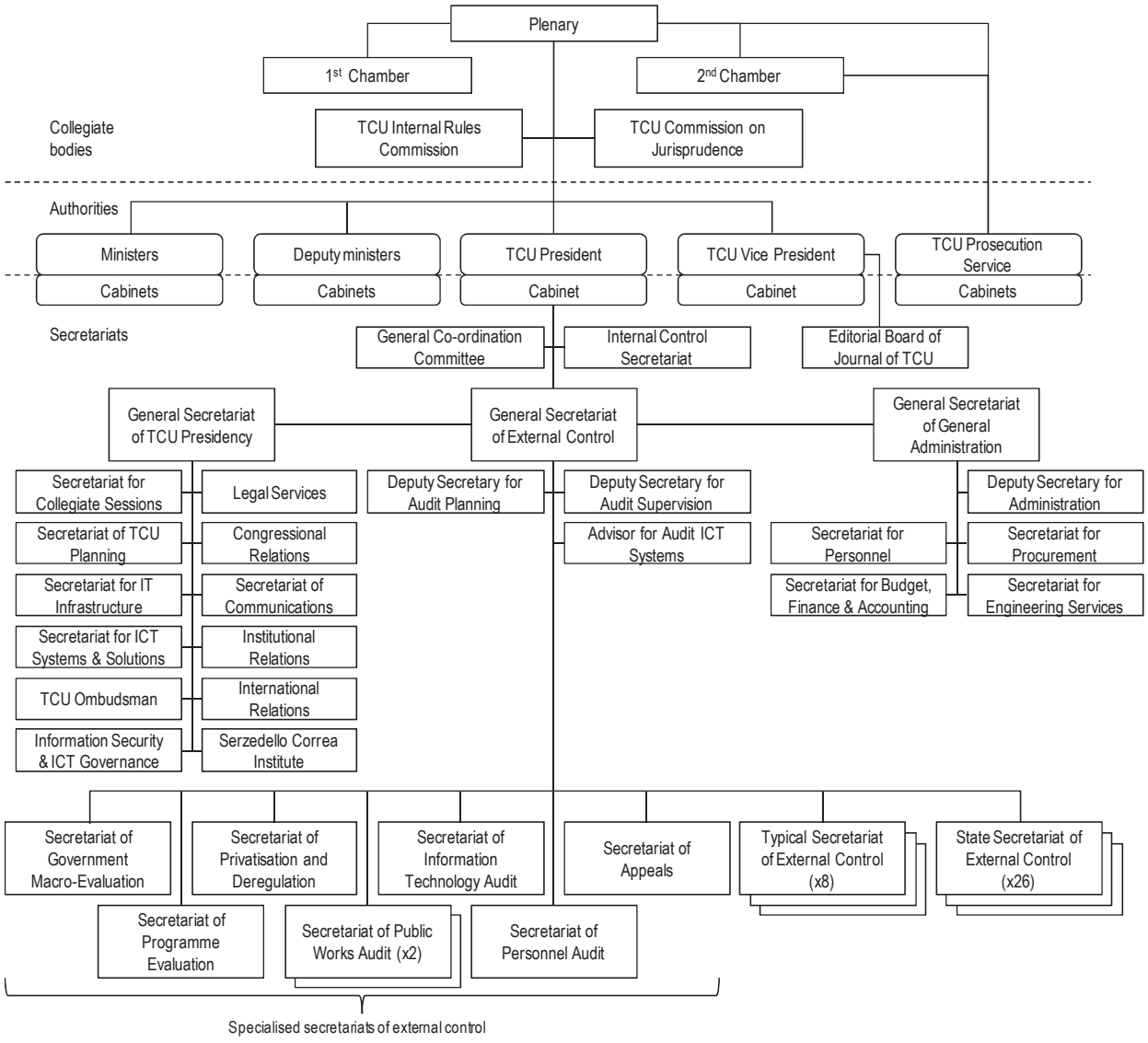
Notes:

CPR = Accounts of the President of the Republic TCU = Federal Court of Accounts

Source: 2012 TCU Internal Rules (TCU Resolution 246/2011), Art. 15.

Figure 1.3. Organisation of the Brazilian Federal Court of Accounts

As of November 2012



Source: Federal Court of Accounts, Brazil.

The TCU considers the audit of the CPR one of its most significant activities. This audit is a fixed task of the TCU, its first constitutional responsibility and one of its most longstanding activities, having been conducted since 1892. Significance is also attached to the process. The vote on this audit is taken in an extraordinary session of the Plenary. Extraordinary sessions are reserved for specific events, e.g. the inauguration of TCU authorities (i.e. the president, vice president, ministers, deputy ministers) and the vote on TCU Internal Rules. The audit of the CPR is also supported by a dedicated secretariat: the Secretariat for Government Macro-Evaluation (*Secretaria de Macroavaliação Governamental*, or Semag). This Secretariat, created in FY 2000, co-ordinates audit planning and implementation for the CPR (see Chapter 3 of this peer review).

Table 1.13. Appointment, tenure and salaries of supreme audit institutions' leadership in Brazil and selected countries

Country	A. Selection & appointment of supreme audit institution leadership				B. Tenure of supreme audit institution leadership				C. Salaries & benefits of supreme audit institution leadership			
	Executive	Executive with legislative approval	Executive & legislature	Legislature	Fixed term, non-renewable	Fixed term, renewable	Open-ended	Retirement	Set by executive	Set by legislature	Equivalent to fixed position within judiciary	Other
Australia		●			10 years			Not specified				●
Brazil			●				●	**70 years**			●	
Canada		●			10 years			Not specified			●	
Chile		●					●	75 years	●			
France	●						●	65 years	..	..	..	..
Germany		●			12 years			65 years		●		
Mexico				●		8 years		No limit			●	
Netherlands				●			●	70 years		●		
Portugal	●					4 years (president)	● (Members of court)	70 years			●	
Spain				●		3 years (president); 9 years (counsellors)		Not specified	..	..	..	..
South Africa	●				5-10 years			Not specified	●			
United Kingdom	●				10 years							●
United States		●			15 years			70 years	..	..	..	..

Notes:

● = Yes; .. = Missing data

Australia: Headed by Auditor General; (A) appointed by the Governor-General on recommendation from the relevant minister following approval by Joint Committee of Public Accounts and Audit; (B) may be removed by Governor-General if each House of Parliament presents a request for his removal on the grounds of misconduct or incapacity; (C) Remuneration Tribunal.

Brazil: (C) Magistrates of the Superior Court of Justice (*Superior Tribunal de Justiça*).

Canada: Headed by Auditor General; (A) appointed by the Governor General following approval by Senate and House of Commons; (B) may be removed by Governor General following an address from both Senate and House of Commons.

Chile: Headed by Comptroller General; (A) following approval of the majority of the Senate; (B) may be removed by the President of the Republic, after prior judicial decision in the manner prescribed, and on grounds given by the Judges of the Supreme Court.

France: Leadership includes a First President; one General Prosecutor assisted by one first Advocate General and three Advocates General; and seven Chamber presidents; (A) nominated by a decree of Council of Ministers.

Germany: (A) Following election by the houses of the legislature; (B) the same conditions as specified by the Federal Civil Service Act.

Mexico: (A) Appointed by the House of Deputies from a short-list proposed by the Oversight Committee (House of Deputies); (B) the Oversight Committee must propose removal, and removal must be approved by the House of Deputies, only on grounds of integrity or efficiency, physical or mental disability, or certain criminal convictions. The SAI of Mexico has management autonomy to set the institution's salaries and benefits and to establish an appropriate organisational structure. Nevertheless, the Auditor General's salary and benefits are adjusted to those granted in the legislature.

Netherlands: (A) SAI draws up a list of six candidates from which the House of Representatives decides which candidate will be proposed as a new Board member. The Court of Audit's new Board member is then appointed by Royal Decree; (B) the Supreme Court has the power to dismiss.

Portugal: Headed by President and 16 Judges, plus 1 judge from each of the Autonomous Regions of Azores and Madeira; (A) the President of the Court is appointed and exonerated by the President of the Republic under proposal of the government; the Members of the Court are recruited by public competition and appointed by the President of the Court. (B) May be removed by majority vote in a plenary session of the judges of the Court.

South Africa: Public Audit Act, Act 25 of 2004: Part 2 Section 6 Appointment.— (1) whenever it becomes necessary to appoint a person as Auditor-General, the Speaker must initiate the process in the National Assembly for the recommendation of a person to the President for appointment as Auditor-General as set out in Section 193 of the Constitution. A fixed non-renewable term between five and ten years is prescribed by Section 189 of the constitution. As per section 6(2) of the Public Audit Act, "When making an appointment, the President must determine the term for which the appointment is made, subject to Section 189 of the Constitution". Although the current term is seven years, it could be anywhere between five and ten years. Public Audit Act Part 2 Section 7(1): the oversight mechanism must consult the person recommended in terms of section 193 of the Constitution for appointment as Auditor-General and make recommendations to the President for the determination of the conditions of employment of that person, including an appropriate salary, allowances and other.

Spain: Headed by 12 Counsellors (one of whom is the President) and the Prosecutor; (A) 12 counsellors are appointed (6 each by Congress and the Senate, with 3/5 majority); counsellors nominate a President of the Court of Audit who is appointed by the King; (B) can be removed for incapacity, conflict of interest or serious neglect of the duties of office.

United Kingdom: Headed by Comptroller and Auditor General; (A) appointed by the Queen following an approval of Prime Minister; (B) may be removed by the Queen on an address by both Houses of Parliament: (C) salary is agreed by both the Prime Minister and the Chair of the Public Accounts Committee.

United States: Headed by Comptroller General; (A) appointed by the President with consent and advice from the Senate; (B) may be removed by joint resolution of Congress due to inability to perform function, inefficiency or bad moral behaviour.

Source: Adapted from NAO (National Audit Office, United Kingdom) (2005), *State Audit in the European Union*, National Audit Office, London, *www.nao.org.uk/publications/0506/state_audit_in_the_eu.aspx;* INTOSAI (n.d.), "Mandates of SAIs", *www.intosaiitaudit.org/mandates/.*

The TCU is characterised by organisational, functional and financial independence, in line with the *International Standards of Supreme Audit Institutions*' "Lima Declaration of Guidelines on Auditing Precepts" and "Mexico Declaration on SAI Independence" (INTOSAI 1977; 2007).

Organisational independence

The 1988 Constitution establishes the conditions for the appointment, removal and retirement of TCU ministers. Three ministers are appointed by the Federal Senate (the upper house of the legislature), three by the Chamber of Deputies (the lower house) and three by the President of the Republic, based on seniority and merit, with approval by the Federal Senate. Of those appointed by the President of the Republic, two must be TCU career officials – one from among the TCU deputy ministers and one from the TCU Prosecution Service. The third may be selected from outside the TCU. This is different from the benchmark SAIs included in this peer review, which place responsibility in either the executive or legislature (Table 1.13A).

TCU ministers are appointed for an open-ended term, until mandatory retirement at 70 years of age or through proved disability – or optional retirement after 30 years of service. Open-ended terms are also in place for the leadership of SAIs in Chile, France, the Netherlands and the United Kingdom (Table 1.13B). The salaries and benefits of TCU ministers are linked to the judiciary, which is also the case in Canada and Portugal (Table 1.13C). TCU ministers cannot be relocated from Brasília and can only be removed from office through a judicial decision. Moreover, the 1988 Constitution establishes that TCU ministers have the same right, guarantees and prerogatives as magistrates of the Superior Court of Justice.

The 1988 Constitution introduced a new process for appointment of TCU ministers, with the intention of strengthening the court's independence and professionalism. Prior to 1988, all nine TCU ministers were selected by the President of the Republic with the prior approval by the Federal Senate (Table 1.14). Under this previous arrangement it was envisaged that lifetime employment – together with collective decision making within the TCU plenary and chambers – would safeguard the TCU against the influence of the Federal Public Administration. However, real changes in government power together with voluntary short tenure by TCU ministers gave rise to a more political institution (Speck, 1999).[8]

Several other safeguards of organisational independence have subsequently been defined in the Organic Law on the TCU. For example, TCU ministers are prohibited from: *i)* holding a position as a career public official; *ii)* holding a position, even without remuneration, within the government or a government concessionaire; *iii)* holding private employment or participating in a commercial venture, other than as a blind shareholder; *iv)* holding a position in a non-governmental organisation, except in a union without remuneration; *v)* signing a contract with a public sector entity or concessionaire; and *vi)* participating in partisan political activity.

The Organic Law on the TCU also establishes obligations for the conduct of Brazil's SAI officials, including its ministers. TCU officials are obliged to, *i)* maintain an attitude of independence and impartiality when conducting formal duties; and *ii)* protect confidentiality of data and information obtained through formal duties, using it exclusively for audit work. These values are reflected in the TCU Code of Conduct (see Chapter 4 of this peer review).

Table 1.14. Selection, appointment and guarantees of Brazilian Federal Court of Accounts' ministers

According to Brazil's different constitutions (and relevant articles)

Period	1891 (Art. 89)	1934 (Art. 100)	1937 (Art. 114)	1946 (Art. 76)	1967 (Art. 72)	1969 (Art. 70)	1988 (Art. 73)
Selection criteria	Brazilian citizen Minimum age of 35 years Moral integrity Expertise						Aged 35-65 years Moral integrity & reputation Minimum 10 years' expertise in law, accountancy and economic and financial matters
Appointment	President of the Republic with approval of Federal Senate		President of the Republic with approval of federal counsel	President with approval of Federal Senate			1/3 President of the Republic with approval of Federal Senate; 1/3 Federal Senate; & 1/3 Chamber of Deputies
Guarantees	Lifetime appointment Guarantees equal to magistrates of the Superior Court of Justice						

Functional independence

The TCU has a broad mandate in the discharge of its functions, as set out in the 1988 Constitution and regulated by its own organic law. This mandate includes auditing *i)* the use of public funds, resources and assets, by a recipient or beneficiary regardless of its legal nature; *ii)* the collection of revenue owed to the government or public sector entities; *iii)* the legality and regularity of government and individual accountable officials' year-end reports; *iv)* the quality of financial management and reporting; and *v)* the economy, efficiency and effectiveness of government or public sector entity operations. The TCU mandate has expanded over time to include oversight of: *i)* public procurement, including processing complaints filed by contractors, suppliers and citizens; *ii)* mandatory disclosure of assets and income by public officials; and *iii)* compliance with fiscal rules established under the Law on Fiscal Responsibility (Table 1.15).

While respecting the laws enacted by the National Congress, the TCU has autonomy to define the objective and scope of its audits and the content, timing and dissemination of its audit reporting. The TCU conducts more than 8 000 control and oversight processes each and every year. In recent years, the TCU has sought to place more emphasis on audit activities through the introduction of a more structured and risk-based approach to those activities since 1995 (see Chapter 3 of this peer review). Reports on each and every audit is published in the Official Journal of the TCU and made available on the TCU Internal portal.

The Organic Law on the TCU guarantees its officials a number of powers when conducting audit and inspection activities. These include *i)* free access to any public sector entities under the jurisdiction of the TCU; *ii)* access to all documents and information necessary for the performance of TCU activities; *iii)* authority to request information, under the terms of the TCU Internal Rules, necessary for the analysis and preparation of control and oversight processes assigned by an auditor's immediate superior. The TCU does not, however, have access to tax files maintained by the

Secretariat of Federal Revenue within the Federal Ministry of Finance. Access to these files has been refused by the Secretariat of Federal Revenue on the grounds of preserving confidential personal data (Speck, 1999).

Table 1.15. Brazilian Federal Court of Accounts' audit mandate

	A. Established by the 1988 Constitution (relevant article)
71.I	Audit the year-end report of the President of the Republic, issuing a opinion within 60 days of its receipt (from the National Congress)
71.II	Evaluate the year-end reports of administrators & other persons responsible for public money & assets within the direct & indirect public administration, & the accounts of those who have caused a loss or other irregularity resulting in a loss to the state treasury
71.III	Examine the legality of acts to employ individuals in the direct & indirect public administration & the granting of civil & military retirement & pensions
71.IV	Conduct – on its own initiative or that of the National Congress (its chambers &/or committees) – inspections & audits of internal control (accounting, financial, budgetary, operations or asset management) in administrative units of the legislature, executive & judiciary
71.V	Oversee the national accounts of supranational companies in whose capital stock the federal government holds a direct or indirect interest, as set forth in the acts of incorporation
71.VI	Oversee the use of federal funds, by means of an administrative agreement or other similar instrument, to a state, municipality & the federal district
71.VII	Provide information as requested by the National Congress, its chambers and/or committees concerning internal control (accounting, financial, budgetary, operations & asset management) & the results of audits & inspections
71.VIII	In case of illegal expenditure or irregular accounts, sanction the responsible parties, including a possible fine proportional to the damages caused to the state treasury
71.IX	If an illegality is established, sets a maximum period of time for a public organisation to take the necessary steps for compliance with the law
71.X	If necessary steps are not taken to ensure compliance with the law, suspend the execution of the challenged act & inform the Chamber of Deputies & Federal Senate
71.XI	If an illegality is established, the TCU will alert the federal public administration or National Congress of irregularities found in the audits
71.1	Issue a conclusive opinion, upon request of the National Congress Planning, Budgeting & Oversight Joint Committee, on expenditures made without authorisation
71.2	Resolve complaints, submitted by citizens, political parties, associations or unions, of illegal or irregular conduct in the use of federal resources
	B. Established by other statutes (relevant legislation)
•	Monitor public procurement & process complaints filed by contractors, bidders or any physical or legal person (Law 8 666/1993 on Public Procurement & Contracts)
•	Register & monitor the declarations filed by public officials (Law 8 730/1993 on the Declaration of Assets & Income by Officials)
•	Examine reports regarding breach of the obligation of the federal government to notify municipalities of inter-government transfers (Law 9 452/1997 on the Notification of Municipal Legislatures on the Disbursement of Inter-governmental Transfers)
•	Monitor & oversee the processes of privatisation (Law 9 491/1997 amending the National Privatisation Programme)
•	Review the financial statements of the federal public administration, ensuring that the spending caps set forth in the law are complied with & alerting the legislature of cases of non-compliance (Law on Fiscal Responsibility - Complementary Law 101/2000)
•	Process & adjudicate administrative offences against the laws of public finance (Law 10 028/2000 amending the Criminal Code)
•	Monitor the use of funds transferred to the Brazilian Olympics & Paralympics' Committees (Law 10 264/2001 amending the General Norms on Sport)
•	Submit to the National Congress Planning, Budgeting & Oversight Joint Committee audit findings on the fiscal management reports provided for in Complementary Law 101/2000 & submit to the National Congress information on the physical & financial execution of works contained in the federal & social security budgets (Law 10 266/2001 on the Formulation of the 2002 Annual Budget Law)
•	Monitor the use of resources & process complaints filed in connection with the transfer of resources to states & municipalities under the Growth Acceleration Programme (*Programa de Aceleração do Crescimento*) (Law 11 578/2007)

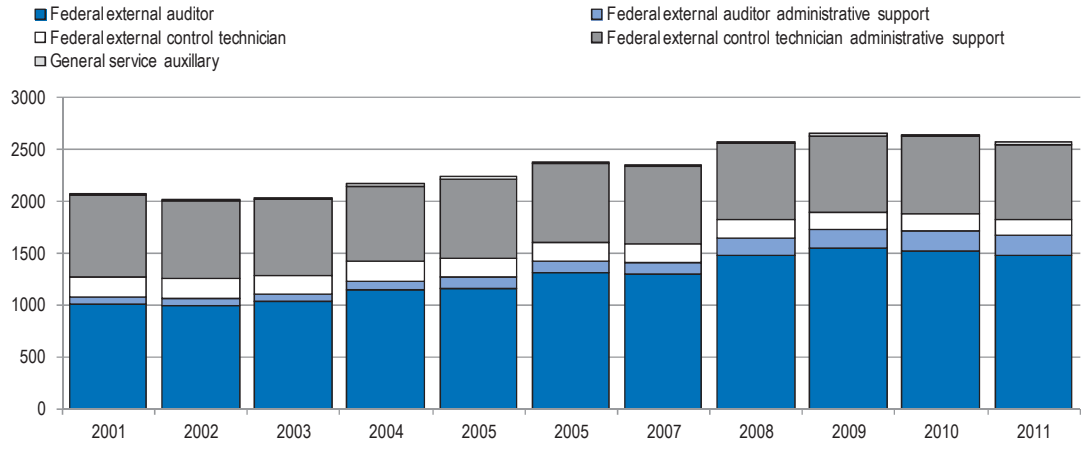
Managerial and financial independence

The TCU has approximately 2 600 TCU officials and an annual budget of approximately BRL 1.4 billion (Figure 1.4). Approximately 1 500 of those officials are "federal external auditors"; individuals with a college diploma that have qualified for employment in the TCU through a competitive entrance examination. The number of

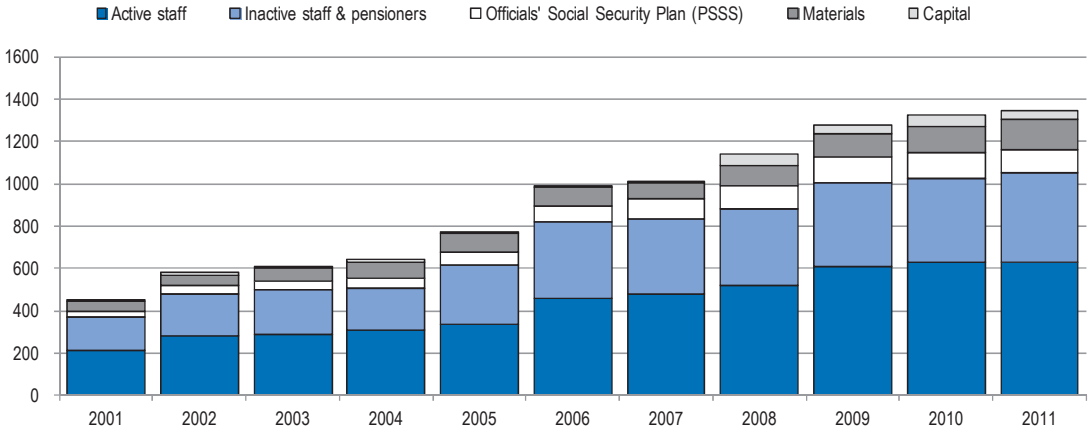
federal external auditors has grown by approximately 50% between 2001 and 2011, and includes 300 additional auditors since 2006 following approval of these positions by the National Congress.[9] In Brazil, new positions in the federal government must be established in law. This has increased the share of federal external auditors as a share of total TCU officials from 48% to 57% during that same period. Most of the TCU budget is attributed to personnel, pensions and social security contributions. Personnel costs have maintained a steady share – approximately 47% – of total TCU expenditure since 2001.

Figure 1.4. Resourcing of the Brazilian Federal Court of Accounts

A. Human resources



B. Budgetary resources
(million BRL)



Notes:

External control auditors must have a college diploma. Federal external control technicians support the work of auditors and are only required to have high school diplomas.

Auditors/technicians administrative support work covers human resource management, international relations and communications.

Calculation for *Inactive staff and pensioners* and *Officials' Social Security Plan* for FY 2003 and FY 2004 estimated at the rate of 13% because data were presented together.

Source: Federal Court of Accounts, Brazil.

The Organic Law on the TCU establishes significant managerial independence for Brazil's SAI. This includes the ability of the TCU to establish its own Internal Rules and its own managerial structures. Changes to TCU staffing and salaries must, however, be approved by the National Congress. The TCU annual budget is prepared with the same rules and procedures as the federal public administration. Its budget is submitted to the central budget authority (i.e. the Federal Ministry of Planning, Budget and Management) and included in the Annual Budget Bill without any change. The TCU does not have a lump sum appropriation and must request approval from the National Congress should it wish to vire (i.e. to reallocate) budget appropriation between economic categories of spending (Table 1.16).

Table 1.16. Budget flexibility of supreme audit institutions in Brazil and selected countries

Country	A. How is the budget for the supreme audit institution prepared?			B. Does the supreme audit institution have block/ "lump sum" appropriations?	C. Does the supreme audit institution have budget flexibility to vire (i.e. reallocate) funds within appropriations within the fiscal year?
	Same policies/ procedures as other government organisations	Central budget authority includes budget proposal without change	Submit budget proposal directly to legislature for approval		
Australia	●			●	Yes, central budget authority approval not required at all
Brazil		●		**o**	**Not possible without legislative approval**
Canada	●			●	Not possible without legislative approval
Chile	●			..	..
France	●			●	Yes, with central budget authority approval for changes above specified threshold
Germany	●			o	Yes (details not provided)
Mexico		●		..	..
Netherlands	●			●	Not possible without legislative approval
Portugal	●			●	Yes, with central budget authority approval for changes above specified threshold
Spain		●		o	..
South Africa			●	o	..
United Kingdom			●	●	Yes (details not provided)
United States		●		..	..

Notes:

● = Yes; o = No; .. = Missing data

"Block" appropriations involve allocating a lump sum to line ministries or agencies, which are then free to determine the best mix of economic inputs to produce their services.

Canada: (B) The Office of the Auditor General is free to determine the best mix of economic inputs to provide the services within the appropriated Vote. If the Office of the Auditor General receives more than one "Vote" (i.e. appropriation), reallocation between the Votes will require legislative approval.

South Africa: The Auditor-General is self-funded by way of billing auditees for audit hours worked.

Source: OECD (n.d.), International Budget Practices and Procedures Database (v2), *www.oecd.org/gov/budget/database*, responses to Question 30: "In practice, which option most accurately describes the way in which the budget is prepared for the supreme audit institution?"

National Congress – Legislative scrutiny

The National Congress is, as stated in the preceding sections, comprised of the Federal Senate and the Chamber of Deputies. The Federal Senate is composed of 81 representatives from the 26 states and the Federal District, elected in single-seat constituencies. Federal senators are popularly elected for an eight-year term, with elections staggered so that two-thirds and one-third are elected alternatively every four years. The Chamber of Deputies is composed of 513 deputies popularly elected to four-year terms by proportional representation (Table 1.17). Both chambers of the National Congress operate in plenary, permanent committees organised by thematic area and *ad hoc* committees, as necessary. There are currently 11 committees within the Federal Senate, 20 within the Chamber of Deputies and 2 joint committees.

Table 1.17. Legislative branch in Brazil and selected countries

Country	Lower chamber			Upper chamber	
	No. of members	Term (years)	Electoral system	No. of members	Term (years)
Australia	150	3	Alternate vote	76	6
Brazil	**513**	**4**	**List proportional representation**	**81**	**8**
Canada	308	5	First past the post	105	Not elected
Chile	120	4	List proportional representation	46	8
France	577	5	Two-round system	343	6
Germany	620	4	Mixed-member proportional (first past the post / list proportional representation)	69	Not elected
Mexico	500	3	Mixed-member proportional (first past the post / list proportional representation)	128	6
Netherlands	150	4	List proportional representation	75	4
Portugal	230	4	List proportional representation	n.a.	n.a.
Spain	350	4	List proportional representation	266	4
South Africa	400	5	List proportional representation	90	Not elected
United Kingdom	650	5	First past the post	825	Not elected
Untied States	435	2	First past the post	100	6

Notes:

n.a. = Not applicable (unicameral). Data on the frequency of elections reflect statutory requirements. In reality, elections may be held more frequently in some legislative systems.

Alternative Vote: A candidate-centred, preferential plurality/majority system used in single-member districts in which voters use numbers to mark their preferences on the ballot paper. A candidate who receives an absolute majority (50% plus 1) of valid first-preference votes is declared elected. If no candidate achieves an absolute majority of first preferences, the least successful candidates are eliminated and their votes reallocated until one candidate has an absolute majority of valid votes remaining.

First past the post: The simplest form of plurality/majority electoral system, using single-member districts and candidate-centred voting. The winning candidate is the one who gains more votes than any other candidate, even if this is not an absolute majority of valid votes.

List proportional representation: A system in which each participant party or grouping presents a list of candidates for an electoral district, voters vote for a party, and parties receive seats in proportion to their overall share of the vote. Winning candidates are taken from the lists.

Mixed-member proportional: A mixed system in which all the voters use a usually a plurality/majority system to elect some of the representatives to an elected body. The remaining seats are then allocated to parties and groupings using the second electoral system, normally list proportional representation, so as to compensate for disproportionality in their representation in the results from the first electoral system.

Two-round system: A plurality/majority system in which a second election is held if no candidate achieves a given level of votes, most commonly an absolute majority (50% plus 1), in the first election round.

Source: Adapted from International IDEA (2005), *Electoral System Design: The New International IDEA Handbook*, International IDEA, Stockholm, *www.idea.int/publications/esd/upload/ESD_Handb_low.pdf;* OECD (2009c), *Government at a Glance 2009*, *http://dx.doi.org/10.1787/9789264075061-en.*

The 1988 Constitution establishes the competency of the National Congress, referring explicitly to the CMO, to provide oversight and control of the federal government's financial management. The Constitution defines the CMO as a joint committee, spanning both chambers of the National Congress. As a joint committee it is similar to the legislative committees overseeing the consolidated year-end government report in Australia, Chile and Spain (Table 1.18A). The structure, composition, powers and procedures of the CMO are defined by Chamber of Deputies Resolution, most recently no. 1/2006. The other responsibilities of the CMO include: *i)* examining and voting on bills related to the Pluri-annual Plan (*Plano Plurianual*), the Budget Directives Law (*Lei de Diretrizes Orçamentárias)* and the Annual Budget Law (*Lei Orçamentária Anual*), and in-year budget amendments; and *ii)* national, regional and sectoral programmes and their financing plans.

The CMO has a dedicated subcommittee to examine the CPR and the TCU opinion: the Subcommittee for Budget Evaluation, Oversight and Control – and is similar to France and Germany that have a formalised subcommittee (Table 1.18A). The Subcommittee for Budget Evaluation, Oversight and Control is one of four permanent subcommittees under the CMO; the three others focus on revenue estimates, budget amendments and irregularities in public works, respectively. All reports prepared by the subcommittees must be approved by the majority of their respective members and are subsequently shared with the CMO as a whole for a vote.

In addition to examining the CPR and the TCU opinion, the Subcommittee for Budget Evaluation, Oversight and Control is responsible for: *i)* monitoring and assessing budget execution, including the fiscal rules established within the Budget Directives Law and the performance of government programmes; *ii)* examining compliance with resource allocations in the Pluri-annual Plan and Annual Budget Law (in partnership with the CMO Subcommittee for Revenue Evaluation); *iii)* examining the fiscal management reports of the executive, legislature, judiciary and the Office of the Public Prosecutor of the Union; and *iv)* examining information provided by the TCU, other than that related to revenue estimates and irregularities in public works.

Committee membership and leadership

The CMO is composed of 40 members of the National Congress: 10 federal senators and 30 federal deputies. There are ten permanent members of each CMO subcommittee, including the Subcommittee for Budget Evaluation, Oversight and Control. Each subcommittee is comprised of three federal senators and seven federal deputies. Membership of the CMO and its four subcommittees is based on party proportionality, with parties free to select their members to the joint committee – as is the case in many countries (Table 1.18B). Seats are allocated in February every year, with members serving a one-year term beginning at the end of March. Only 1% of all CMO seats may be given to existing members of the CMO. This committee term is shorter than in many countries (Table 1.18B) and was introduced following during the 1990s follow a corruption scandal involving members of CMO.

There is no requirement or norm that the chairs of the CMO or any of its subcommittees be held by members of the opposition, as in a number of countries such as Canada, France, Germany, Mexico, Portugal, South Africa and the United Kingdom (Table 1.19). The chair and second vice chairs of the CMO are elected from among the members from the Federal Senate; the first and third vice chairs are from members from the Chamber of Deputies. In addition, there are 15 rapporteurs appointed internally within

the CMO for different planning, budget and oversight instruments: one for the draft Pluri-annual Plan; one for the Budget Directives Bill; one general and ten sectoral rapporteurs for the Annual Budget Bill and one for the CPR.

Working practices and powers

The National Congress (and therefore the CMO) has a number of instruments at its disposal to exercise *ex post* control over the federal government's budget, including scrutiny of the CPR. The 1988 Constitution grants all congressional committees, including the CMO, the power to summon federal ministers, political appointees and/or citizens, and hold public hearings. The CMO may also *i)* require federal public entities to submit any documents and information concerning their respective programmes and financial plans; *ii)* request the TCU to monitor, inspect and audit public sector entities/officials and to share other information concerning the accountability of financial, budgetary and operational systems obtained during these activities; *iii)* request the TCU to report on its oversight and audit activities within a period of 30 days; and *iv)* initiate inspections and inquiries regarding federal public organisations, state and municipal administration, and private entities that have received resources from the federal government.

The CMO also operates in an open manner, with meetings and hearings open to the public, and their transcripts publicly available. These are common practices in legislative committees internationally. Furthermore, the CMO publishes an annual report that is published two months after the end of every fiscal year. The timing that the annual report is made available compares well with the Public Expenditure Committee of the Netherlands, and more timely that that prepared by Australia's Joint Committee of Public Accounts and Audit (4 months), France's Finance Committee (6 months) and Portugal's Budget committee (12 months).

The CMO does not, however, issue and follow up on its own recommendations on the CPR (Table 1.19). The CMO holds technical meetings once every two months with representatives of other federal ministries, to discuss the performance of their respective programmes, the implementation of their budget appropriation and projections of resource needs for the following years. To some extent this function is fulfilled by the TCU and its monitoring of recommendations issued in its audit report. However, the TCU does not systematically monitor the implementation of its recommendations in relation to its audit of the CPR. As discussed in Chapter 4 of this peer review, recommendations on the CPR are only systematically reported in the audit report on the CPR for one year. This undermines the potential work of the CMO and National Congress more generally.

Table 1.18. Legal basis, composition and leadership of the legislative committee overseeing the consolidated year-end government report in Brazil and selected countries

Country	Name	A. Basic information			B. Composition & leadership			
		Referring chamber	Establishing authority	Established	Size (quorum)	Party proportionality	Chair	Committee term
Australia	Joint Committee of Public Accounts & Audit	Joint	Statutory	1913	16	Yes	Opposition/ independent	3 years
Brazil	**Planning, Budget & Oversight Joint Committee, *within which***	**Joint**	**Statutory**	**1988**	**40**	**Yes**	**Ruling party**	**1 year**
	- Subcommittee for Budget Evaluation, Oversight & Control	**Joint**	**Standing**	**2001**	**10**	**Yes**	**Ruling party**	**1 year**
Canada	Public Accounts Committee	Lower	Standing	1867	17 (12)	Yes	Opposition	5 years
Chile	Budget Joint Committee	Joint	Statutory	..	26	Yes	Voted internally	1 year
France	Finance Committee, *within which*	Lower	Statutory	..	73 (37)	Yes	Opposition	1 year
	- Mission of Evaluation & Control	Lower	Standing	1999	16	Yes	Ruling party & Opposition	1 year
Germany	Budget Committee, *within which*	Lower	Standing	..	41 (21)	Yes	Opposition	4 years
	- Audit Committee	Lower	Standing	..	15	Yes	Opposition	4 years
Mexico	Superior Audit Office Oversight Committee	Lower	Standing	2000	30	Yes	Opposition	3 years
Netherlands	Public Expenditure Committee	Lower	Statutory	1923	23 (none)	Yes	Voted internally	4 years
Portugal	Budget Committee	Lower	Statutory	..	21 (11)	Yes	Opposition	4 years
South Africa	Standing Committee on Public Accounts	Lower	Statutory	1995	16	Yes	Opposition	5 years
Spain	Joint Committee for the Relationship with the Court of Accounts	Joint	Statutory	1983	45	Yes	Ruling party	4 years
United Kingdom	Public Accounts Committee	Lower	Standing	1861	16 (4)	Yes	Opposition	5 years
United States	..	..	..	..	..	..	..	..

Notes:

.. = Missing data

Australia: Public Accounts & Audit Committee Act 1951; Joint Committee of Public Accounts & Audit is comprised of six members from the upper chamber and ten from the lower chamber. Following the 2010 election, the chair changed to become "a member of a non-government party or a non-aligned member".

Brazil: Planning, Budget & Oversight Joint Committee, 1988 Constitution; comprised of 10 members from the upper chamber and 30 from the lower chamber; Subcommittee for Evaluation, Oversight & Control: National Congress Resolution 1/2006; comprised of 3 members from the upper chamber and 10 from the lower chamber.

France: Mission of Evaluation & Control has two chairs, one from a ruling party and one from the opposition. Finance Committee membership renewed every year, but it is customary to enable continuity of the chair.

Germany: The Audit Committee is a subcommittee of the Budget Committee whose work concentrates on the Federal Court of Audit's annual report and the audit recommendations contained therein.

Netherlands: The Public Expenditure Committee is responsible for the general oversight of public expenditure management systems, such as the basis of accounting to be applied or the presentation format; sectoral committees oversee the 28 annual financial reports, in accordance with their area of competence.

United Kingdom: The origins of the Public Accounts Committee can be traced to 1857 with the creation of a Select Committee on Public Monies. The Committee of Public Accounts Chair is elected by fellow members of Parliament. The remaining Committee members are appointed by the House of Commons.

Table 1.19. Monitoring of recommendations by the legislative committee overseeing the consolidated year-end government report in Brazil and selected countries

Country	Committee name	Is the executive obligated to formally respond to committee reports & recommendations?	If yes, what is the deadline?	Is the response debated in legislature?	What is the process for monitoring & following up on committee recommendations?
Australia	Joint Committee of Public Accounts & Audit	● (government policy)	3 months	o	No formal process
Brazil	**Planning, Budget & Control Joint Committee, *within which***	**o**	**n.a.**	**n.a.**	**n.a.**
	- Subcommittee for Budget Evaluation, Oversight & Control	**o**	**n.a.**	**n.a.**	**n.a.**
Canada	Public Accounts Committee	●	Average of 4 months	o	Committee considers the response and can request further information or summon a minister for explanation
Chile	Budget Joint Committee	..	..	..	..
France	Finance Committee (lower house), *within which* - Mission of Evaluation & Control	●	2 months	o	Through the use of monitoring reports
Germany	Budget Committee, *within which* - Audit Committee	●	None	o	Committees can request further information
Mexico	Superior Audit Office Oversight Committee	●	None	●	No formal process
Netherlands	Public Expenditure Committee	●	3-6 weeks	Sometimes	Through parliamentary monitoring system, clerk responsible; committee can also summon minister
Portugal	Budget Committee	●	None	o	Committee can request information; a subcommittee may be established
South Africa	Standing Committee on Public Accounts	●	None	o	Committee considers executive response & can summon information and accounting officer. Process varies.
Spain	Joint Committee for the Relationship with the Court of Accounts	●	6 months	o	..
United Kingdom	Public Accounts Committee	●	2 months	o	No
United States	..	..	..	..	..

Notes:

● = Yes; o = No, n.a. = Not applicable; .. = Missing data

Australia: The process for the executive to respond is through an "Executive Minute" when recommendations address administrative matters, "Government Response" when recommendations address policy matters.

Canada: The process for the executive to respond is through a minister's letter to committee chair.

France: The process for the executive to respond is through a minister's letter to committee chair.

Mexico: The SAI of Mexico is able to conduct follow-up or specific audits as part of its annual audit programme. Additionally, the Oversight Commission or any members of Congress are able to summon public officers to account for their actions as well as to provide information on the SAI audit findings.

Netherlands: The process for the executive to respond is through a response of a minister to the chair of chamber, transmitted to committee chair.

Portugal: The process for the executive to respond is through the minister of parliamentary affairs.

South Africa: The process for the executive to respond: following the adoption by the National Assembly of the Public Accounts Committee report (recommendations), the minister in question receives a letter from the National Assembly requesting a response. Upon receipt, the response is referred to the Public Accounts Committee.

Source: OECD Secretariat and Buzaljko, K., A.M. Marlene, A. Tamasan and F. Verkaart (2010), "Public Financial Oversight: A Comparative Analysis of Parliamentary Committees Across Europe", Maastricht Graduate School of Government, August.

Conclusions

Efforts having being taken by the federal executive during the last decade, in particular, to make the CPR a more effective instrument for transparency. The international commitments to enhance transparency by Brazil's federal executive and the independence of the TCU provide a solid foundation for improving the CPR. This will build on an already solid foundation in which the preparation of the CPR by the CGU and the external audit findings of the TCU are published, including on the Internet free of charge, within five months following the end of the fiscal year – in compliance with Brazil's constitutional deadlines and in line with the OECD "Best Practices for Budget Transparency". Moreover, the Organic Law on the TCU gives Brazil's SAI authority to shape the content of CPR, specifically the part of the CPR prepared by the CGU intended to contextualise the BGU.

The TCU could take action to comprehend the process for as well as the barriers and constraints affecting the National Congress' understanding, awareness and use of the CPR and the TCU opinion. The National Congress only begins to scrutinise the CPR using the TCU opinion, on average, two-and-a-half years after receiving these materials. The TCU is not aware of the main barriers and constraints facing the National Congress' scrutiny of the CPR; the TCU considers its work completed upon publication of its audit opinion. Greater understanding of these constraints and barriers could assist the TCU in working together with the National Congress to enhance public sector accountability and inform decision making, linking *ex post* and *ex ante* budget oversight. It could also empower the TCU to positively shape the CPR, using its authority to positively shape the content of CPR

Notes

1. Direct Action of Unconstitutionality (*Ação Direta de Inconstitucionalidade*) 2238-5/DF/2007. This decision is preliminary and has yet to be finalised; its content, however, cannot be appealed.
2. Prior to Constitutional Amendment 19/1998, the obligation to prepare a year-end report existed only for public administrators. The direct federal public administration includes the Office of the President of the Republic, federal ministries, and secretariats of ministerial status. The indirect federal public administration includes organisations with legal personality, including agencies, foundations, and state-owned and mixed-capital enterprises. These public organisations implement policies on the instruction of organisations of the direct federal public administration. Each organisation of the indirect federal public administration is established by its own law that defines the degree of autonomy in connection with human resources, budget and procurement policies.
3. Delays in congressional scrutiny of the CPR have been an ongoing problem in Brazil. The National Congress judged six out of eight CPR prepared by President

Fernando Henrique Cardoso (1995-2003) in December 2002 and December 2003; two are still pending (Pessanha, 2011).

4. Legislative decrees are acts of an administrative nature that formalise results of deliberations of the National Congress over matters within their own competence. Legislative decrees do not require the signature of the President of the Republic. This difference sets legislative decrees apart from laws.

5. More generally, the Federal Accounting Council (*Conselhos Federal de Contabilidade*), an independent body, guides, regulates and supervises the accounting profession in Brazil. The Federal Accounting Council is a 15-member body established by Decree-Law 9 295/1946. It serves as the umbrella organisation for the 27 Regional Accounting Councils (*Conselhos Regionais da Contabilidade*), one in each federated state. Its leadership is elected by an electoral college comprised of one representative for each Federal Accounting Council. The Federal Accounting Council is a member of the International Federation of Accountants. In 2007 the Council amended its "Brazilian Fundamental Accounting Principles" (Accounting Council CFC Resolution 1 111/2007) to include the public sector and not just the private sector. However, Accounting Council CFC Resolution 1 111/2007 is not obligatory; it deals with how to interpret accounting principles. The resolution does not constitute primary legislation and cannot modify the regime adopted by federal government, or be cited as grounds for such a change.

6. TCU deputy ministers are nominated by the President of the Republic, from among the citizens who meet the requirements for the office of TCU minister through a public contest consisting of tests and presentation of academic and professional credentials. Proof of more than ten years of effective experience in a TCU position of external control counts as a credential in the contest: Organic Law on the TCU (Law 8 443/1992), Art. 77.

7. In order to be appointed to the TCU Prosecution Service, individuals must be Brazilian citizens and have Bachelors of Law. Promotion to the office of deputy prosecutor general is based on seniority and merit – Organic Law on the TCU (Law 8 443/1992), Art. 80.

8. Real changes in government power in Brazil have been rarer than indicated by the change of President of the Republic, with the same political group remaining in power for long periods. National politics were dominated by political elite of Minas Gerais and São Paulo during the First Republic (1891-1930), Getúlio Vargas and his political inheritors during the Populist Period (1945-1964) and the military elite (1964-1984). Moreover, despite appointment of TCU ministers for an open-ended term, many stay in office only for a short period. Between 1893 and 1980, TCU ministers stayed in office for only nine years. Only a small group of 12 out of 68 TCU ministers remained in the institution for 15 years of more, whereas nearly half of them (30) resigned from their jobs after five years or less (Speck, 1999).

9. Law 10 799/2003 on the Creation of Jobs and Positions of Trust at the Federal Court of Accounts.

Annex 1.A1
Main steps in consolidated year-end government reporting in Brazil

These steps are defined in the 1988 Constitution of the Federative Republic of Brazil, the Organic Law on the TCU (Law 8 442/1992) and Chamber of Deputies Resolution 1/2006. Table 1.A1.1 presents the main steps and their respective statutory deadlines. It subsequently records the dates for these main steps for fiscal years (FY) 2001-11. The dates have been recorded based on a review of administrative documents from the CGU, TCU and the National Congress.

Table 1.A1.1. Timing of steps for the preparation, external audit and legislative scrutiny of the Accounts of the President of the Republic

(day/month/year)

Action	Deadline	Audited fiscal year										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
TCU issues annual instruction to the CGU on the CPR	None	n.a.	21/10/02	14/11/03	01/12/04	12/12/05	30/11/06	05/12/07	10/11/08	01/12/09	13/10/10	19/10/11
CGU transmits the CPR to Office of the President of the Republic	None	11/04/02	10/04/03	13/04/04	12/04/05	10/04/06	29/03/07	27/03/08	30/03/09	29/03/10	28/03/11	27/03/12
President of the Republic presents the CPR to National Congress	60 days after start of year's 1st session of the National Congress	12/04/02	11/04/03	15/04/04	13/04/05	12/04/06	29/03/07	27/03/08	31/03/09	30/03/10	31/03/11	02/04/12
National Congress transmits the CPR to the TCU	None	14/05/02	15/04/03	19/04/04	18/04/05	24/04/06	19/04/07	29/04/08	14/04/09	14/04/10	11/04/11	02/04/12
TCU Plenary votes on the audit opinion on the CPR	72 hours before TCU opinion presented to the National Congress	11/06/02	12/06/03	15/06/04	14/06/05	01/06/06	19/06/07	24/06/08	09/06/09	09/06/10	01/06/11	23/05/12
TCU transmits audit opinion on the CPR to National Congress	60 days after receiving the CPR report	..	..	..	..	..	..	..	..	..	..	..

Table 1.A1.1. Timing of steps for the preparation, external audit and legislative scrutiny of the Accounts of the President of the Republic (*cont.*)

(day/month/year)

Action	Deadline	Audited fiscal year										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CMO receives TCU audit opinion on the CPR from National Congress Plenary	None	14/06/02	17/06/03	17/06/04	20/06/05	16/06/06	27/06/07	15/07/08	23/06/09	24/06/10	10/06/11	n.a.
CMO appoints rapporteur for the review of the CPR	None	19/06/02	07/04/10	26/04/06; 21/11/06*	03/04/08	06/04/10	03/04/08	06/04/11; 05/07/11*	06/04/10; 23/11/10*	28/03/12	n.a.	n.a.
CMO rapporteur formulates draft opinion on CPR	40 days after receiving audit opinion from TCU Plenary	05/11/02	13/07/10	23/05/06	15/07/08	28/05/10	10/07/08	05/05/11	26/05/10	n.a.	n.a.	n.a.
CMO rapporteur circulates within CMO draft opinion on the CPR for comment for 15 days	None	06/11/02-20/11/02	14/07/10-19/07/10; 09/08/10	24/05/06-07/06/06	16/07/08-17/07/08; 01/08/08-13/08/08	29/05/10 -12/06/10	11/07/08-17/07/08; 01/08/08-08/08/08	06/05/11-20/05/11	27/05/10-10/06/10	n.a.	n.a.	n.a.
CMO rapporteur circulates within CMO amended draft opinion	15 days after end of commenting	..	..	..	..	..	..	..	..	..	..	..
CMO votes on draft opinion on the CPR	Within 7 days after circulating amended draft opinion	28/08/03	23/11/10	21/11/06	20/08/08	23/11/10	20/08/08	05/07/11	23/11/10	n.a.	n.a.	n.a.
CMO transmits draft opinion on the CPR to National Congress Plenary	5 days after CMO vote	11/09/03	26/11/10	12/12/06	21/08/08	26/11/10	21/08/08	05/07/11	26/11/10	n.a.	n.a.	n.a.
Plenary votes on opinion regarding the CPR	None	..	..	..	..	..	..	..	..	..	..	..
National Congress publishes opinion on the CPR	3 days after TCU Plenary vote	..	..	..	..	..	..	..	..	..	..	..

Notes:

CGU = Office of the Comptroller General of the Union; CMO = (National Congress) Planning, Budget and Oversight Joint Committee; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; n.a. = Not available (action yet to materialise); .. = Data missing; * = Rapporteur replaced.

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Chapter 2

Audit objectives and reporting

*This chapter analyses the objectives and reporting on Brazil's Federal Court of Accounts (*Tribunal de Contas da União*, or TCU) audit of the consolidated year-end government report: the Accounts of the President of the Republic (*Contas do Presidente da República*, or CPR). The chapter addresses:* i) *the objectives of the audit of the CPR and the legal basis underpinning this TCU control and oversight process;* ii) *the extent that audit reporting clearly and concisely presents information on the audit objectives and main findings (i.e. opinion, qualifications and recommendations); and* iii) *the extent to which the audit report clearly substantiates the main findings using information on the tests conducted and the audit evidence identified. The analysis is framed by* International Standards of Supreme Audit Institutions, *specifically the "Basic Principles of Government Auditing" (ISSAI 100) and "Reporting Standards on Government Auditing" (ISSAI 400).*

Introduction

This chapter analyses the objectives and reporting on the external audit of Brazil's consolidated year-end government report by the Federal Court of Accounts (*Tribunal de Contas da União,* or TCU). The analysis is framed by *International Standards of Supreme Audit Institutions* (ISSAI), specifically the "Basic Principles in Government Auditing" and "Reporting Standards in Government Auditing". The "Basic Principles in Government Auditing" (ISSAI 100) define the characteristics of regularity and performance audits – noting, however, that there can be overlap between the two – as instruments for promoting public accountability (INTOSAI, 2001a). Regularity audits are not limited to providing an attestation of financial accountability. Constitutional or statutory obligations may require a supreme audit institution (SAI) to provide "positive assurance" on other matters, such as compliance with budgetary laws, reconciling budgetary estimates and authorisation with the results set out in the financial statements, and the functioning of internal control (INTOSAI, 2001a).

The "Reporting Standards in Government Auditing" (ISSAI 400) define principles for the form and content of reporting for regularity and performance audits. Regularity audits include an opinion and often a supporting report containing information on the tests conducted and substantiating where material weaknesses and/or irregularities occur. A performance audit report includes evidence that highlights matters of serious concern to the public interest and public accountability, and assurance and/or constructive advice to enhance the economy, efficiency and effectiveness of the subject matter audited. Where an SAI is able to provide an overall opinion on the achievement of economy, efficiency and effectiveness in the same way as a regularity audit, the audit report should describe how specific main findings were reached. Moreover, the content of audit reporting should be easy to understand and free from vagueness or ambiguity, and include only information which is supported by competent and relevant audit evidence (INTOSAI, 2001b).

In analysing the objectives and reporting on the TCU audit of Brazil's consolidated year-end government report – the Accounts of the President of the Republic of Brazil (*Contas do Presidente da República*, or CPR) – this chapter addresses the following questions:

- What are the objectives of the audit of the CPR, and the legal basis underpinning the objectives of this control and oversight process?
- Does audit reporting on the CPR provide clear and concise information about the audit objectives and main findings?
- How effectively does audit reporting on the CPR substantiate the main findings with information on the tests conducted and evidence identified?

The term "main findings" as used in this chapter refers to the audit opinion, qualifications and recommendations on the CPR. An audit opinion is normally in a standard format, which obviates having to state at length the findings of all audit tests but nonetheless conveys a message in an understandable context. Qualifications are material issues identified that may affect the audit main findings. Recommendations are suggestions to the federal executive in order to improve processes and enhance government reporting, performance and accountability.

The Organic Law on the TCU (Law 8 443/1992) grants Brazil's SAI autonomy to define the objectives of the audit on the CPR, which it does through its Internal Rules. Audit reporting on the CPR is supported by an audit opinion and a supporting report (hereafter "audit report"). The audit opinion focuses on the regularity (i.e. the integrity) of the consolidated financial statements of the federal government – the General Balance of the Union (*Balanço Geral da União,* or BGU) – contained within the CPR as well as the compliance of budget execution with constitutional norms, laws and regulations. The audit report substantiates the audit opinion and includes a separate assessment of the federal government's compliance with fiscal rules established in the Law on Fiscal Responsibility (Complementary Law 101/2000); the economy, efficiency and impact of resources managed by the federal executive; and the impact of the federal budget and financial administration on Brazil's socio-economic development.

A key challenge facing audit reporting on the CPR is to ensure that main findings are accessible and clearly understood. As an immediate step, the TCU could align the form and content of its opinion with the principles contained in the "Reporting Standards in Government Auditing" (ISSAI 400). The TCU has already begun to identify gaps in its financial audit practices with international standards and good practice, beginning with the FY 2011 CPR. The TCU could also frame qualifications and recommendations in order to highlight their significance or expected impact on government accountability and performance; this too could better guide the primary audiences' understanding.

The TCU could also strengthen the link between the audit report and main findings – and in the process, streamline the audit report –elaborating on material challenges and risks identified and that affect the main findings. At present a large share of the audit report appears disconnected from the main findings. The breadth of the audit report's content raises concern that it overshadows the constitutional responsibility of the TCU to provide an opinion on the CPR. In doing so, the TCU could concurrently assess whether the impact of individual chapters in the audit report could be enhanced by linking them to the accountability and decision-making cycle. The audit of the CPR may not always be the most appropriate vehicle for communicating this information to decision makers within the executive and legislature, or the general public.

Formal audit objectives and reporting elements

The Organic Law on the TCU grants Brazil's SAI the authority to set the objectives of its audit of the CPR. The objectives are subsequently defined in the TCU Internal Rules and, as of 2012, include:

1. an assessment of whether the BGU adequately represents the financial, budgetary, accounting and asset positions as of 31 December (i.e. the end of the fiscal year);
2. an assessment of whether the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations;
3. an assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility;[1]
4. an assessment of the legitimacy, economy and efficiency of programmes in the Annual Budget Law (*Lei Orçamentária Anual*) and the achievement of goals in the Budget Directives Law (*Lei de Diretrizes Orçamentárias*) and Pluri-annual Plan (*Plano Plurianual*); and[2]

5. an assessment of the impact of the federal budget and financial administration on Brazil's socio-economic development.

As stated in the preceding section, reporting on the audit of the CPR is supported by two elements: the audit opinion and the audit report. These two reporting elements address different objectives, as defined in the TCU Internal Rules, and each has evolved over time (Table 2.1).

Taken as a whole, the objectives of the TCU audit of the CPR are broader than comparable external audit of the consolidated year-end government report in many countries. For example, the SAIs in Australia, Canada, South Africa and the United States, typically focus on the regularity of the consolidated year-end government report, i.e. corresponding with objectives (1) and (2) mentioned previously in the bullets defining the objective of the audit of the CPR. The TCU audit shares similarities with the comparable audits by SAIs in France, Mexico and Portugal, which also cover dimensions of performance (Table 2.2).

Table 2.1. Evolution of the objectives of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

1977 (1st Federal Court of Accounts' Internal Rules)	1993 (2nd Federal Court of Accounts' Internal Rules)	2002 (3rd Federal Court of Accounts' Internal Rules)	2012 (4th Federal Court of Accounts' Internal Rules)
A. Audit opinion, including :			
	Assessment of whether the BGU adequately represents the financial, budgetary, accounting & asset positions as of 31 December		
		Assessment of whether implementation of the federal budget, & other operations financed using federal public resources, complied with constitutional norms, laws & regulations	
B. Audit report, including:			
	Assessment of whether implementation of the federal budget, & other operations financed using federal public resources, complied with constitutional norms, laws & regulations		
			Assessment of compliance with the fiscal rules established in the Law on Fiscal Responsibility
		Assessment of the legitimacy, economy & efficiency of programmes financed by the federal budget & the achievement of goals established in the Pluri-annual Plan & Budget Directives Law	
	Assessment of the impact of the federal budget & financial administration on Brazil's socio-economic development		

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic.

Source: Adapted from TCU Resolution 14/1977 (1977 TCU Internal Rules), Arts. 85-86, 92; TCU Resolution 15/1993 (1993 TCU Internal Rules), Arts. 181-182; 2002 TCU Internal Rules (TCU Resolution 155/2002), Arts. 228-229; TCU Resolution 240/2011 (2012 TCU Internal Rules), Art 228-229.

Table 2.2. Objectives of the audit of the consolidated year-end government report in Brazil and selected countries

Country	Audit report(s)	A. Regularity				B. Performance			
		Attestation of financial accountability	Financial systems & transactions	Internal control & internal audit function	Compliance with budget & fiscal targets	Attestation of performance measures & monitoring arrangements	Economy of administrative activities	Efficiency in the utilisation of resources	Actual impact of activities compared with intended impact
Australia	Independent Auditors Report on the Consolidated Financial Statements for the Period Ended 30 June 20XX Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 20XX (supporting report)	●	●	●	o	o	o	o	o
Brazil	**Audit opinion on the Accounts of the President of the Republic (CPR)** **Audit report on the Accounts of the President of the Republic (CPR)**	● ●	● ●	● ●	**o** ●	**o** ●	**o** ●	**o** ●	**o** ●
Canada	Independent Auditor's Report on the Annual Financial Report of the Government of Canada	..	..	..	..	..	..	..	..
Chile	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	Court of Audit Opinion on the State's Annual Financial Report	●	o	●	●	●	●	o	●
	Court of Audit Report on the Execution of Financial Laws (supporting report)	●	●	●	●	●	●	●	●
	Court of Audit Opinion on the Social Security Accounts	●	●	●	●	●	●	●	●
	Court of Audit Annual Report on the Social Security Account (supporting report)	●	●	●	●	●	●	●	●
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	Annual Audit Report on the Public Accounts	●	●	●	●	●	●	●	●

Table 2.2. Objectives of the audit of the consolidated year-end government report in Brazil and selected countries (*cont.*)

Country	Audit report(s)	A. Regularity				B. Performance			
		Attestation of financial accountability	Financial systems & transactions	Internal control & internal audit function	Compliance with budget & fiscal targets	Attestation of performance measures & monitoring arrangements	Economy of administrative activities	Efficiency in the utilisation of resources	Actual impact of activities compared with intended impact
Netherlands	..	..	..	..	..	..	..	..	..
Portugal	Opinion on the General State Accounts	●	●	●	●	o	●	●	●
South Africa	Report of the Auditor-General to Parliament on the Consolidated Financial Statements of the National Departments, the National Revenue Fund, State Debt & Loan Accounts of the National Treasury General Report on National Audit Outcomes (supporting report)	●	●	●	●	o	o	o	o
Spain	..	o	●	●	●	o	●	●	●
United Kingdom	Certification & Report of the Comptroller & the Auditor General on the Whole of Government Accounts	●	●	●	o	o	o	o	o
United States	Statement of the Acting Comptroller General of the United States	●	●	●	o	o	o	o	o

Notes:

● = Yes, o = No; n.a. = Not applicable (no audit of the consolidated year-end government report); .. = Missing data.

Australia: In late 2011, the Auditor-General Act 1997 was amended to give the Auditor-General (and the Australia National Audit Office) explicit authority to undertake audits of the appropriateness of key performance indicators as presented in public sector entities' Portfolio Budget Statements and subsequently, the completeness and accuracy with which they are reported in these entities' annual reports. A pilot is under way to establish a methodology and approach for undertaking this work. In the medium term (approximately 3-4 years), if ongoing funding for this function is provided to the ANAO, it is likely that an audit of the appropriateness of key performance indicators and the completeness and accuracy of their reporting will be included as part of each public sector entities' annual financial statements audit and subsequently, the year-end government report.

Source: Response options adapted from INTOSAI (2001), "Basic Principles in Government Auditing", *International Standards of Supreme Audit Institutions* (ISSAI), 100, INTOSAI Professional Standards Committee, Copenhagen, *www.issai.org.*

While the audit opinion on the CPR is a short one-page document, the audit report is structured into nine chapters spanning over 500 pages. Chapters 2 through 5 of the audit report correspond with one or two of the audit objectives discussed in preceding paragraphs (Table 2.3). Chapter 8 includes a synthesis of the conclusions, listing the TCU qualifications and recommendations.

Table 2.3. Link between the audit report on the FY 2011 Accounts of the President of the Republic and audit objectives as defined by the Brazilian Federal Court of Accounts' Internal Rules

Chapter of the TCU audit report	Link to the TCU audit objective / scope	Chapter content
1. Introduction	n.a.	
2. Brazil's economic performance	An assessment of the impact of the federal budget & financial administration on Brazil's socio-economic development	Assessment of the federal government's fiscal, monetary & credit policies, including *i)* achievement of the federal government's inflation & employment targets & *ii)* compliance with the federal government's public debt targets
3. [Compliance of] Budget execution [with budgetary laws & regulations]	An assessment of whether implementation of the federal budget, & other operations financed using federal public resources, have complied with constitutional norms, laws & regulations & An assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility	Assessment of federal revenue collection & compliance with fiscal targets to achieve a primary surplus Assessment of tax expenditure including trends, the management of such expenditure by government systems, & the impact of tax expenditure against policy goals Assessment of the collection of administrative fines, including collection performance by public sector entities, the functioning of government systems to monitor collection, & measures adopted to increase collection Assessment of the volume, composition & collection of federal collectable debt Assessment of implementation of the federal government's priority actions defined in the Budget Directives Law Assessment of government expenditure, by expenditure type & function of government, & compliance with ceilings/limits defined in the Budget Directives Law Assessment of the federal executive's compliance with the Law on Fiscal Responsibility Assessment of the evolution & compliance the investment budgets of state-owned & mixed-capital enterprises financed by the federal government
4. [Compliance & performance of] Government sectoral actions	An assessment of the legitimacy, economy & efficiency of programmes in the Annual Budget Law & the achievement of goals in the Budget Directives Law & Pluri-annual Plan	Assessment of the financial & physical implementation of the Pluri-annual Plan targets & the functioning of systems that support its monitoring & reporting Assessment of financial & physical implementation of the Growth Acceleration Programme & the functioning of systems that support its monitoring & reporting Assessment of the financial & physical implementation of the Annual Budget Law & compliance with constitutional expenditure targets for health, education & irrigation
5. [Regularity of the] BGU	An assessment of whether the BGU adequately represent its financial, budgetary, accounting & asset positions as of 31 December	
6. [Assessment of] Thematic topic(s)	n.a.	Discussion of one or more special topic(s) selected by the TCU minister responsible for the audit of CPR (i.e. the rapporteur)
7. [Status of] Recommendations from previous audit of the CPR	n.a.	Assessment of the implementation of the TCU recommendations from the previous audit of the CPR
8. Conclusions	Synthesis of the findings presented in Chapters 2 through 6, as well as TCU qualifications & recommendations	
9. [TCU] Audit opinion	Synthesis of the findings presented in Chapters 3 & 5	

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; n.a. = Not applicable.

A number of the changes to the audit report on the CPR are not attributed to changes in the TCU Internal Rules. For example, in the mid-1970s, the TCU began including a chapter dedicated to specific thematic topics in the audit report, i.e. Chapter 6. This chapter often focused on urban and regional development programmes in the 1970s and on privatisation and social security in the 1980s. Recent thematic topics have included government actions to support sustainable growth within Brazil's economy (FY 2011), the effectiveness of regulatory agencies in protecting consumer rights (FY 2010), and agricultural priorities, actors, programmes and resourcing (FY 2009) (Table 2.4). More recently, the TCU has sought to develop Chapter 4 of its audit report that focuses on the compliance and performance of government sectoral actions.

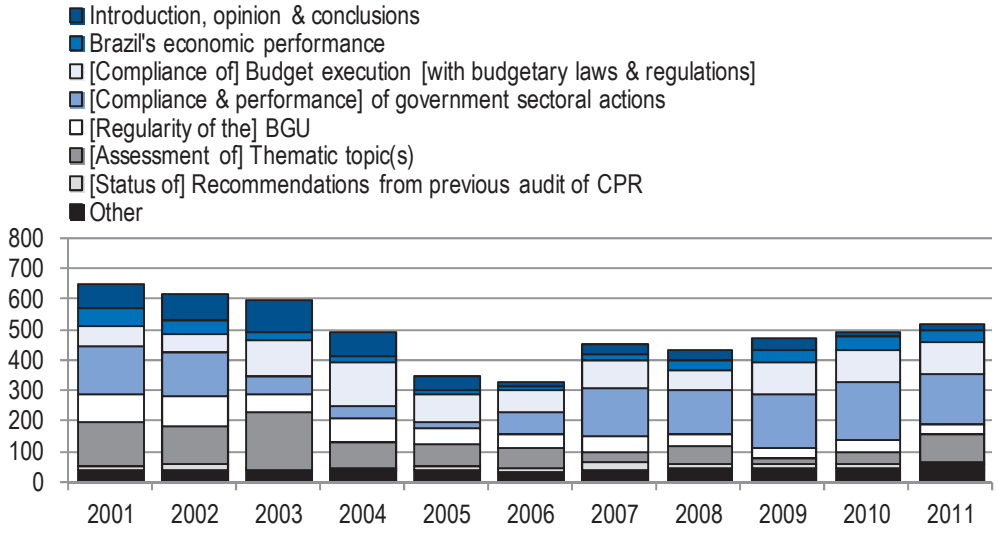
Table 2.4. Thematic topics included in the Brazilian Federal Court of Accounts' audit report on the Accounts of the President of the Republic

Audited fiscal year	Thematic topic(s)
2011	Government actions to support sustainable growth in Brazil
2010	The effectiveness of regulatory agencies in protecting consumers' rights
	Challenges facing urban mobility & deficiencies in urban planning
2009	Agrarian reform priorities, actors, programmes & resourcing
2008	Key education programmes & TCU control & oversight of each
	Key social welfare programmes & accountability mechanisms for their delivery
	Government efficiency in selected sectors
2007	Key infrastructure sectors & recent TCU control & oversight of each
2006	Planning, execution & oversight of voluntarily inter-governmental fiscal transfers
	The electoral courts & their oversight of electoral campaigns
	Major federal government assets in Latin America
2005	The roles, responsibilities & performance of Brazil's anti-corruption institutions
	Challenges for creating an effective system of social control (i.e. citizen oversight)
2004	Main government actions to promote infrastructure in different sectors
2003	Impact of federal government policies to mitigate public violence
	Sustainability of the public social security system
	Key programmes for supporting food security among low-income populations
2002	Impact of the budget balance on federal public debt
	Efficacy of federal policies to reduce regional socio-economic inequality
	The military programme for surveillance & protection of the Amazon region
2001	Impact of outsourcing on human resources management in public sector entities
	"Alvorada" project: Federal government project to enhance outcomes in 17 public programmes
	"Brazil Entrepreneur" programme: Federal government programme intended to support small & medium-size enterprises
	REFIS Programme: Federal government programme to refinance unpaid government debt
	Government funding of the penitentiary system
	The causes, consequences & government actions to address Brazil's energy crisis

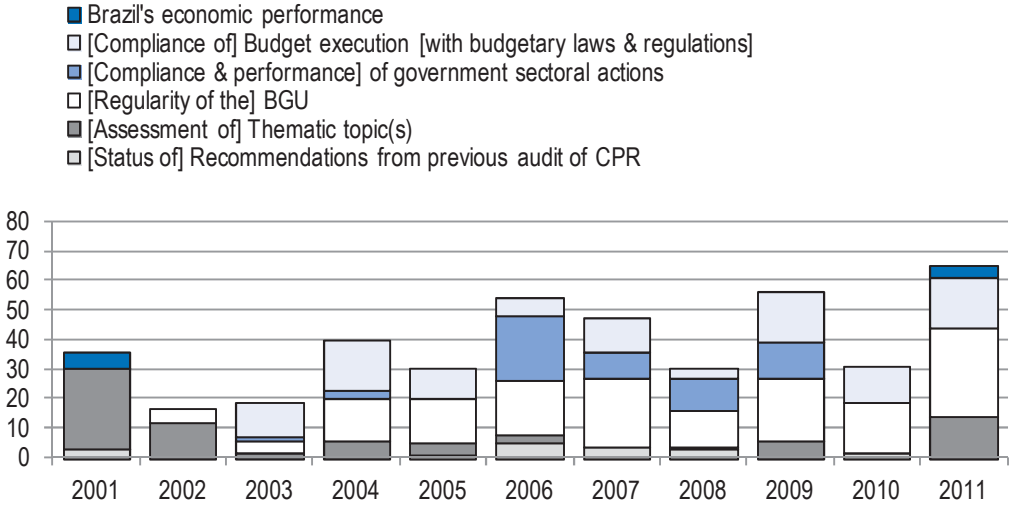
Moreover, the focus of the TCU audit report on the CPR has changed over the last decade, as evidenced by the varying relative attention accorded to different chapters: both in terms of page numbers as well as the number of qualifications and recommendations. Between FY 2001 and FY 2010 the audit report shifted focus from thematic topics (2001-02) to compliance of budget execution with budgetary laws and regulations (2003-04), regularity of the BGU (2004-06 and 2010) and compliance and performance of government sectoral actions (2007-09) (Figure 2.1). Between FY 2001 and FY 2006 there was also an effort to reduce the size of the report, though this trend has since been reversed with a renewed focus on the compliance and performance of government sectoral actions.

Figure 2.1. Evolution of the Brazilian Federal Court of Accounts' audit report on the Accounts of the President of the Republic

A. Page numbers by report chapter, by audited fiscal year



B. Number of qualifications and recommendations by report chapter, by audited fiscal year



Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts; "Other" refers to material such as the table of contents, chapter cover pages, etc.

Clarity of reported objectives and main findings

This section compares the TCU audit opinion on the CPR against the principles for government audit reporting established in ISSAI 400, and the clarity of the qualifications and recommendations. The analysis highlights that the TCU could enhance clarity of its audit opinion on the CPR particularly with respect to *i)* the subject matter to which it refers (i.e. that the opinion explicitly relates to the CPR); *ii)* the objective of the audit opinion, providing "positive assurance" of what is being tested and "negative assurance" of what is not being tested; *iii)* the audit standards followed in conducting the audit; and *iv)* the presentation of the audit opinion. Moreover, the TCU could frame its other audit conclusions in order to highlight the significance and expected impact of addressing the qualifications and implementing the recommendations on government accountability and performance; this too could better guide the primary audiences' understanding.

Aligning the opinion with international standards to better guide audiences' understanding of its meaning

The audit opinion on the CPR could be aligned with the principles for the form and content of audit reporting recognised in ISSAI 400; many of these are currently not addressed (Table 2.5). ISSAI 400 states that the form and content of audit reporting should include *i)* clear identification of subject matter; *ii)* the objectives of audit; *iii)* the legal basis for the audit; *iv)* the relevant audit standards followed in conducting the audit; *v)* the use of a suitable title for audit reporting; *vi)* completeness of audit reporting with the subject matter; *vii)* details on to whom the audit is addressed; and *viii)* the signature and date of the issuing authority.

The audit opinion could more clearly identify the subject matter to which it refers, i.e. the title of the document to which the opinion relates. As it is, the audit opinion makes reference to the "Accounts of the Federal Executive" (*Contas do Poder Executivo*) and the relevant articles of the 1988 Constitution that oblige the President of the Republic to render accounts and for the TCU to issue an audit opinion on these accounts. There is, however, no mention in the audit opinion of the precise title of the CPR presented to the National Congress – i.e. the CPR for Fiscal Year 20XX. Moreover, the audit opinion states that it is based on TCU analysis of the BGU and the report by the central authority for Internal Control System of the Federal Public Administration – but it does not clearly state that these two elements collectively make up the CPR, as defined in the Organic Law on the TCU.

Clear identification of the subject matter is particularly significant as the audit opinion on the CPR is not characterised by "completeness": i.e. the opinion is not appended to and published together as one with the CPR. Rather, the audit opinion is appended to and published together with the audit report. The incompleteness of the audit opinion is a consequence of the process for consolidated year-end government reporting, as defined in the Constitution since 1934: the TCU audits the CPR after the President of the Republic has presented it to the National Congress. New technologies, however, could enable the audit opinion to be appended to, and presented together with, the online version of the CPR. At present the electronic version of the CPR and audit opinion remain separate and distinct documents. The TCU does not provide a hyperlink from the dedicated webpage hosting its audit opinion to the dedicated webpage hosting the CPR.

The audit opinion on the CPR could explicitly and unambiguously articulate the objective of this control and oversight process, recalling that defined in the TCU Internal Rules. The audit opinion on the FY 2011 CPR makes only implicit reference to the audit objective; nonetheless, that opinion represents an improvement on previous opinions for the CPR. For example, the audit opinion on the FY 2010 CPR made no reference to whether budget execution, and other operations financed by federal public resources, complied with the constitutional norms, laws and regulations. As noted previously, this is one of the objectives of the audit opinion defined in the TCU Internal Rules since 2002. However, in practice, the TCU does not make explicit what is being assessed, and what is not in its opinion.

Moreover, the ambiguity of past audit opinions on the CPR was heightened because the wording made reference to objectives of the audit report, implying that the audit opinion also covered these objectives. Specifically, the audit opinion made reference to providing "*i)* an assessment of whether implementation of the federal budget, and other operations financed using federal public resources, complied with constitutional norms, laws and regulations; *ii)* the legitimacy, efficiency and economy of programmes in the Annual Budget Law and the achievement of goals in the Budget Directives Law and Pluri-annual Plan; and *iii)* the impact of federal budgetary and financial administration on Brazil's socio-economic development". This wording was removed from the audit opinion on the FY 2011 CPR.

The audit opinion could make reference to the standards or practices followed in conducting the audit, how these standards compare with generally accepted audit standards – as well as how the standards may be different to those used in the same audit from the previous year. The only reference to standards in the audit opinion is that the opinion seeks to assess whether the BGU is based on "applicable federal accounting standards". Reference to audit standards can assure audiences that the audit has been carried out in accordance with generally accepted practices, and it comparable with other public and private sector audits – and even other TCU control and oversight processes. Information about changes in the audit standards and practices, can help audiences understand differences in the main findings between years, especially as the TCU enhances its audit capabilities and refines it audit strategies.

The TCU could state the meaning of its audit opinion in a format that is consistent with its audits of year-end and *ad hoc* reports of individual accountable officials. The audit opinion on the CPR has been "approved, with qualifications" for the last decade. This format is not consistent with the opinions for the audits of year-end and *ad hoc* reports of individual accountable officials (Table 2.6). The TCU explains that the different format of the audit opinion on the CPR reflects its broad scope compared with those other audits. However, an audit opinion need not be limited simply to one objective. If deemed necessary, the TCU could issue different opinions for its various audit objectives, such as: *i)* whether the BGU adequately represents the financial, budgetary, accounting and asset positions as of 31 December; and *ii)* whether the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations. In the longer term, and in line with emerging good practice, the TCU may include an opinion on the reliability of non-financial information included in the CPR.

Table 2.5. Content and presentation of supreme audit institution's audit opinion on the consolidated year-end government report in Brazil and selected countries

Country	Name of audit report	Audited fiscal Year	Identification of subject matter	Audit objective	Legal basis	Compliance with audit standards	Suitable title	Complete-ness	Details on addressee	Signature & date
Australia	Independent Auditors Report on the Consolidated Financial Statements for the Year Ended 30 June 20XX	2010/ 2011	●	●	●	●	●	●	●	●
Brazil	**Audit opinion on the Accounts of the "Federal Executive"**	**2010**	**o**	**o**	**●**	**o**	**●**	**o**	**o**	**o**
	Audit opinion on the Accounts of the "Federal Executive"	**2011**	**o**	**o**	**●**	**o**	**●**	**o**	**o**	**●**
Canada	Independent Auditor's Report on the Annual Financial Report of the Government of Canada, Fiscal Year 20XX	2010/ 2011	●	●	●	●	●	●	●	●
Chile	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	Court of Audit Opinion on the State's Annual Financial Report 20XX	2010	o	●	●	●	●	●	o	o
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	Annual Audit Report on the Public Accounts	2010	●	●	●	●	●	●	●	●
Netherlands	..	..	..	..	..	..	..	..	..	..
Portugal	Opinion on the 20XX General State Accounts	2010	●	●	●	●	●	o	●	●
South Africa	Report of the Auditor-General to Parliament on the Consolidated Financial Statements of the National Departments, the National Revenue Fund, and State Debt & Loan Accounts of the National Treasury	2010	●	●	●	●	●	●	●	●
Spain	..	2010	●	●	●	●	●	●	●	●
United Kingdom	Certification & Report of the Comptroller & the Auditor General on the Whole of Government Accounts, Year Ended 31 March 20XX	2009/ 2010	●	●	●	●	●	●	●	●
United States	Statement of the Acting Comptroller General of the United States	2010	●	●	o	●	●	●	●	●

Notes:

● = Yes, o = No; n.a. = Not applicable (i.e. no audit of the consolidated year-end government report); .. = Missing data.

Identification of subject matter: The opinion should identify the financial statements to which it relates, including the name of the audited entity and the period covered by the financial statements and the subject that has been audited.

Objectives and scope: The opinion should include reference to the objectives and scope of the audit as a basis for establishing the audit's purpose and boundaries.

Legal basis: Audit opinions should identify the legislation or other authority providing for the audit.

Compliance with standards: Audit opinions should indicate the auditing standards or practices followed in conducting the audit, thus assuring the reader that the audit has been carried out in accordance with generally accepted procedures.

Suitable title: The opinion should be preceded by a suitable title or heading, helping the reader distinguish it from statements and information issued by others.

Signature and date: The opinion should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor was aware up to that date.

Details on addressee: The opinion identifies those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This may be unnecessary where formal procedures exist for its delivery.

Completeness: The opinion should be appended to and bound with the financial statements to which they relate.

Source: Definitions adapted from INTOSAI (2001), "Reporting Standards in Government Auditing", *International Standards of Supreme Audit Institution* (ISSAI), 400, INTOSAI Professional Standards Committee, Copenhagen, *www.issai.org*.

Table 2.6. Format for the Brazilian Federal Court of Accounts' audit opinions on the year-end and *ad hoc* reports of accountable officials

Format of audit opinions as defined by Organic Law on the TCU (Federal Law 8 443/1992)	Format of audit opinions as defined by *International Standards of Supreme Audit Institutions* (ISSAI 400)
A regular (*regular*) opinion is given when the TCU concludes that the year-end report/*ad hoc* accounts provide a clear and objective view of the financial statement and the legality, legitimacy and economy of management actions of accountable officials (Art. 16.I)	An unqualified opinion is given when the auditor is satisfied in all material respects that: *i)* the financial statements have been prepared using acceptable accounting bases and policies that have been consistently applied; *ii)* the statements comply with statutory requirements and relevant regulations; *iii)* the view presented by the financial statements is consistent with the internal audit's knowledge of the audited organisation; and *iv)* there is adequate disclosure of all material matters relevant to the financial statements (Para. 10)
A regular opinion with qualifications (*regular com ressalva*) is given when the TCU concludes that there is evidence that the financial statement is misstated or includes identified errors that do not result in a loss to the state treasury (Art. 16.II)	A qualified opinion is given where the auditor disagrees with, or is uncertain about one or more particular items in, the financial statements that are material but not fundamental to an understanding of the statements. The wording of a qualified opinion normally indicates a satisfactory outcome of the audit subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion. It helps the users of the statements if the financial effect of the uncertainty or disagreement is quantified by the auditor, although this is not always practicable or relevant (Para. 13)
An irregular (*irregular*) opinion is given when the TCU finds evidence of: *i*) failure to submit a year-end report/accounts; *ii)* illegal, illegitimate or uneconomical management practices, or a violation of laws and/or regulations related to accounting, financial, budgetary, operational or asset management; *iii*) loss to the state treasury attributed to an illegitimate or uneconomical management act; *iii*) embezzlement or misappropriation of public funds, goods or assets. The TCU may also issue an adverse opinion in the case of recurring non-compliance with past audit determination(s) (Art. 16.III)	An adverse opinion is given where the auditor is unable to form an opinion on the financial statements taken as a whole, due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect of the financial statements is quantified where relevant and practicable (Para. 14)
Accounts are considered "unsettleable" (*Iliquidáveis*) if the TCU finds due to a fortuity or to force majeure, proven alien to the will of the accountable official, it becomes materially impossible to issue an opinion (Art. 19)	A disclaimer is given where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction that is so fundamental that an opinion that is qualified in certain respects would not be adequate. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty (Para. 15)

Notes: ISSAI = International Standards of Supreme Audit Institutions; TCU = Federal Court of Accounts.

Source: Adapted from INTOSAI (2001), "Reporting Standards in Government Auditing", *International Standards of Supreme Audit Institutions* (ISSAI) 400, INTOSAI Professional Standard Committee Secretariat, Copenhagen, *www.issai.org*; Organic Law on the TCU (Federal Law 8 443/1992).

From a presentational perspective, the audit opinion on the CPR published on the TCU website could be made more consistent between years and with the version transmitted to the National Congress. For example, the audit report on the FY 2010 CPR included only the draft and not the final opinion of the TCU Plenary. There was no reference to the votes of the individual TCU ministers – as is required by the Organic Law on the TCU – or the remarks by the TCU President and TCU Prosecutor General as in previous audit reports. Moreover, the audit report did not include the decision of the TCU Plenary, as was included in the audit reports for the FY2008 and FY 2009 CPR (Table 2.7). While the print version of the audit report transmitted to the National Congress contains this information, it could also be provided to members of the public

who access the documentation through the TCU website – the main channel that the audit report is accessed (see Chapter 4 of this peer review).

Table 2.7. Materials accompanying the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

Audited fiscal year	A. Related to content			B. Related to process	
	Draft TCU opinion	Voted TCU opinion	TCU Plenary decision	Votes of individual TCU ministers	Remarks by TCU President & TCU Prosecutor General
2001	●	●	o	●	●
2002	●	●	o	●	●
2003	●	●	o	●	●
2004	●	●	o	●	●
2005	o	●	o	●	o
2006	o	●	o	●	●
2007	o	●	o	●	●
2008	o	●	●	●	●
2009	o	●	●	●	●
2010	●	o	o	o	o
2011	o	●	o	o	o

Notes:

TCU = Federal Court of Accounts; ● = Yes, o = No.

Reference to opinion in FY 2000-06 refers only to the opinion on the federal executive and not the opinions on year-end reports of the Federal Senate, Chamber of Deputies, Federal Supreme Court (*Supremo Tribunal Federal*), Superior Court of Justice (*Superior Tribunal de Justiça*), Federal Courts (*Justiça Federal*), Labour Courts (*Justiça Trabalhista*), Electoral Reports (*Justiça Eleitoral*), Military Courts (*Justiça Militar*), the Courts of the Federal District and Territories (*Justiça do Distrito Federal e Territórios*) and the Public Prosecutor of the Union (*Ministério Público da União*).

Framing main findings to highlight their significance for accountability and performance

The main findings presented in the Chapter 8 of the audit report on the CPR, i.e. "Conclusions", tend to be technical and presented in an abstract manner. The TCU does not seek to explain why qualifications matter in relation to the audit objectives, or how addressing the qualifications and implementing recommendations can contribute to a "cleaner" audit opinion and enhanced accountability and performance. Explaining clearly the significance of qualifications and/or the rationale for implementing recommendations can empower audiences of the TCU audit report to hold the government to account. The TCU could also delineate qualifications and recommendations that apply to the audit opinion and other audit objectives defined in the TCU Internal Rules, i.e. compliance with the fiscal rules established in the Law on Fiscal Responsibility; the legitimacy, economy and efficiency of programmes in the Annual Budget Law and achievement of goals in the Budget Directives Law and Pluri-annual Plan; and the impact of the federal budget and financial administration on Brazil's socio-economic development.

Role of the audit report supporting the main findings

This section assesses the role of the audit report on the CPR and the compares its content with the standards established in ISSAI 400. The analysis highlights that the TCU could consider two specific actions to enhance the role of the audit report. First and foremost, the TCU could strengthen the link between the audit report and main findings, emphasising the role of the audit report to present information on the audit tests and relevant evidence necessary to support understanding of the main findings. The TCU could also concurrently assess whether specific elements of the current audit report could

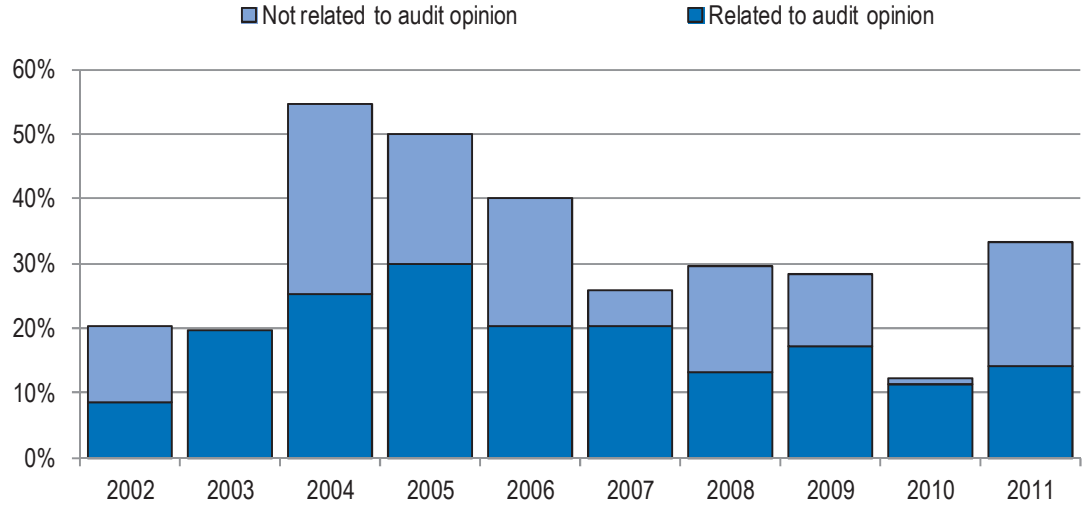
be better served as stand-alone products linked more closely with accountability and decision-making processes in government. The audit of the CPR may not always be the most appropriate vehicle for communicating this information to decision makers within the executive and legislature, or the general public.

Strengthen the link between the audit report and its main findings, presenting information on audit tests and relevant audit evidence

A key challenge facing the TCU is the disconnect between the content of is audit report and the main findings on the CPR (i.e. opinion, qualifications and recommendations). The audit report appears to have overshadowed the main findings, foremost among them the audit opinion on the CPR. The audit report could be focused to provide information on the tests conducted and evidence supporting the main findings. The link between the audit report and main findings is relatively weak, and has declined significantly between the audits of the FY 2004 and FY 2011 CPR (Figure 2.2). Approximately 55% of the content of the audit report on the FY 2004 CPR was linked to the conclusions, approximately half of which was attributed to the chapters containing analysis related to the audit opinion. In comparison, only 13% of content of the audit report on the FY 2010 CPR was linked to the conclusions, almost of all of which was attributed to chapters containing analysis related to the audit opinion. Although the link between the audit report and conclusions increased for the FY 2011 CPR, the relationship is still limited and raises questions about the rationale for including content not linked directly to the audit conclusions.

Figure 2.2. Link between the Brazilian Federal Court of Accounts' audit report and conclusions on the Accounts of the President of the Republic

Share of audit report linked to conclusions, by audited fiscal year



Notes:

"Related to audit opinion" = Chapters 3 ("[Compliance of] Budget execution [with budgetary laws & regulations]") & 5 ("[Regularity of the] BGU")

"Not related to audit opinion" = Chapters 2 ("Brazil's economic performance"), 4 ("[Compliance & performance of] Government sectoral actions") & 6 ("[Assessment] of Thematic topic(s)").

See Annex 2.A1 for methodology.

The current state of the audit report on the CPR can be seen as a response to two main factors: *i)* a general concern over federal government financial reporting and; *ii)* a desire to use this audit report to communicate conclusions and raise the visibility of other TCU control and oversight processes conducted during the previous fiscal year. Table 2.8 presents a summary of these concerns/challenges, their hypothesised impact on audit reporting on the CPR, the situation today and expected situation in the future. Improvements in government reporting by the federal executive and enhanced TCU communications raise the question as to the need to use the audit report on the CPR as it is today.

Table 2.8. Factors contributing to the current state of the audit report on the Accounts of the President of the Republic

Previous challenges	Hypothesised impact on audit reporting on CPR	Situation today	Expected situation in the future
A. External to the TCU: Concern over federal government reporting			
Systemic weaknesses over the Internal Control System of the Federal Public Administration, including concern over the independence of internal audit	TCU sought to provide a parallel narrative to the CPR in its audit of this report, in order to provide independent information to National Congress & the general public	Internal audit function centralised within CGU; attention focused on introducing a risk-based approach & use of new techniques; however, internal control still remit of internal auditors, not managers	More risk-based approach to internal control within the federal public administration, providing more reliable information in the CPR
CPR voluminous & indigestible - 5 000 pages, 6 volumes - undermining effective transparency in financial reporting	TCU sought to make information contained in the CPR more digestible for the National Congress & the general public	CPR has been condensed with the objective of making information more transparent (1 300 pages, 1 volume)	Federal executive to improve usability of CPR, reflecting commitments to international agreements (e.g. Open Government Partnership, Global Initiative on Fiscal Transparency)
B. Internal within the TCU: Promoting the visibility of control and oversight processes			
Limited interaction between TCU & National Congress (& committees) – focused only on year-end report & quarterly activity reporting, as outlined in the Organic Law on the TCU	TCU sought to use year-end report to raise awareness of the findings of its main control & oversight activities conducted during the previous reporting period	Growing interaction between the TCU & the National Congress (& its committees) with a revised mandate of the TCU Congressional Advisory Service since 2008 & a policy of proactive engagement with the National Congress	Continuation of situation today
TCU communications function focused narrowly on publishing information on its decisions & reports, preparing TCU ministers on media engagement, & strengthening internal communications		Improved reporting to the media & other external stakeholders, with a revised mandate for the TCU Secretariat of Social Communications & a policy of proactive communication	Development of a TCU institutional & product-specific communications strategy, drawing on an understanding of the needs of specific audiences & targeted communications research
Limited availability of TCU instruments to provide a whole-of-government level, with most activities focusing at a micro-level, not permitting the elevation of cross-cutting issues & risks within the public administration		TCU has begun to publish thematic reports presenting main challenges & risks facing the federal government, aggregating main findings & recommendations (e.g. public works, 2014 World Cup, 2016 Olympics)	More systematic publication of thematic reports presenting main challenges & risks facing the federal government, aggregating main findings & recommendations for all government sectors/ functions

Notes: CGU = Office of the Comptroller General of the Union; CPR = Accounts of the President of the Republic; TCU = Federal Court of Accounts.

As a result of discussions linked to this peer review, the TCU has already taken action to partially address this observation. For example, Chapter 5 of the audit report on the FY 2011 CPR was significantly reconfigured to provide only information that substantiates its qualifications and recommendations on the BGU. This marks a departure from the previous audit report in which the analysis on the BGU was descriptive. This is not the case for the other chapters of the audit report which continue to provide a narrative of the federal executive's performance rather than presenting information on key risks and challenges affecting government reporting and performance substantiated by audit tests. In addition, the audit conclusions on the FY 2011 CPR included, for the first time, explicit reference to the relevant chapter and section that they were related.

The TCU could further address this disconnect by questioning the role of the audit report to provide a narrative of government performance and to communicate conclusions from other control and oversight processes.

Question the role of the audit report to provide a narrative of government performance

The TCU audit report of the CPR appears to provide a narrative of the federal executive's performance over the last fiscal year. Chapters 2, 3 and 4 of the audit report closely follow the structure and content of the CPR (Table 2.9). Moreover, the audit report does not systematically assess the information reported in the CPR but presents a separate assessment of government performance using information from many of the same sources as the federal executive. For example, Chapters 3 and 4 of the audit report on compliance with budget execution and performance of government sectoral actions, respectively, do not discuss information reported in the corresponding parts of the CPR. Instead, the TCU sources information from the federal executive's management information systems and other materials requested from the federal executive by the TCU. Similarly, Chapter 2 of the audit report focuses on Brazil's economic performance does not discuss information contained in Part I of the CPR. Rather, the TCU presents its own assessment using data from public sector entities released after the CPR has been presented to the National Congress.

The current state of the audit report can be understood in part as a response to TCU concern over the reliability of government financial reporting and the level of "effective" transparency provided by the CPR in the past. Prior to 1987 federal government financial management was characterised by fragmented accounting systems, long delays in financial reporting, and significant reporting inconsistencies. The conclusions of a 1992 TCU audit of the Internal Control System of the Federal Public Administration and the 1993 "Budgetgate" Congressional Inquiry revealed alarming ineffectiveness of internal controls (OECD, 2012). Moreover, during the 1990s and early 2000s, the CPR was presented in five volumes approximating 5 000 pages, making it voluminous and indigestible and so undermining effective transparency – or the presentation of information in a manner that supports its effective use.

Table 2.9. Structure of Brazilian Federal Court of Accounts' audit report and the Accounts of the President of the Republic

Based on FY 2010 CPR and the corresponding TCU audit report

Audit report on FY 2010 CPR	FY 2010 CPR
Introduction (Chapter 1)	Introduction
Chapter 2: Performance of the macro economy & achievement of macroeconomic policy objectives, including GDP, employment, inflation, the balance of payments & federal government debt	Part 1: Economic policy & performance of the government sector, including GDP, inflation & monetary policy, labour market & employment, balance of payments & federal government debt
Chapter 3: The performance of budget execution, including comparison of actual outcomes against the budget approved by the National Congress & its subsequent amendments & compliance with targets contained in the Law on Fiscal Responsibility & Budget Guidelines Law	Part 2: Management of general & social security budgets, including comparison of actual outcomes against the budget approved by the National Congress & its subsequent amendments Part 3: Management of investment budget of state-owned & mixed-economy enterprises Part 5: Management of official development agencies, e.g. Bank of Brazil & Brazilian Development Bank
Chapter 4: Performance by function of government, including level of financial & physical implementation of the Growth Acceleration Programme & Pluri-annual Plan	Part 4: Actions by government function, including the actions & activities of federal ministries, official development agencies & external funding
Chapter 5: The regularity of the BGU, based on criteria of materiality, accounting rules & procedures	Part 6: BGU
Chapter 6: Thematic topic(s) selected by the TCU minister responsible for the audit of the CPR	
Chapter 7: Implementation of past recommendations contained in the previous TCU audit of the CPR	Part 7: Measures adopted by the federal government to implement recommendations contained in the previous TCU audit of the CPR
Chapter 8: Conclusions & recommendations originating from the present audit of the CPR	
Chapter 9: TCU audit opinion on the CPR	

Notes:

BGU = Consolidated financial statement of the federal government; CPR = Accounts of the President of the Republic; GDP = Gross Domestic Product; TCU = Federal Court of Accounts.

Improvements in financial reporting, internal control and transparency raise the question of whether the TCU still needs to provide a narrative of the federal executive's performance in the audit report on the CPR (Table 2.8A). The Internal Control System of the Federal Public Administration has undergone significant change during the last 20 years. Computerisation of the federal government's back-office systems, core among them the Federal Government Integrated Financial Administration System (*Sistema Integrado de Administração Financeira do Governo Federal*, or SIAFI), has improved internal control and financial reporting. Moreover, in 2001 the federal government promulgated a new framework for internal control. Within this framework the CGU was created to co-ordinate, develop and oversee the functioning of internal control across the public administration. As part of this authority, the CGU has developed its knowledge of public sector entities, their programmes and risks facing their operations. The CGU has also introduced computer-assisted audit tools and piloted operational risk management methodologies.

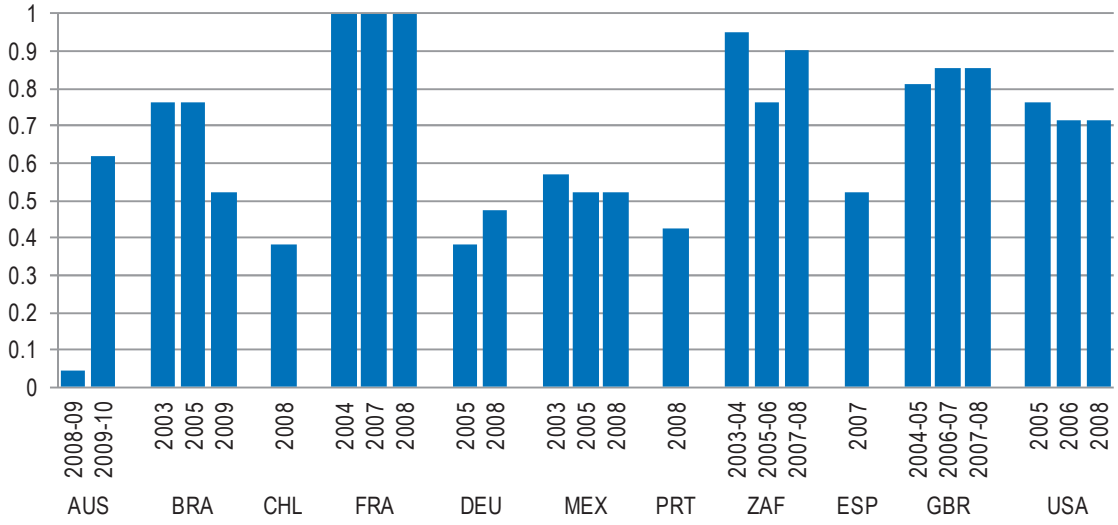
The federal executive has also taken a number of concrete actions to enhance the level of effective transparency of government reporting and government operations. In 2006/07 the CGU, together with the Secretariat of the National Treasury (*Secretaria do Tesouro Nacional*, or STN), announced plans to enhance the CPR. This included actions to simplify the reporting format of the CPR and to provide information to substantive the federal executive's performance.[3] While some data suggests that these changes have not

had a demonstrable impact on the level of transparency *per se* – Brazil already compared relatively favourably with other countries (Figure 2.3) – the changes are reported to have enhanced the level of effective transparency.

Moreover, Brazil has taken a lead role in a number of international initiatives to enhance transparency suggesting a desire to further enhance and sustain transparency in financial reporting. Actions have included undertaking an OECD peer review on transparency and internal control policies within the federal public administration in 2011 (OECD, 2012); founding the Open Government Partnership, a multilateral initiative to promote transparency and harness new technologies for good public governance in 2011; and founding the Global Initiative for Fiscal Transparency, a multilateral initiative to enhance transparency, citizen engagement and accountability in fiscal management in 2012.

Figure 2.3. Explicit disclosures in the consolidated year-end government reporting in Brazil and selected countries

Left scale representing level of transparency, on scale of 0 (low) to 1(high), by audited fiscal year



Note: See Annex 2.A2 for methodology.

Question the role of the audit report to communicate main findings from, and promote visibility of, other TCU control and oversight processes

Another cause of the disconnect between the audit report and main findings is the use of this report to provide a synthesis of main findings from other TCU control and oversight processes conducted during the previous year. In some cases, these processes are directly linked to with the audit objectives of the CPR. For example, the audit report draws upon the conclusions of TCU oversight of fiscal management reports on compliance with fiscal rules issued by each branch of the federal government every four months. However, the challenge arises when the conclusions of TCU control and oversight processes from the previous year are not linked to the objectives and necessary tests supporting the audit of the CPR – such as in Chapter 4 of the audit report on government sectoral actions.

The current state of the audit report can be understood as a consequence of the significance attributed to this specific audit both externally and internally within the TCU (Table 2.8B). The presentation of the audit opinion on the CPR is a considered a key moment of accountability within Brazil's federal government. The audit is a fixed task of the TCU, its first constitutional responsibility, and one of its most longstanding activities, having been conducted since 1892. This TCU audit is also the most comprehensive, allowing the elevation of significant issues and risks cutting across the federal executive. Although the TCU conducts more than 8 000 control and oversight processes each and every year, most are focused at a micro level. Between 40% and 50% of all TCU processes focus on the responsibility of individual accountable officials, through audits of their respective year-end and *ad hoc* reports (Table 2.10, rows A1-A2). A further 30-40% of all processes are initiated by external requests – most of which respond to reports of suspected irregularities (Table 2.10, rows B2.2-B2.3).

The TCU external communications has been somewhat limited in the past. Until the early 2000s the TCU communication activities focused more narrowly on the publication of its audit conclusions in the Official Gazette of the Federal Government of Brazil (*Diário Oficial da União*), the Official Journal of the TCU (*Diário Oficial da TCU*) – and since the late 1990s on the TCU Internal portal. The TCU was not focused on ensuring that its primary audience were aware and understood its audit main findings, or to engage the broader public on issues of accountability and public governance.

Improvements in TCU external communications and relations with the National Congress raise the question of whether the TCU still needs to use the audit report on the CPR to communicate conclusions from other control and oversight processes. Since 2008 the interaction between the TCU and the National Congress and media has grown significantly. This has been shaped by a push internally within the TCU since 2008 for its Congressional Advisory Service (*Assessoria Parlamentar*, or Aspar) to engage more closely with the National Congress. It has also been influenced by an increase in the profile and resourcing of the TCU communications unit (*Secretaria de Comunicação*, or Secom) since 2010 (see Chapter 4 of this peer review). Moreover, in recent years the TCU has begun to produce thematic reports, such as on public works procurement, the 2014 World Cup and 2016 Olympic Games.

Use the TCU powers to enhance consolidated year-end government reporting rather than the audit report

The TCU could focus its attention on positively shaping the CPR rather than using it to provide an independent assessment of government performance and to communicate the main findings of other control and oversight processes conducted during the previous fiscal year. The TCU is in a unique position to positively shape the CPR. The Organic Law on the TCU grants Brazil's SAI the authority to shape the content of the report by the central authority of the Internal Control System of the Federal Public Administration which, together with the BGU, makes up the CPR. As discussed in Chapter 1 of this peer review, the Organic Law on the TCU states that the CPR should comprise two elements: *i)* the BGU; and *ii)* a report by the central authority of the Internal Control System of the Federal Public Administration. The General Norms for the Preparation and Control of the Budget and Financial Statements define the content of the BGU, with the Federal Ministry of Finance regulating the accounting basis for the statements.

Table 2.10. Brazilian Federal Court of Accounts' control and oversight processes

Control & oversight processes, by type	Audited fiscal year				
	2006	2007	2008	2009	2010
A. Control processes	3 079	2 865	3 698	4 028	3 270
A1. Audits of the year-end reports of accountable public officials	1 366	1 337	1 773	2 062	1 114
A2. Audits of *ad hoc* reports of accountable public officials	1 712	1 527	1 924	1 965	2 155
A3. Audit of the Accounts of the President of the Republic (CPR)	**1**	**1**	**1**	**1**	**1**
B. Oversight processes (=B1+B2+B3+B4)	3 142	3 902	4 549	5 104	4 835
B1. Initiated by TCU (B1.1+B1.2+B1.3+B1.4+B1.5)	665	716	612	697	809
B1.1. Background research	322	258	201	284	104
B1.2. Audits	201	123	140	182	595
B1.3. Inspection	57	284	225	158	25
B1.4. Accompaniment	37	27	18	28	41
B1.5. Monitoring	48	24	28	45	44
B2. Initiated by external request (B2.1+ B2.2+B2.3)	1 985	2 736	3 448	3 828	3 398
B2.1. National Congress requests	76	104	94	127	160
B2.2. Complaints	267	429	491	523	522
B2.3. Representations	1 642	2 203	2 863	3 178	2 716
B3. Inquiries	59	87	68	84	66
B4. Other processes	433	363	421	495	562
C. Total processes (=A+B)	6 221	6 767	8 247	9 132	8 105

Notes:

TCU = Federal Court of Accounts.

Audits of the year-end reports of (individual) accountable public officials aim to verify the legality, economy, legitimacy, efficiency and efficacy of the use of budgetary and non-budgetary resources.

Audits of ad hoc *reports of accountable public officials* aim to investigate possible illegal or illegitimate activity (e.g. embezzlement, diversion of funds, property or public value), and calculate sanctions as necessary.

The term "accountable official" is defined as "public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration" (1988 Constitution, Art. 70).

The audit of the Accounts of the President of the Republic (CPR) aims to verify the legality, economy, legitimacy, efficiency and efficacy of the use of budgetary and non-budgetary resources.

Background research aims to support better knowledge and understanding of the functioning of administrative units, governmental systems, programmes, projects and activities; it may also be used to identify areas of future attention by the TCU.

Audits may include *i)* financial audits to examine the financial statements of a specific public organisation; *ii)* compliance audits to examine the legality and legitimacy of management acts; and *iii)* operational (performance) audits to examine the economy, efficiency and effectiveness of public organisations, programmes and activities.

Inspections aim to clarify doubts or gaps created by lack of information or omission. Inspections are also used for verifying complaint and representation processes.

Accompaniments aim to examine the legality and legitimacy of management acts from an accounting, financial and budgetary perspective, and to evaluate public organisation's systems, programmes and activities, with a focus on economy, efficiency and efficacy.

Monitoring verifies implementation and compliance with TCU audit determinations.

Oversight processes initiated at the request of National Congress may include requests for information, audits and inspections by the Presidents of the Federal Senate and Chamber of Deputies and the chairs of congressional commissions.

Complaints refer to activities to investigate reports made by private, non-government organisations and the public denouncing an irregularity or illegality concerning the public administration.

Representations refer to activities to investigate reports made by public authorities and TCU technical units/officials denouncing an irregularity or illegality concerning the public administration.

Inquiries relate to doubts over the application of legal and regulatory devices addressed to the TCU by the President of the Republic; the Presidents of the Federal Senate and Chamber of Deputies or the chairs of congressional commissions; the President of the Supreme Federal Court or superior courts; the Attorney General of the Union; Prosecutor General of the Union; ministers of state or any authorities within the federal executive, as well as armed forces commanders.

The Organic Law on the TCU gives the Brazil's SAI authority to define the content of the report by the central authority of the Internal Control System of the Federal Public Administration, which it does through the annual instruction (*aviso*). The TCU sends this instruction to the CGU every October, requiring the federal executive to furnish additional information in the CPR (see Chapter 3 of this peer review. The TCU can also positively shape the CPR more informally through its working meetings with the CGU. Both TCU and CGU officials report that they have engaged in greater co-ordination and co-operation over the CPR in recent years.

In particular, the TCU instruction could be used to focus the attention of the federal executive to enhance the qualitative characteristics of reported information and not just the display of core information and disclosure of supporting information as currently is the case. Qualitative dimensions include *inter alia* the relevance, intelligibility, verifiability and comparability of the information presented by the federal executive. The TCU could, for example, subsequently include a normative assessment of the federal executive's compliance with the qualitative dimensions of the CPR in this audit. Moreover, this instruction could be used to require the federal executive to make explicit assertions – or statements of compliance – regarding information in the CPR. These assertions could subsequently be audited as part of the tests supporting the audit objectives.

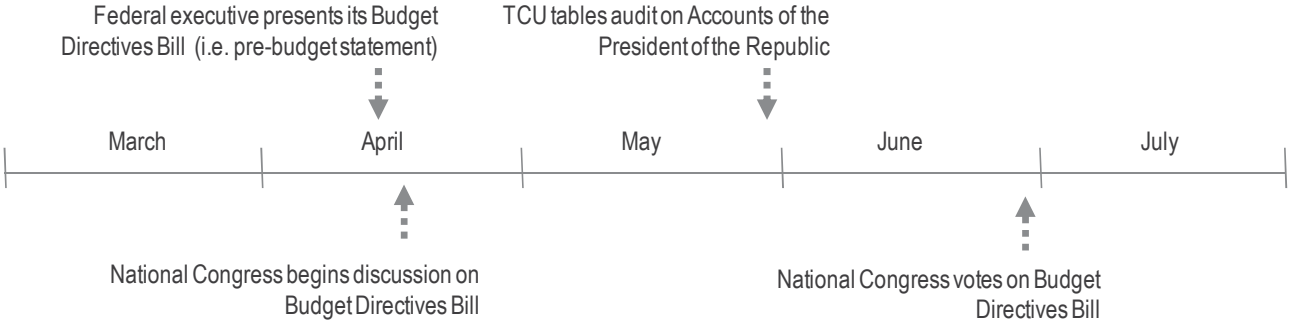
To ensure that actions to positively shape the CPR are aligned with the needs of the report's primary audiences, the TCU could take specific action to understand challenges and barriers facing its use. The independence and objectivity of the TCU make it a meaningful vehicle to moderate and balance the views of the National Congress. In seeking to understand challenges and barriers facing the use of the CPR, the TCU may consider co-ordinating and co-operating with the CGU and the Secretariat of the National Treasury to enhance the CPR. Those two bodies are, as noted previously, responsible for the preparation of the CPR. In engaging with the CGU and the Secretariat of the National Treasury, the TCU may reflect on the existing international guidelines on "Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector" to effectively manage any risks that could arise (INTOSAI, 2010).

Assess whether elements of the audit report could better linked to accountability and decision making

The TCU could give closer consideration to the content of its audit report and the timing of the federal government's accountability and decision-making processes. For example, analyses of government debt, the primary surplus, and compliance with targets set in the Law on Fiscal Responsibility contained in the audit report are made available relatively late in congressional deliberations on the macro-fiscal framework for the forthcoming annual budget (Figure 2.4). The Budget Directives Bill is characterised as Brazil's pre-budget document (Blöndal, Goretti and Kristensen, 2003). The OECD (2002) "Best Practices for Budget Transparency" considers that the pre-budget document should explicitly state the government's long-term economic and fiscal policy objectives and medium-term policy intentions for the forthcoming budget and, at a minimum, the following two fiscal years.

Figure 2.4. Link between the Federal Court of Accounts' audit reporting on the Accounts of the President of the Republic and federal government budget decision-making processes

Example of Chapter 2 of the audit report and discussion of macro-fiscal budget framework



Source: Adapted from Blöndal, J.R., C. Goretti and J.K. Kristensen (2003), "Budgeting in Brazil", *OECD Journal on Budgeting*, Vol. 3, No. 1, pp. 97-131, doi: 10.1787/budget-v3-1-en, *www.oecd.org/brazil/40139608.pdf*.

More generally, the TCU could take concrete actions to understand when the information currently contained in its audit report on the CPR could be most useful with respect to scrutiny of past and the formulation of future annual budgetary laws within the federal executive and the National Congress. Specific attention could also be given to whom this information is useful. Attention could be directed not only at the Planning, Budget and Oversight Joint Committee, but also sectoral committees within the National Congress. Within the federal executive attention could be given to the Office of the President of the Republic and the Federal Ministry of Planning, Budget and Management, the Federal Ministry of Finance, the CGU and/or federal ministries. Finally, the TCU could take concrete actions to understand the level at which information is useful for the needs of these different audiences, i.e. whole-of-government, function of government and/or ministry portfolio.

In a similar regard, it is not known whether presenting information on material challenges and risks affecting reporting and performance within the federal executive is best suited to the reporting of the audit opinion on CPR. One response could be to develop other reports that synthesise the control and oversight processes of the TCU according to different government functions and/or public sector entities. For example, the United Kingdom National Audit Office produces a number of reports on central departments, consolidating its work and knowledge to support its ongoing efforts and to promote best practice. It also produces overviews of individual major government departments (17 in all) (Box 2.1).

Box 2.1. Supreme audit institution reporting on financial management and reporting: The United Kingdom's National Audit Office

The United Kingdom National Audit Office (NAO) releases periodic reports on financial management focusing on individual government departments as well as on a government-wide level.

Examples of these reports include:

- financial management practices in central departments; and
- overviews of central departments.

Financial management practices in central departments

These reports provide an overview of the department's financial management against a model developed by the NAO. That model focuses on financial governance and leadership, financial planning, finance for decision making, financial monitoring and forecasting, and financial and performance reporting.

The reports are structured around:

- the department's operating environment, including its responsibilities, funding and delivery landscape, and organisation of financial management responsibilities;
- financial governance and leadership, including financial skills; internal controls and risk management; and how the department oversees its arm's-length bodies; and
- planning, monitoring and performance reporting: examining planning and decision making; financial monitoring and forecasting; and financial and performance reporting.

The NAO also periodically publishes synthesis reports drawing upon the findings of reports on individual central departments. Examples are *Managing Financial Resources to Deliver Better Public Services* (February 2008) and *Progress in Improving Financial Management in Government* (March 2011).

Overviews of central departments

These reports cover NAO work on central departments; they provide a quick and accessible overview of each department, focusing in particular on where the NAO believes the department's performance could be improved using examples from its published work.

The reports cover:

- information about the department, including its responsibilities, how it is organised, how it spends public funds, recent developments, operational and corporate risks, capability and leadership;
- financial management, including budget outturns, improvements in efficiency, findings of NAO reports on financial management and efficiency, summary of NAO audit findings, and issues raised in the statement of internal control;
- use of information, including performance reporting in annual reports and business plans, performance reported by department, testing the reliability of performance data, and use of information by department
- service delivery;
- index of NAO publications specifically focusing on the department, cross-government reports of relevance to the department; and
- index of other government reports on the department, such as those by the public accounts committee and capability reviews.

Conclusions and recommendations

The TCU has sought to broaden the formal audit objective and reporting on the CPR to provide a more holistic basis for holding the federal executive to account. With this development attention has detracted from the audit opinion, and the regularity (i.e. the integrity) of federal executive's reporting, the primary responsibility of the TCU under the 1988 Constitution in relation to the CPR. While the development of the audit report is a positive development it should not come at the expense of the audit opinion. In part recognition of this fact, the TCU has begun a process of reforming audit reporting on the CPR, with specific attention on the BGU. Reforming audit reporting on the CPR could be broadened as many of the historical factors that appear to have contributed to the current state of audit reporting are less relevant today and, based on current trends, are expected to become even less relevant in the future.

The TCU could consider implementing a number of recommendations to advance its audit reporting on the CPR. At the core of these recommendations is the proposition to provide clear and concise information about the audit objective and main findings, and strengthening the link between the audit report and the main findings. In the short term, the TCU could align the content and format of the audit opinion with the ISSAI 400. This could be supported by actions to frame the audit main findings by discussing the expected impact of addressing the qualifications and implementing the recommendations on government accountability and performance. Moreover, focusing the attention of the audiences of the audit report on competent and relevant audit evidence can help guide audiences' understanding of how the main findings were reached. In the medium-term, the TCU could assess the objective of its audit reporting *vis-à-vis* the financial reporting by the federal executive.

Box 2.2. Recommendations for the Brazilian Federal Court of Accounts: Audit objectives and reporting

Audit objective

- The TCU could focus on positioning the CPR as a key document for government accountability and decision making, and positioning the audit reporting as an independent assurance of information reported in the CPR. *In doing so*:
  - Employ the position of the TCU as an auxiliary body of the National Congress to understand the level of understanding and use of the CPR by the Planning, Budget and Oversight Joint Committee and other sectoral committees, while safeguarding TCU independence;
  - Explore possible co-operation and co-ordination with the CGU and STN to understand how the CPR is used by key audiences, taking into consideration standards to safeguard TCU independence, while safeguarding TCU independence; and
  - Utilise the authority of the TCU to shape and enhance qualitative characteristics of the CPR, specifically the relevance, reliability, intelligibility and comparability of reported information.

Audit conclusions

- Align the audit opinion with INTOSAI "Reporting Standards in Government Auditing" (ISSAI 400) to better guide audiences' understanding of its meaning. *In doing so*:
  - Align the form and content of the audit opinion with the principles contained in ISSAI 400, clearly specifying *i)* the explicit title of the subject matter to which the audit opinion relates; *ii)* the objectives of the audit, and what it does and does not provides assurance; and *iii)* (national and/or international) standards or practices followed in conducting the audit, and how these standards and practices have changed between years; and

Box 2.2. Recommendations for the Brazilian Federal Court of Accounts: Audit objectives and reporting (*cont.*)

- Align the format of the audit opinion with the format for audit opinions on the year-end and *ad hoc* reports of accountable public officials, to avoid ambiguity and facilitate monitoring and reporting of actions taken by the federal government to address material weaknesses in the CPR.

- If deemed necessary, issue multiple opinions addressing individually *i)* the regularity of the financial statements of the federal government; and *ii)* compliance of budget execution with constitutional norms, laws and regulations.
- In the longer term, and in line with emerging good SAI practice, the TCU may wish to include an audit opinion on the reliability of non-financial information reported in the CPR.
- Frame audit qualifications and recommendations to better guide audiences' understanding of their significance, on government accountability and performance.
- Delineate qualifications and recommendations that apply to the audit opinion and other audit objectives defined in the TCU Internal Rules.

Audit report

- Assess whether the impact of individual chapters of the current audit report could be enhanced by releasing them at different times in the accountability and decision-making cycle. *In doing so*:
  - Take concrete actions to understand when information contained in the TCU audit report could be most useful with respect to assessment of the implementation of the past – and the formulation of subsequent – Budget Directives and Annual Budget Laws within the federal executive and the National Congress;
  - Take concrete actions to understand for whom this information could be useful, e.g. National Congress' Planning, Budget and Control Joint Committee and/or sectoral committees and the federal executive (i.e. Office of the President of the Republic, Federal Ministry of Planning, Budget and Management, Federal Ministry of Finance, CGU and/or federal ministries);
  - Take concrete actions to understand what level of information is most useful to the needs of the primary audience – i.e. whole-of-government, function of government, and/or ministry portfolio; and
  - Assess the cost-benefit of including an assessment on macroeconomic performance in the audit report, considering the timeliness of information for the formulation and discussion of the Budget Directives Law and Annual Budget Law.

Notes

1 The 2000 Law on Fiscal Responsibility establishes a general framework for budgetary planning, execution and reporting, applicable to all levels of government. It is a "complementary law", requiring a qualified (absolute) majority of the National Congress to be modified. The law comprises general targets and limits for selected fiscal indicators, corrective institutional mechanisms in case of non-compliance, and institutional sanctions for non-compliance.

2 The Budget Directives Law is an annual law establishing directives for the formulation and execution of the federal budget over a medium-term framework of three years. It must be submitted to the National Congress for examination and approval 4.5 months before submission of the Draft Annual Budget Law. The Pluri-annual Plan sets the government's priorities over the medium term, together with explicit targets and indicative budgetary appropriations at the programme level. It is

released during the first year of every administration and spans the entire term of the administration.

3 Other changes to the Accounts of the President of the Republic (CPR) have included *i)* the use of graphic design, colour printing and quality paper in the report; *ii)* the preparation of a magazine to accompany the report, providing summary information about the report in an accessible manner (i.e. a citizens guide); *iii)* distributing a copy of the report to the National Congress, the main libraries in Brasilia and the bodies responsible for its production, as well as state and municipal governments; and *iv)* assigning to the report an International Standard Serial Number (ISSN) to support its cataloguing and classification.

Annex 2.A1

Link between the audit report and main findings

The FY 2006-11 CPRs were analysed to identify the relationship between the audit report and main findings. The term "main findings" as used in this chapter refers to the audit opinion, qualifications and recommendations on the CPR. An audit opinion is normally in a standard format, which obviates having to state at length the findings of all audit tests but nonetheless conveys a message in an understandable context. Qualifications are material issues identified that may affect the audit conclusions. Recommendations are suggestions to the federal executive in order to improve processes and enhance government reporting, performance and accountability.

The analysis was conducted based on the following steps:

- All qualifications and recommendations included in the Conclusions chapter of the audit report (i.e. Chapter 8) were listed, and where applicable recommendations mapped to qualifications so as to avoid double counting of pages linked to both.
- An assessment of the link between each qualification and recommendation and Chapters 2 through 7 of the audit report. For FY 2011, the published qualifications and recommendations already included reference to the chapter and section of the audit report. For the analysis of FY 2006-10, the TCU was provided an opportunity to review and comment on the assessment. No changes were requested by the TCU.
- The pages containing the audit evidence for each qualification and recommendation were counted. Where qualifications and recommendations were explicit in only one paragraph, all pages that were linked to the chapter section were counted, as contextualisation is considered relevant for understanding the qualifications and recommendations. Pages of the audit report were only counted once, irrespective of how many qualifications and recommendations were linked to them.

Table 2.A1.1 presents the analysis of the TCU audit report on the FY 2010 CPR.

Table 2.A1.1. Supporting data on link between the audit report and main findings for the FY 2010 Accounts of the President of the Republic

	Start page	End page	Total pages
Total pages	13	468	446
Pages not considered	1	488	42

Pages in Chapters 3 and 5 linked to qualifications and recommendations	51
Pages in Chapters 2, 4, 6 and linked to qualifications and recommendations	55
% of total	12.3%
% of total pages relating to Chapters 3 and 5	11.4%

#	Qualifications	Recommendations	Chapter	Start page	End page	Total pages
1	Low implementation – 20% -- of priorities & goals included in the 2010 Budget Directives Law (Federal Law 12 017/2009)	Prioritise the implementation of priorities & goals in the Budget Directives Law over other discretionary actions	3	70	72	3
2	Implementation of General & Social Security Budgets without sufficient available funds, compromising the reliability of the financial statements by source of funds & compliance with the Law on Fiscal Responsibility (Art. 8), which requires that resources be used only for their intended purpose	Present within 90 days studies with proposals to curb budget execution where financial resources are insufficient	3	83	85	3
3	Implementing the Investment Budget without sufficient available funds	Focus oversight on implementation of the Investment Budget, in compliance with the limits established in the 1988 Constitution (Art. 167.II)	3	164	169	6
4		Restrict Investment Budget expenditure that exceeds the budget appropriations, in compliance with the limits established in the 1988 Constitution (Art. 167.II)				
5		Observe Investment Budget limits in compliance with the limits established in the 1988 Constitution (Art. 167)				
6	Differences between values of collection of outstanding debt for FY 2010 recorded in SIAFI & those contained in the National Finance Prosecutor General's Integrated Debt Registration System	Adopt an action plan within 30 days, to match values of the collection of outstanding debt in the SIAFI & National Finance Prosecutor General's Integrated Debt Registration System	3	98	101	4
7	Accounting inconsistencies and inadequate procedures detailed in the report that affect the disclosure of assets in the FY 2010 BGU	Identify the remaining balances of public sector entities, & take any necessary steps for the appropriate values in SIAFI	5	371	405	35
8		Evaluate the appropriateness of including, in the federal government's consolidated balance statements, the balances related to the Army Housing Foundation, Indigenous Heritage (Funai), Energy Development Fund and Global Reserves Fund, noting the fact in the BGU explanatory note and the criteria for their exclusion		As per item (7)		
9		Reconcile periodically, and especially at year-end, balances of loans with instalments recorded as outstanding debts regarding agricultural loans and pensions constantly registered in the secretariat of federal revenue systems				
10		Reconcile periodically, especially at year-end, the balances of credits recorded as Debt in the National Finance Prosecutor General's systems				

Table 2.A1.1. Supporting data on link between the audit report and main findings for the FY 2010 Accounts of the President of the Republic (*cont.*)

#	Qualifications	Recommendations	Chapter	Start page	End page	Total pages
11	Accounting inconsistencies and inadequate procedures detailed in the report that affect the disclosure of assets in the FY 2010 BGU (*cont.*)	Consider how events are subject to restriction, in accordance BGU accounting records, on the lack of provision for losses and the failures of credits, property and assets, values and long-term receivables recorded in the balance sheets of the organs of direct administration		As per item (7)		
12		Present any changes in the preparation of the BGU in the notes together with the impact of the change(s)				
13		Establish criteria for grouping accounts (various benefits payable, other accounts payable, several settlements, other current expenditure and receivables in the BGU, and report these groups at a reasonable level of disclosure				
14		Verify and correct the balance of the immaterial items contained in the consolidated financial statement of the federal government (BGU)				
15		Systematically follow, together with the public sector accounting bodies, the recording of additional credits in the Federal Government Financial Administration System to ensure quality of information in the statement of budget balance				
16		Perform studies to identify the causes of differences between expenditure and revenue and to resolve inconsistencies in the BGU				
17		Conduct studies to evaluate the technical aspects of, and possibility of amending the methodology for, calculating income and extra-budgetary expenditure in the BGU, to support effective management, control and transparency of public resources				
18		Present relevant analysis of the variations observed in the BGU				
19		Require federal public sector entities to take timely actions to avoid irregularities in the BGU				
20		Present information on the public sector entities that record revenue on an accrual basis, indicating revenue source and values in the notes to the BGU				
21		Focus federal public sector entities to establish appropriate accounting recordkeeping in the SIAFI				
22		Report income obtained from seignior age obtained in the issuance of currency in the financial statements and disclosure of financial flows				
23	None	Reiterate the recommendation made in the audit of the FY 2009 CPR, to prioritise the full implementation of the Administrative Agreements Management Information System	7	453	454	2
24	Noncompliance with Temporary Constitutional Provision, Art 42.1, which establishes a minimum of 20% of public resources be allocated for irrigation in the Mid-west Region during the 25 years following the 1988 Constitution	None.	7	459	460	2

Notes: CGU = Office of the Controller General of the Union; CPR = Accounts of the President of the Republic; SIAFI = Federal Government Integrated Financial Administration System; TCU = Federal Court of Accounts.

Annex 2.A2

Transparency in consolidated year-end government reporting in Brazil and selected countries

Figure 2.3 has been prepared drawing on the results of the International Budget Partnership Open Budget Survey. This survey is conducted every two years to identify what and how much information is publicly available during each of the budget processes, whether it is timely and accessible, and whether there are any information gaps. The Open Budget Survey is based on the OECD (2002) "Best Practices for Budget Transparency".

The survey is completed by independent civil society researchers from each participating country and peer-reviewed by two independent experts with knowledge of the country being reviewed. Since the 2010 survey, governments have also been invited to provide comment on the responses. Data were not available for Australia, Canada or the Netherlands. Data for Australia were, however, provided by the SAI of Australia.

The underlying data for Figure 2.3 are presented in Table 2.A2.1. Responses are based on a four-level scale. To create Figure 2.3 the responses were normalised and the average taken across response years. A point average was taken, highlighting that elements are mutually independent of one another.

Table 2.A2.1. Transparency in consolidated year-end government reporting in Brazil and selected countries

Country	Report Title	Audited fiscal Year	Explain differences between original macro forecast & outcomes	Explain difference between enacted & actual expenditure	Level of detail to explain difference between enacted & actual expenditure	Explain difference between enacted & actual revenue	Explain difference between the original estimates of non-financial data & actual outcomes	Explain difference between the performance indicators & actual outcomes	Actual outcome for extra-budgetary funds
Australia	Commonwealth Consolidated Financial Statement	2008-09 & earlier	o	o	o	o	o	o	●
		2009-10 onwards	●●	●●	●●	●●	●●	o	●●
Brazil	Year-end report of the President of the Republic	2003	●●●	●●●	●●●	●●●	●●	●●	o
		2005	●●●	●●●	●●●	●●●	●●	●●	o
		2009	●●●	●●	●●	●●	●	●	o
Chile	Evaluation Report of the Public Sector Financial Management 2008 and update projections for 2009	2008	●●	●	●	●	●●	o	●
France	Financial Statements of the Central Government	2004	●●●	●●●	●●●	●●●	●●●	●●●	●●●
		2007	●●●	●●●	●●●	●●●	●●●	●●●	●●●
		2008	●●●	●●●	●●●	●●●	●●●	●●●	●●●
Germany	Budget & Capital Accounts of the Federal Government	2005	o	●●●	●●	●●●	o	o	o
		2008	o	●●●	●●	●●●	o	o	●●
Mexico	Federal Public Finance Account	2003	●	●●	●●●	●●	●	●	●●
		2005	●	●●	●●	●●	●	●	●●
		2008	●	●●	●●	●●	●	●	●●
Portugal	General State Account	2008	o	●●●	●●●	●●●	o	o	n.a.
South Africa	Annual Report	2003-04	●●●	●●●	●●●	●●●	●●●	●●●	●●
	Annual Report	2005-06	*o*	●●●	●●●	●●	●●●	●●●	●●
	Consolidated Financial Information	2007-08	●●●	●●●	●●●	●●	●●●	●●●	●●
Spain	*Liquidación del Presupuesto*	2007	●	●●	●●	●●●	●	o	●●
United Kingdom	Public Expenditure Outturn White Paper	2004-05	●	●●	●●	●●●	●●●	●●●	●●●
		2006-07	●	●●●	●●	●●●	●●●	●●●	●●●
		2007-08	●	●●●	●●	●●●	●●●	●●●	●●●
United States	Financial Report of the United States Government	2005	●	●●●	●●	●●●	●●	●●	●●●
		2006	●	●●●	●●	●●●	●●	●●	●●
		2008	●	●●●	●●	●●●	●●	●●	●●

Notes: ●●● = Extensive explanation, ●● = Explanation; ● = Some explanation; o = No explanation; n.a. = Not applicable. Enacted levels include in-year amendments. Survey did not cover Australia, Canada or the Netherlands. Data for Australia provided by the Australian National Audit Office.

Australia: In late 2011, the Auditor-General Act 1997 was amended to give the Auditor-General (and the Australian National Audit Office) explicit authority to undertake audits of the appropriateness of key performance indicators as presented in public sector entities' portfolio budget statements and subsequently, the completeness and accuracy with which they are reported in these entities' annual reports. A pilot is under way to establish a methodology and approach for undertaking this work. In the medium term (approximately 3-4 years), if ongoing funding for this function is provided to the ANAO, it is likely that an audit of the appropriateness of key performance indicators and the completeness and accuracy of their reporting will be included as part of each public sector entity's annual financial statements audit and subsequently, the year-end government report.

Source: Adapted from IBP (various years), Open Budget Survey, *http://internationalbudget.org/what-we-do/open-budget-survey/*, responses to Questions 103-108, 110.

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Chapter 3

Audit planning and implementation

*This chapter analyses the planning and implementation of Brazil's Federal Court of Accounts (*Tribunal de Contas da União*, or TCU) audit of the consolidated year-end government report: the Accounts of the President of the Republic (*Contas do Presidente da República*, or CPR). The chapter addresses:* i) *the responsibility for oversight and co-ordination of audit planning and implementation;* ii) *the general process and timetable for audit planning and implementation;* iii) *the practices that exist to ensure high-quality audit work, conducted in an efficient and effective manner; and* iv) *the policies that exist to ensure that audit work is conducted in accordance with professional and ethical standards. The analysis is framed by the* International Standards of Supreme Audit Institutions *(ISSAI), specifically the "Field Standards in Government Auditing" (ISSAI 300) and "General Standards in Government Auditing and Standards with Ethical Significance" (ISSAI 200).*

Introduction

This chapter analyses planning and implementation arrangements for the external audit of Brazil's consolidated year-end government report by the Federal Court of Accounts (*Tribunal de Contas da União,* or TCU). The analysis is framed by *International Standards of Supreme Audit Institutions* (ISSAI), specifically the "Field Standards in Government Auditing" and "General Standards in Government Auditing and Standards with Ethical Significance". "Field Standards in Government Auditing" (ISSAI 300) establishes a general framework for guiding purposeful, systematic and balanced steps in audit planning and implementation. The standard emphasises the role of *i)* planning to support efficient and effective audit work; *ii)* proper supervision and documentation of audit work in the interest of quality control; *iii)* understanding the reliability of internal control within audited entities; *iv)* designing tests to provide reasonable evidence for audit main findings (INTOSAI, 2001a).

"General Standards in Government Auditing and Standards with Ethical Significance" (ISSAI 200) establish the general policies and procedures for supreme audit institutions (SAIs) to adopt in order to ensure that auditors are qualified to carry out their tasks in an effective manner and in line with professional and ethical standards (INTOSAI, 2001b).

In analysing planning and implementation for the TCU audit of Brazil's consolidated year-end government report – the Accounts of the President of the Republic of Brazil (*Contas do Presidente da República*, or CPR) – this chapter addresses the following questions:

- Who is responsible for oversight and co-ordination of audit planning and implementation?
- What is the general process and timetable for audit planning and implementation?
- What practices exist to ensure high-quality audit work, conducted in an efficient and effective manner?
- What policies exist to ensure audit work is conducted in accordance with professional and ethical standards?

The chapter does not go into detail regarding the content of the CPR or the objectives or structure of TCU audit reporting; those matters are discussed in Chapters 1 and 2 of this peer review.

The TCU has taken a number of actions to enhance the planning and implementation of its audit of the CPR in order to support of high-quality, purposeful audit main findings. Beginning with the audit of the FY 2009 CPR, the TCU has engaged more of its secretariats of external control (i.e. audit units) to leverage their knowledge of government entities and programmes, and improve the quality of audit work. The audit of the FY 2011 CPR saw the introduction of an audit matrix as a tool to support planning, and the more systematic definition of audit questions and identification of supporting information needs. The TCU is also taking steps to enhance its financial audit capabilities in line with *INTOSAI (International Organisation of Supreme Audit Institutions) Financial Audit Guidelines* (ISSAI 1 000-2 999) and good practices – with early steps already having a positive impact on the audit of the FY 2011 CPR. Actions specific to the

audit of the CPR are supported by ongoing TCU moves to enhance its human resource management practices, introduce a competency management framework and promote high standards of conduct among its officials.

The TCU could consider a number of actions to enhance planning, implementation and quality control for its audit of the CPR. In the short term the TCU could further develop its audit matrix, incorporating an explicit link between its audit questions and audit objectives for the CPR, as defined in its Internal Rules. The matrix could incorporate information on the subject matter and audit criteria to structure the collection of competent, relevant and reasonable audit evidence supporting the auditor's judgement and main findings. Augmenting the matrix with information on qualifications from the audit of the previous years' CPRs and other deficiencies in internal control could help to determine the scope of the necessary audit tests. Information on these deficiencies need not only be limited to other TCU control and oversight processes, but consideration could also be given to the work by internal audit, to extent it may be used. In the medium-term, the TCU could ensure that actions under way to enhance financial audit capabilities are sustained, recognising these capabilities in its newly-established competency framework and committing to periodic review of its audit manuals and practices.

Oversight and co-ordination

The TCU Plenary, made up of all nine ministers of Brazil's SAI, is responsible for the audit of the CPR. Plenary decisions related to this audit – in particular, the definition of the audit's annual priorities and guidelines and the approval of the audit's main findings – are based on the individual votes of the ministers and overseen by the TCU Prosecutor General.

The Plenary delegates responsibility for oversight of the planning and implementation of this audit to a single minister, the rapporteur, based on a principle of rotation. There is a random draw from the names of TCU ministers who have yet to serve this role for the audit of the CPR. In practice this means a TCU minister will only be rapporteur of the audit of the CPR one or two times during their tenure (Table 3.1). The responsibility for the audit of the CPR is, however, only one of many held by the rapporteur. In addition to the audit of the CPR, the rapporteur will continue to oversee control and oversight processes in their regular portfolio (*liste*) containing approximately half a dozen groups of public sector entities, each group containing as many as 2 000 public sector entities.

Table 3.1. Responsibility for oversight and co-ordination of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

Audited fiscal year	Rapporteur (i.e. designated minister) (responsible for oversight)	Secretary for Government Macro-Evaluation, (responsible for co-ordination)
2012	Minister Jose Jorge de Vasconcelos Lima	Marcelo Barros Gomes
2011	Minister José Múcio Monteiro Filho	
2010	Minister Aroldo Cedraz de Oliveira	
2009	Minister Raimundo Carreiro Silva	Maurico de Albuquerque Wanderley
2008	Minister João Augusto Ribeiro Nardes	
2007	Minister Benjamin Zymler	Marcelo Luiz Souza da Eira
2006	Minister Ubiratan Aguiar	
2005	Minister Valmir Campleo	
2004	Minister Benjamin Zymler	Paulo Roberto Pinheiro Dias Pereira
2003	Minister Guilherme Palmeira	
2002	Minister Ubiratan Aguiar	
2001	Minister Walton Alencar Rodrigues	

Although the rapporteur responsible for the overseeing and co-ordinating the audit of the CPR changes every year, the TCU does not consider there to be any real discontinuity in the process. The objective and scope of this audit is established in the TCU Internal Rules, which is approved by the Plenary – as too are the annual priorities and guidelines for the audit. Moreover, the structure of the audit report supporting the opinion on the CPR has remained more or less unchanged over the last 40 years, with only two exceptions since the mid-1970s: in that decade a new chapter was added to address thematic topics selected by the rapporteur, and in the 1990s another new chapter was added examining government sectoral actions.

In effect, the rapporteur's influence is limited to selection of the thematic topic to be highlighted in the TCU audit report on the CPR. As noted in Chapter 2 of this peer review, the thematic topic is one of nine chapters contained in the audit report on the CPR. The full audit report includes an introduction (Chapter 1 of the audit report) and chapters on: the performance of the Brazilian economy (Chapter 2), federal budget execution (Chapter 3), government sectoral actions (Chapter 4), the consolidated financial statements of the federal government – the General Balance of the Union (*Balanço Geral da União,* or BGU) – (Chapter 5), the thematic topic selected by the rapporteur (Chapter 6), the federal government's implementation of recommendations contained in the previous audit of the CPR (Chapter 7), the conclusions, including a summary of the qualifications and recommendations (Chapter 8) and the audit opinion (Chapter 9).

Since the mid-2000s the thematic topic has been given relatively less attention as the TCU has sought to develop other elements of this audit report. The total share of the audit report, as well as the number of qualifications and recommendations, related to the thematic topic has declined during the last decade (see Chapter 2 of this peer review). Qualifications are materials (i.e. significant) issues identified in the audit work that may affect the audit main findings. Recommendations are suggestions to the federal executive in order to improve its accountability and performance. Nevertheless, the thematic topic still receives significant attention from the National Congress, civil society, private sector and the media (see Chapter 4 of this peer review).

Continuity in the audit of the CPR is also supported by a dedicated secretariat: the Secretariat for Government Macro-Evaluation (*Secretaria de Macroavaliação Governamental*, or Semag). This Secretariat, created in FY 2000, co-ordinates audit planning and implementation for the CPR. Prior to Semag there had long been a dedicated secretariat responsible for the audit of the CPR. Semag was created following a merger of the secretariat responsible for the audit of the CPR (and constitutional inter-governmental fiscal transfers) and the secretariat responsible for auditing revenue collection and tax expenditure. In addition to absorbing the portfolios of those two secretariats, Semag has acquired responsibility for control and oversight of the federal government's planning, budgeting and financial management systems and evaluating compliance with the Law on Fiscal Responsibility (Complementary Law 101/2000 as amended by Complementary Law 131/2009). This law establishes fiscal rules for each branch of the federal government as well as sanctions for non-compliance. These newer responsibilities are complementary to, and support Semag, in the audit of the CPR.

Semag has traditionally planned and implemented the major share of audit of the CPR on its own. The audit of the CPR involves all 37 Semag staff and approximately 20% of total Semag staff days every year, with each Semag directorate responsible for one or two chapters of the audit report. Figure 3.1 presents the organisation and staffing of Semag.

Figure 3.1. Organisation and staffing of the Brazilian Federal Court of Accounts' Secretariat for Government Macro-Evaluation



Responsibility for the thematic topic is determined based on the expertise of TCU secretariats of external control. The TCU has three types of secretariats of external control: typical, specialised and state. There are eight typical secretariats, each responsible for a group of federal ministries and the public sector entities (e.g. agencies and foundations) below these ministry's responsibility (Table 3.2A). There are 11 specialised secretariats, each responsible for subjects that span across the federal government, such as information and communications technology (ICT), public works and deregulation (Table 3.2B). There are 27 "state" secretariats – one for each of Brazil's 26 states and one for the Federal District – responsible for control and oversight of federal programmes at a subnational level; each is located in the locality for which it is responsible. Nevertheless, Semag establishes deadlines and templates to ensure that the analysis on thematic topics is easily incorporated into the audit report.

In recent years the TCU has expressly sought to involve secretariats of external control other than Semag in the audit of the CPR. The aim of this move has been to enhance the quality of audit main findings by leveraging internal knowledge on federal government entities and programmes. The TCU has succeeded in increasing the number of its secretariats involved in this audit during the last two years. The audit of the FY 2011 CPR involved 7 of 8 typical secretariats of external control to prepare the analysis for 14 out of 28 government sectors contained in Chapter 4 of the audit report (Table 3.3). Approximately 1 400 staff days from TCU secretariats other than Semag were used in preparing the audit of the FY 2011 CPR, compared with 900 for the same audit in the previous fiscal year. Collectively, the number of staff days from Semag and these other secretariats approximated 3% of TCU audit staff days and 1.5% of total TCU staff days for the audit of the FY 2011 CPR, compared with 2% of TCU audit staff days and 4% of total TCU staff days for the same audit in the previous fiscal year. Data on staff days were not systematically available prior to the audit of the FY 2010 CPR.

Table 3.2. Brazilian Federal Court of Accounts' secretariats of external control

A. Typical secretariats of external control

Unit	Control & oversight of public sector entities
1st Secretariat of External Control	• Federal Ministry of Communications • Federal Ministry of Mines & Energy, excluding Petrobras & Eletrobras • Federal Ministry of Transport
2nd Secretariat of External Control	• Federal Ministry of Finance
3rd Secretariat of External Control	• Federal Ministry of Defence • Office of Public Prosecution of the Union • Judicial branch • Legislative branch (i.e. Chamber of Deputies & Federal Senate) • Federal Court of Accounts
4th Secretariat of External Control	• Federal Ministry of Health • Federal Ministry of National Integration • Federal Ministry of Social Development & Fight Against Hunger
5th Secretariat of External Control	• Social Services System • Federal Ministry of Development, Industry & Foreign Trade, excluding the Bank of Economic & Social Development (BNDES) • Federal Ministry of Foreign Affairs • Federal Ministry of Labour & Employment • Federal Ministry of Social Welfare • Federal Ministry of Tourism
6th Secretariat of External Control	• Federal Ministry of Cities • Federal Ministry of Culture • Federal Ministry of Education • Federal Ministry of Science & Technology • Office of the President, including the Office of the Comptroller General of the Union
8th Secretariat of External Control	• Federal Ministry of Agriculture, Livestock & Food Supply • Federal Ministry of Agrarian Development • Federal Ministry of the Environment • Federal Ministry of Justice • Federal Ministry of Planning, Budget & Management
9th Secretariat of External Control	• Petrobras & Eletrobras • Bank of Economic & Social Development (BNDES)

B. Specialised secretariats of external control

Unit	Control & oversight of cross-cutting issues
Secretariat of Government Macro-Evaluation	• **Federal government planning & budget execution, public debt & fiscal responsibility** • **Mandatory federal government transfers to states, municipalities & the Federal District**
Secretariat of Government Programme Evaluation	• Performance audits, individually or in co-operation with other TCU secretariats of external control • Development of performance audit methodologies, techniques & standards
Secretariats of Privatisation & Deregulation (two secretariats)	• Concessions and privatisation of public infrastructure • Performance of sectoral regulators
Secretariats of Public Works Audit (four secretariats)	• Public works, with different secretariats specialised in roads, rail, airports and dams
Secretariat of Information Technology Audit	• Management & use of federal government information technology resources
Secretariat of Personnel Audit	• Administrative decisions regarding the admission & retirement of public officials
Secretariat of Appeals	• Monitoring of TCU decisions & appeals

Notes:

The list of control and oversight of public sector entities presented in Part A is not exhaustive; there are other entities under the control of these secretariats of external control. The table does not make explicit mention of entities of the indirect federal public administration.

The 7th Secretariat of External Control no longer exists.

Table 3.3. Involvement of Brazilian Federal Court of Accounts' secretariats of external control in the audit of the Accounts of the President of the Republic

By audited fiscal year

Unit	2007	2008	2009	2010	2011
Specialised secretariats of external control					
Secretariat of Government Macro-Evaluation	●	●	●	●	●
Secretariat of Government Programme Evaluation	o	o	o	o	▲
Secretariats of Privatisation & Deregulation	o	o	o	▲	▲
Secretariats of Public Works Audit	o	o	o	o	o
Secretariat of Information Technology Audit	o	o	o	o	o
Secretariat of Personnel Audit	o	o	o	o	o
Secretariat of Appeals	o	o	o	o	o
Typical secretariats of external control					
1st Secretariat of External Control	o	o	o	●	●
2nd Secretariat of External Control	o	o	o	o	o
3rd Secretariat of External Control	o	o	●	●	●
4th Secretariat of External Control	o	o	o	●	● ▲
5th Secretariat of External Control	o	o	o	o	●
6th Secretariat of External Control	o	o	o	●	●
8th Secretariat of External Control	o	o	● ▲	● ▲	● ▲
9th Secretariat of External Control	o	o	o	●	●

Notes:

● = Involvement in analysing government sectoral actions (i.e. Chapter 4 of the TCU audit report on the Accounts of the President of the Republic, or CPR); ▲ = Involvement in producing thematic topic(s) (i.e. Chapter 6 of the CPR); o = No involvement.

The 7th Secretariat of External Control no longer exists.

Planning and implementation cycle

The audit of the CPR is a two-year cycle, beginning six months before the start of the fiscal year to be audited and finishing approximately five months after the end of the fiscal year to be audited. The cycle begins with the selection of the rapporteur by the Plenary and concludes with the presentation of the audit opinion, together with a supporting audit report, to the National Congress. The deadline for completion of this audit is fixed and established by the 1988 Constitution of the Federative Republic of Brazil: the TCU must present this audit opinion within 60 calendar days after receiving the CPR. The Constitution obliges the President of the Republic to render annual accounts to the National Congress within 60 calendar days of the start of the year's first legislative session. This session starts at the beginning of February.

Table 3.4 outlines the main steps in the planning and implementation of the audit of the CPR, and the division of responsibilities between the Plenary, the rapporteur, Semag and other secretariats of external control.

Actual planning for the audit of the CPR does not, however, begin until around August of the fiscal year to be audited. Planning begins only after the audit of the previous year's CPR has been presented to the National Congress. This timeframe for audit planning is similar to that for the audit of the consolidated year-end government report by the SAIs of France and South Africa, later than that for the SAI of Australia, and much earlier than that for the SAIs in Mexico and Spain (Figure 3.2).

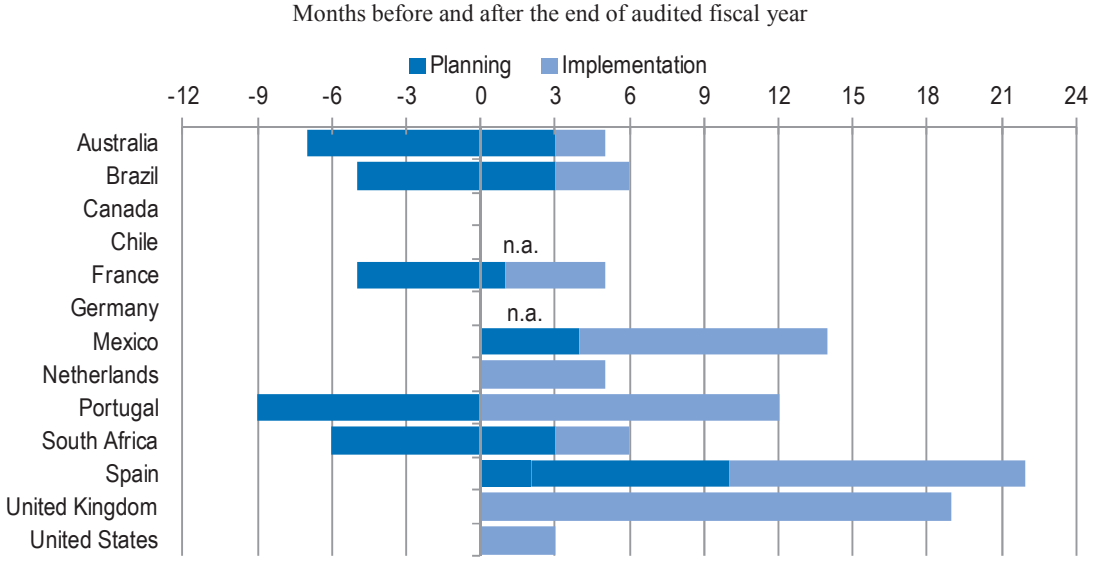
Table 3.4. Main steps and responsibilities for planning and implementation of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

For audit of the FY 2011 Accounts of the President of the Republic

Date, *vis-à-vis* audited fiscal year	Main steps	Responsibility
July FY-1	Selection of TCU minister as rapporteur of the audit	TCU Plenary
August FY	Formulation of priorities & guidelines for the audit	Semag
	Review of priorities & guidelines for the audit	Rapporteur
	Approval of priorities & guidelines for the audit	TCU Plenary
August – September FY	Identification of information needs for the audit	Semag
	Definition of responsibilities & deadlines for audit	
September FY – March FY+1	Planning & implementation of audit work to support the thematic topic(s) included in the audit report on the CPR	TCU secretariats of external control
October – December FY	Transmission of annual instruction (*aviso*) on the CPR to the Office of the Comptroller General of the Union	Rapporteur
February FY+1	Workshops internally within the TCU to disseminate information on the responsibilities of the various secretariats of external control	Semag
March – April FY+1	Audit work & drafting of audit opinion & audit report	Semag; other secretariats of external control
April – May FY+1	Internal review & quality control of audit opinion & audit report	Rapporteur
May FY+1	Distribution of the audit opinion & audit report to TCU authorities at least 7 working days before the extraordinary session of the TCU Plenary	Rapporteur
	Vote on the TCU audit opinion & audit report at least 72 hours before presentation of materials to the National Congress	TCU Plenary
May – June FY+1	Presentation of the TCU opinion & accompanying report within 60 calendar days of receiving the materials from the National Congress	Rapporteur

Notes: FY -1 = Preceding fiscal year; FY = Fiscal year; FY+1 = Subsequent fiscal year; CPR = Accounts of the President of the Republic; TCU = Brazilian Federal Court of Accounts; TCU Plenary = Highest decision-making body of the TCU, composed of the nine ministers of the TCU; Rapporteur = The TCU minister appointed to oversee the planning and implementation of the audit of the CPR; Semag = The Secretariat for Government Macro-Evaluation, the permanent secretariat responsible for co-ordinating the planning and implementation of the audit of the CPR.

Figure 3.2. Timing of the planning and implementation for the audit of the consolidated year-end government report in Brazil and selected countries



Notes: n.a. = Not applicable (i.e. no consolidated year-end government report)

Canada: Information not available.

TCU audit planning starts with the formulation and review of the annual priorities and guidelines, and their subsequent approval by the TCU Plenary. The decision of the Plenary is published in the Official Journal of the TCU (*Diário Oficial da TCU*) and authorises Brazil's SAI to instruct the federal executive to include specific information in the CPR. Approval of the priorities and guidelines also serves as the basis to authorise TCU secretariats of external control to plan and undertake specific control and oversight processes as input into the audit of the CPR. In practice, the approval of annual priorities and guidelines is synonymous with the selection of the priority topics for the audit of the CPR rather than the approval of a strategy and plan for the audit as a whole.

The planning phase continues with the identification of information needs and the formulation of strategies to close information gaps. A key instrument for closing information gaps is the TCU annual instruction (*aviso*) on the audit of the CPR. This instruction, communicated to the Office of the Comptroller General of the Union (*Controladoria-Geral da União,* or CGU) during the last quarter of every fiscal year, defines specific information that the federal executive should incorporate into the CPR. The CGU is the central authority of the Internal Control System of the Federal Public Administration and is responsible for consolidating the CPR. The CGU liaises with a number of federal public sector entities to gather the necessary information in consolidating the CPR.

In recent years, the TCU and CGU have worked more closely together in order to improve the CPR. One outcome of this co-operation has been that the TCU issues its annual instruction earlier, in October of the audited fiscal year, in order to accelerate consolidation and enhance quality of the CPR. Previously, this instruction was issued at the end of November or the beginning of December.

TCU audit implementation formally begins following receipt of the CPR from the National Congress in the end of March, i.e. three months after the end of the fiscal year. This timing is similar to SAI audits of the consolidated year-end government report in Australia and South Africa, but is much earlier than that for the SAIs of Mexico or Spain (Figure 3.2). In practice, however, the enhanced co-operation between the TCU and CGU discussed in the preceding paragraph means that external audit work can begin earlier. The CGU sends draft information to the TCU in January and February as it receives it from other federal public sector entities, but before the consolidation and transmission of the CPR to the National Congress.

As part of efforts to involve other secretariats of external control in the audit of the CPR, Semag convenes a number of internal workshops during February after the end of the fiscal year. These workshops are relatively new and aim to engage other secretariats in the audit work on the CPR. Officials in Semag acknowledge that by involving other secretariats in February they are effectively limited to providing analysis and cannot contribute to the formulation of the audit strategy and plan. In the future, the TCU proposes to engage other secretariats not only in conducting audit analysis but also in audit planning.

Chapters of the audit report are reviewed during April and May at three levels: by the director responsible for the auditors, the secretary who oversees the director and the rapporteur's cabinet who oversees the secretary. Moreover, Semag uses various controls to ensure that other TCU secretariats involved in the audit deliver high-quality and on-time contributions. These controls include a "production plan" that identifies deadlines and responsibilities for internal review (discussed in the following section); templates for chapter/section/subsection of the audit report; and designating one of Semag own officials

to closely follow the audit work. The audit of the CPR is documented and the responsibilities of all those involved are clearly defined internally. The introduction of an audit matrix for the audit of the FY 2011 CPR (also discussed in the following section) is envisaged to enhance quality control.

The TCU Plenary decision on the audit of the CPR must be completed at least 72 hours before the presentation of these documents to the National Congress, based on the TCU Internal Rules. To allow adequate time for review by the TCU ministers and their cabinets and the TCU Prosecution Service, the Internal Rules establish that the rapporteur of this audit must distribute copies of the draft audit opinion and supporting report at least five working days before the extraordinary session of the Plenary. The discussion in the extraordinary session includes a presentation of the rapporteur's audit report and proposed audit opinion. This is followed by interventions by individual TCU ministers, indicating whether they agree or disagree on the proposed audit opinion. Each minister also has an opportunity to discuss any content from the audit report that they consider relevant. This is followed by the TCU General Prosecutor providing a technical judgement on the audit and closing remarks by the TCU President.

Ensuring high-quality audit work

As noted in the previous section, the identification and approval of annual priorities and guidelines for the audit of the CPR are linked more to the identification of the priority topic by the rapporteur. Prior to FY 2011 CPR, planning was predominately supported by a "production plan" to assist Semag in making resourcing decisions and overseeing the timely completion of audit work. The production plan captured information such as page limits, deadlines and responsibilities for the drafting and review of different chapters, sections and subsections of the audit report. Table 3.5 provides an illustration of the main elements included in the production plan for the audit of the CPR. While the production plan helps to deliver the audit on time and in line with the priorities and guidelines of the audit, it does not provide a strategy for the audit work.

For the audit of the FY 2011 CPR, Semag introduced an audit matrix as a tool to support the formulation of an audit strategy. Although the TCU has experience using audit matrices for planning its compliance and performance audit activities, this was the first time one was applied to the audit of the CPR. The audit matrix for the audit of the CPR seeks to identify the questions that need to be answered and what this will be able to establish, as well as what information is required and the source of this information. Table 3.6 provides an excerpt from the audit matrix for the FY 2011 CPR to highlight the main elements. In comparison, the audit matrix for compliance and performance audit activities also identifies what procedures will be used to address the respective audit questions, the object of analysis as well as possible findings, as well as resourcing issues (e.g. internal responsibility and timing). Table 3.7 provides an illustration of the elements included in the planning matrix for TCU compliance audits.

Table 3.5. Template for the Brazilian Federal Court of Accounts' production plan for the audit of FY 2010 Accounts of the President of the Republic

Chapter/ section	Planned pages	Date draft ready	Date draft sent to rapporteur	Date comments received from rapporteur	Date final text sent to rapporteur	Date approved by rapporteur	Responsible unit	Oversight

Source: Federal Court of Accounts, Brazil.

Table 3.6. Except from Brazilian Federal Court of Accounts' audit matrix for the FY 2011 Accounts of the President of the Republic

With illustration for two chapter sections

Topic (chapter/section)	Audit question	What the analysis will establish	Information required	Source of information
3.1. 2008-12 Pluri-annual Plan	What are the main strategies & key objectives of the 2008-12 Pluri-annual Plan?	Main proposals of the Plan for the period of its validity Instruments that are used in implementing the Plan	Objectives defined in the 2008-12 Pluri-annual Plan Instruments defined in the legislation to implement the Plan	Federal Law 11 653/2008; Ministry of Planning, Budget & Management Decree 42/1999 ; & Federal Decree 6 601/2008
4.2. Analysis of the 2008-12 Pluri-annual Plan	To what degree have the physical & financial goals established for the programme actions contained in the 2008-12 Pluri-annual Plan been achieved?	Percentage of data points completed for 2011 in the Budget Planning & Management Information System (*Sistema de Informações e de Planejamento*, or SIGPlan) and Integrated Planning and Budget System (*Sistema Integrado de Planejamento e Orçamento*, or SIOP) & the quality of this information	Percentage of completion of SIGPlan/SIOP	SIGPlan/SIOP & Federal Government Integrated Financial Administration System (*Sistema Integrado de Administração Financeira do Governo Federal,* of SIAFI)
		Existence & quality of indicators contained in the 2008-12 Pluri-annual Plan programmes	Number of indicators in each programme; & completion of the indicators	
		Degree of physical & financial execution of programmes contained in the 2008-12 Pluri-annual Plan	Data on implementation of actions contained in SIGPlan/SIOP	

Source: Federal Court of Accounts, Brazil.

Table 3.7. Template for Brazilian Federal Court of Accounts' compliance audit planning matrix

Organ/Entity: Name of the audited public sector entity(s).
Objective: State in a clear and summarised form the audit objective.

Audit questions	Required information	Information sources	Procedures	Procedure details	Object	Responsible official	Period	Possible findings
Present, in question form, the different aspects that compose the scope of the audit & that will be examined in order to achieve the audit objectives	Identify the information necessary to answer the audit question(s)	Identify the sources of information for each item required. Sources will be related to the techniques used in conducting the work	Procedure code or name	Clearly describe the tasks to be performed, clarifying the aspects to be addressed (i.e. a checklist)	Indicate the documents, programmes, processes and systems that the procedure(s) will involve (i.e. contract, payroll, budget sheets, etc.)	Identify the staff member in charge of executing each procedure	Identify the number of days for executing a procedure	Clearly state the expected main findings & results

Source: (TCU) Segecex Portaria no. 26/2009 on Compliance Audit Standards.

Table 3.8. Template for Brazilian Federal Court of Accounts' compliance audit findings matrix

Organ/Entity: Name of the audited public sector entity(s).
Objective: State in a clear and summarised form the audit objective.

Description of findings	Issues encountered	Objects	Criteria	Evidence	Cause	Effect	Routing
State the results found, description of the irregularity	Issues identified & documented during the audit, including the period of occurrence of the irregularity	Indicate the document, programme, processes or systems in which the findings were identified	Legislation, norm, jurisprudence, doctrine or standard adopted	Information obtained during the audit in order to document the findings & to substantiate the conclusion & opinions	What caused the occurrence of the results	Consequences caused by the finding, indicating whether potential or real	Audit team's proposal, containing identification of the responsible/ accountable individuals

Source: (TCU) Segecex Portaria no. 26/2009 on Compliance Audit Standards.

Further develop the matrix for the CPR to support planning of effective and efficient audit work

Although use of the audit matrix for the FY 2011 CPR represents a substantial improvement for audit quality, additional information could be incorporated to support the formulation of a more effective audit strategy. First and foremost, the matrix could explicitly link the audit questions with the objectives for the audit of the CPR, as articulated in the TCU Internal Rules, namely to provide:

1. an assessment of whether the BGU adequately represents the financial, budgetary, accounting and asset positions as of 31 December (i.e. the end of the fiscal year);
2. an assessment of whether the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations;
3. an assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility;[1]
4. an assessment of the legitimacy, economy and efficiency of programmes in the Annual Budget Law (*Lei Orçamentária Anual*) and the achievement of goals in the Budget Directives Law (*Lei de Diretrizes Orçamentárias*) and Pluri-annual Plan (*Plano Plurianual*);[2] and
5. an assessment of the impact of the federal budget and financial administration on Brazil's socio-economic development.

The inclusion of the audit objectives could be complemented with information about the subject matter to be audited, the criteria against which the subject matter will be assessed and the procedures to reach this assessment. This additional information can help structure the collection of competent, relevant and reasonable evidence necessary to support the auditor's judgement and main findings – in line with ISSAI 300 "Field Standards in Government Auditing" (INTOSAI, 2001a). This information could subsequently be used to enhance disclosed in the annual instruction directed to the CGU to communicate the criteria in which the audit opinion will be formulated. This information could also be included in the audit report to effectively guide the audiences' understanding about how the main findings were reached. Both actions would help the TCU align its practices with ISSAI 20 "Principles of Transparency and Accountability" (INTOSAI, 2010a).

The matrix could also be augmented with information to support the TCU in determining the scope of the audit work. For example, information could be included on past qualifications from the audit of the CPR that have yet to be completely addresses. This could be supplemented with information on deficiencies of relevant management systems and controls associated with the production of the CPR, drawing upon the findings of other TCU control and oversight processes. Moreover, the TCU could consider the extent related work by internal audit could be included in the matrix – reflecting on *INTOSAI Guidance for Good Governance* "Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector" (INTOSAI, 2010b). Together, this information can help determine the risks affecting government reporting and performance and help to establish materiality levels for designing audit work.

In addition, the audit matrix for the CPR could be complemented by a findings matrix, as is common for TCU compliance and performance audits. Table 3.8 provides an illustration of the main elements included in the findings matrix for TCU compliance audits. The findings matrix can help to create a logical framework for formulating qualifications and recommendations. Structuring information related to the findings according to the object, cause and effect can also help to elaborate why qualifications and recommendations matter in relation to the audit objectives – and how addressing qualifications and implementing recommendations can contribute to a "cleaner" government reporting, greater accountability and enhance performance. As noted in Chapter 2 of this peer review, a key challenge facing audit reporting on the CPR is that the TCU presents qualifications and recommendations in a technical manner without framing them in a way that facilitates an understanding of their meaning and significance.

Understand the functioning of internal controls related to the preparation of the CPR

In 2011 the TCU began mapping the high-level accounting processes and controls used to produce the BGU, as part of efforts to strengthen its financial audit capabilities. These activities are part of a technical assistance project supported by the World Bank that will support convergence of TCU financial audit standards and practices with *INTOSAI Financial Audit Guidelines* and international good practice (Box 3.1). The mapping of accounting processes and controls drew upon the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Framework and "ISSAI 1 315: Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment" (INTOSAI, 2007). Based on this analysis, the TCU is developing a clearer understanding of which accounting controls must be tested as part of the audit of the BGU. Some of these controls were tested in the audit of the FY 2011 CPR.

The mapping of controls for the BGU to support audit tests and convergence with international standards could be complemented by similar activities for the other audit objectives. The audit of the CPR includes an assessment of compliance with various budgetary laws, including: the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations; and an assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility. In doing so, the TCU could align its work with "ISSAI 4 200: INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements" (INTOSAI, 2010c).

Box 3.1. Brazilian Federal Court of Accounts-World Bank technical assistance project: Completed actions to strengthen financial audit capacity

In 2011 the Brazilian Federal Court of Accounts (TCU) launched a project with the World Bank to accelerate the acquisition of institutional capabilities to issue an audit opinion on the consolidated financial statements of the federal government: the General Balance of the Union (BGU). The objective of the project is to align TCU financial audit practices with national and international auditing standards and international good practice. In order to achieve this, the project will ascertain which aspects the TCU needs to improve to converge with international standards and good practices. The final products of the project are a strategy and an action plan in March 2014.

In relation to audit reporting on the Accounts of the President of the Republic with international standards, the TCU is taking specific steps to converge it practices with:

- ISSAI 1 220: Quality Control for an Audit of Financial Statements;
- ISSAI 1 260: Communication with Those Charged with Governance;
- ISSAI 1 265: Communication Deficiencies in Internal Control to Those Charged with Governance and Management;
- ISSAI 1 700: Forming an Opinion and Reporting on Financial Statements;
- ISSAI 1 705: Modifications to the Opinion in the Independent Auditor's Report; and
- ISSAI 1 706: Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.

The TCU will identify gaps between the actual financial audit procedures and applicable international financial audit standards as a next step in the project.

The TCU is also carrying out actions to accelerate its acquisition of institutional capabilities for financial auditing. In particular, the TCU training institute (*Instituto Serzedello Corrêa*) is developing a postgraduate programme in financial audit. This programme will draw on the results of the Technical Assistance as well as on the experience of other experts in external control and oversight.

Leverage knowledge from TCU control and oversight processes

The TCU could better utilise information sourced from its other control and oversight processes as input into the audit plan and strategy for the CPR – and in particular, information from processes conducted by secretariats other than Semag. At present there is a weak relationship between the audit of the CPR and other TCU control and oversight processes. Where the relationship is stronger, it can be largely attributed to the fact that Semag is responsible for the other control and oversight processes (Table 3.9). For example, Semag assesses compliance of budget execution with appropriations set in the Budget Directives and Annual Budget Laws in September of every year. This assessment is based on the federal government's report on budget realisation, which it must produce within 30 days of the end of the first semester each fiscal year. Semag also assesses the government's compliance with the fiscal ceilings established in the Law on Fiscal Responsibility, through audits of the fiscal monitoring reports prepared by each branch of government within 30 days of the end of every 4-month period (i.e. received in May, September and January).

Table 3.9. Link between the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic and its other control and oversight processes

Chapter of the TCU audit report on the CPR	Link to other TCU control & oversight activities	Existing/possible links to other TCU control & oversight activities
1. Introduction	n.a.	n.a.
2. Brazil's economic performance	None	n.a.
3. [Compliance of] Budget execution [with budgetary laws & regulations]	Medium	• Audits of budget execution reports released every 2 months • Audits of fiscal management reports released every 4 months
4. [Compliance & performance of] Government sectoral actions	Weak	• TCU inspections • TCU-wide priority themes (TMS)
5. [Regularity of the] BGU	None	• Possible link to the audit of year-end reports of individual accountable individuals
6. [Assessment of] Thematic topic(s)	Weak	• TCU-wide priority themes (TMS)
7. [Status of] Recommendations from previous audit of the CPR	Weak	• Specific control & oversight activities
8. Conclusions	n.a.	n.a.
9. [TCU] audit opinion	n.a.	n.a.

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic; TCU = Brazilian Federal Court of Accounts; n.a. = Not applicable.

There is little or no link, from a content or procedural perspective, between the audits of the CPR and the audits of the accounts of individual accountable officials – i.e. "public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration".[3] The TCU audit of the CPR is completed before it begins to audit the year-end reports of accountable officials. Whereas the audit of the CPR must be completed within five months following the end of the fiscal year, the Organic Law on the TCU stipulates that Brazil's SAI audit of the year-end reports of accountable officials within 24 months following the end of the fiscal year. In practice, the TCU does not begin auditing even the most materially significant of the year-end reports of individual public officials until eight to nine months following the end of the fiscal year. This is different from many of the selected benchmark countries involved in this peer review, where there is a link (Table 3.10). Box 3.2 provides an illustration of the relationship between the audits of the consolidated year-end government report and year-end entity reports in Australia.

Table 3.10. Completion of the audit of the consolidated year-end government and year-end entity reports in Brazil and selected countries

Direct relationship between audit of the consolidated year-end government & year-end entity reports	No relationship between audit of the consolidated year-end government & year-end entity reports	Not applicable
Australia, Canada, Netherlands, South Africa, Spain, United Kingdom, United States	**Brazil**, Portugal	Chile, France, Germany, Mexico

Notes:

Chile: No consolidated year-end government report.

Germany: No consolidated year-end government report.

France: does not require individual public sector entities to submit year-end reports.

Box 3.2. Relationship between the audits of the consolidated year-end government and year-end entity reports in Australia

The Australian National Audit Office (ANAO) annually performs separate audits of the year-end reports (financial statements) of all federal government entities, called component entities. The audited financial statements of component entities are used to compile the consolidated government report, called the Consolidated Financial Statements (CFS). The ANAO completes the audit of the CFS after completing the component entity audits.

The Department of Finance and Deregulation – part of the central budget authority – annually issues reporting requirements for component entity financial statements, using a Finance Minister's Order (FMOs). This order complies with Australian Accounting Standards and provides direction on which accounting options to use, if there are multiple treatment options available under these standards. The FMOs also set out additional disclosure requirements, particularly around items such as appropriations. The FMOs make consolidation a more straightforward process.

The significant components of the CFS are identified by the CFS audit team in accordance with Australian Auditing Standard 600 – based on International Standards on Auditing 600 – at the start of each audit cycle. The CFS audit team determines materiality for the CFS audit and also sets a maximum materiality amount allowed for component entities. This is communicated by the CFS audit team to the component audit teams at the beginning of the audit cycle.

The ANAO approach to determining overall materiality for audits of not-for-profit entities (other than the CFS) is to identify a standard benchmark (the total amount of either revenue, expenditure, assets or liabilities, as appropriate) and apply a standard threshold (in the range of 1% to 2%). A "haircut" of the higher of 20% of overall materiality and the expected errors is then applied to the overall materiality amount to determine the performance materiality.

For the CFS audit, the ANAO determines materiality by taking a percentage of the average of the net result – as a key indicator of government performance – in the CFS for the last seven years. A lower amount is then set as the maximum amount that any component entity can use as their overall materiality. A "haircut" of the higher of 20% of overall CFS materiality and the expected errors is then applied to the overall CFS materiality amount to determine CFS materiality.

The CFS audit team undertakes a planning process that identifies the significant risks for the CFS audit. Any risks that relate to a component entity are communicated to the component entity audit team. Communications (on risks, materiality, timetable, etc.) are included in a "minute" – an internal document – to the component entity audit teams from the CFS audit's Engagement Executive during the planning stage.

During the execution of the component audits, the component audit teams keep the CFS audit team informed of any significant issues they identify in order for the latter to consider whether these matters represent a significant risk for the CFS. The component entity audit teams also provide the CFS audit team with details of all unadjusted differences identified during the audit, so these can be aggregated by the CFS audit team to ensure they do not amount to a material error.

The entities material to the CFS are determined as those that comprise 99% of the CFS revenue, expenditure, assets and liabilities. The material entities work to a tighter reporting deadline (set by the Department of Finance and Deregulation) for their year-end financial statements and associated audit, as this enables the government to commence the consolidation process with more certainty over the numbers being consolidated.

The CFS Engagement Executive is a member of the ANAO Qualifications and Accounting Policy Committee. All matters of significant judgement and any potential qualification of an auditor's report are considered by this committee. This ensures that the CFS team is aware of any matters that may impact the CFS. The CFS audit team considers the impact on the CFS of any qualified auditor's reports on component entities. Some component entity qualifications are carried through to the CFS auditor's report due to their nature or size; other qualifications are not carried through as they will not be considered material from a CFS perspective.

Source: Australian National Audit Office.

Formally the audit of the CPR, and its priorities and guidelines, is meant to shape TCU annual audit planning and prioritisation through the annual TCU Oversight Plan (*Plano de Fiscalização*), as per the TCU Internal Rules. The Oversight Plan defines and allocates resources to TCU-wide priority themes (*Temas de Maior Significância*, or TMS) on an annual basis to guide oversight activities (Box 3.3). However, in practice, the relationship between the audit of the CPR and the Oversight Plan is weak. Where a relationship does exist it flows from the Oversight Plan to the audit of the CPR and not the other way around, as envisaged by the TCU Internal Rules. Where a relationship does exist it is because Semag is responsible for specific priority themes. One cause of this disconnect is linked to the scope of the Oversight Plan. The Plan does not span all TCU control and oversight processes; it focuses only on oversight processes initiated by the TCU. In contrast, the audit of the CPR is a "control process", as are audits of the year-end and *ad hoc* reports of accountable officials.

The TCU is taking action to broaden the scope of its Oversight Plan to cover all of its control and oversight processes, which it hopes will strengthen the relationship between the audit of the CPR and other control and oversight processes (Figure 3.3).

Box 3.3. The Brazilian Federal Court of Accounts' Oversight Plan

The TCU Oversight Plan was introduced in 2005/06 to define and allocate resources to priority themes – reflecting risk, materiality and the relevance of government functions, programmes and systems. This Plan represents the product of 15 years of reforms to develop a risk-based approach to audit planning. The reforms began in 1995 when the TCU established a rolling six-month oversight plan. Five years later the plan was strengthened by the introduction of a simplified risk matrix (in 2000), a standardised risk evaluation model and computer application (*Fiscalis*), and the concept of "background research" (in 2001). In 2002 the TCU began to conduct "Centralised Audit Activities" to link the activities of secretariats in Brasília with those in the states.

The plan is prepared by the TCU President with the support of the General Secretary of External Control and approved by the TCU Plenary in a closed session before the end of the first quarter of each year. All TCU ministers and TCU secretariats of external control are consulted in the preparation of the Oversight Plan and definition of priority themes. For example, in October all TCU secretariats of external control are invited to provide information on risk areas under their portfolios. In February, the General Secretary of External Control agrees with all secretaries on the priority themes before presenting the Oversight Plan to the TCU President. In March the TCU President presents the Oversight Plan to the TCU Plenary for approval.

The Oversight Plan establishes an aggregate 30% minimum that must be allocated to priority themes, measured by person-days per year. Each TCU secretariat of external control is free to establish its own staff resourcing allocations for the priority themes, using the 30% figure as a minimum. All TCU secretariats of external control must indicate how individual audit proposals are linked, or not, to the priority themes included in the Oversight Plan. Proposed audits linked to a priority theme only require the approval of the TCU minister responsible for their respective portfolio. Audits that are not linked to a priority theme must receive prior approval from the TCU Plenary, irrespective of who originated the proposal (e.g. the TCU President, individual TCU ministers, etc.).

Every four months the TCU General Secretariat for External Control assesses implementation of the Oversight Plan based on the criteria of economy, efficiency and effectiveness. The results of these evaluations are incorporated into the formulation of future Oversight Plans. The TCU General Secretary for External Control also reports annually on the implementation of the plan, including the allocation of staff resources for each priority theme and lessons learned at the end of the Oversight Plan in April/May. Both the quarterly and annual monitoring reports on the TCU Oversight Plan are used for internal purposes within the General Secretariat for External Control rather than by the TCU Plenary.

Source: Adapted from TCU Normative Instruction no. 9/1995; TCU Resolution no. 185/2005; and Ferreira, A.R. (2009), "A Avaliação de Riscos Para a Seleção de Fiscalizações no Tribunal de Contas da União – TCU" (An Evaluation of Risk-Approach in the Selection of Oversight Activities in the TCU), unpublished thesis.

Figure 3.3. Scope of the Brazilian Federal Court of Accounts' current Oversight Plan and proposed External Control Plan

Control & oversight processes, by type	Description
A. Control processes	
A1. Accounts of audits of public officials	Aim to verify the legality, economy, legitimacy, efficiency & efficacy of the use of budgetary & non-budgetary resources
A2. Audits of *ad hoc* accounts of public officials	Aim to investigate possible illegal or illegitimate activity (e.g. embezzlement, diversion of funds, property or public value) & calculate sanctions as necessary
A3. Audit of the Accounts of the President of the Republic	Aim to verify the legality, economy, legitimacy, efficiency & efficacy of the use of budgetary & non-budgetary resources
B. Oversight processes (=B1+B2+B3+B4)	
B1. Initiated by TCU (B1.1+B1.2+B1.3+B1.4+B1.5)	
B1.1. Background research	Background research aims to support better knowledge & understanding of the functioning of administrative units, governmental systems, programmes, projects & activities; it may also be used to identify areas of future attention by the TCU
B1.2. Audits	Organic Law on the TCU categorises five types of audits: *i)* accounting; *ii)* financial (of cash); *iii)* budgeting; *iv)* assets & liabilities; and *v)* operational (performance)
B1.3. Inspection	Inspections aim to clarify doubts or gaps created by lack of information or omission. Inspections are also used to verify complaint & representation processes
B1.4. Accompaniment	Accompaniments aim to examine the legality & legitimacy of the management acts with regard to the accounting, financial & budgetary aspects; & to evaluate the performance of public organisations as well as systems, programmes & activities with a focus on economy, efficiency & efficacy
B1.5. Monitoring	Monitoring verifies implementation & compliance with TCU audit determinations
B2. Initiated by external request (B2.1+ B2.2+B2.3)	
B2.1. National Congress requests	Oversight processes initiated by National Congress request may include requests for information, audits & inspections by the presidents of the Federal Senate, Chamber of Deputies & congressional commissions
B2.2. Complaints	Complaints refer to activities to investigate reports made by private, nongovernmental organisations & the public denouncing an irregularity or illegality concerning the public administration
B2.3. Representations	Representations refer to activities to investigate reports made by public authorities & TCU technical units/officials denouncing an irregularity or illegality concerning the public administration
B3. Inquiries	Inquiries relate to doubts over the application of legal & regulatory devices addressed to the TCU by the President of the Republic; the Presidents of the Federal Senate, Chamber of Deputies or any congressional commission; President of the Supreme Federal Court or superior courts; Attorney General of the Republic; Prosecutor General of the Union; ministers of state or any authorities of the executive power & armed forces commanders
B4. Other processes	Appreciation of acts subject to registry in which the TCU focuses on the recruitment of, & granting of pensions to, career public officials within the direct & indirect federal public administration

Scope of current Oversight Plan

Proposed scope of the External Control Plan

However, there are two main challenges in integrating the audit of the CPR and audits of other year-end reports into the TCU Oversight Plan. First, efforts to strengthen risk assessment and audit planning at an institution-wide level are not supported by similar practices at the level of individual secretariats of external control. Although the Oversight Plan benefits from input by all secretariats, there is no common framework or approach for identifying risk across secretariats. The TCU has proposed to develop a common methodology to assess risk and to determine materiality for use by all secretariats of external control. This will require individual secretariats to develop a better understanding of their respective audited subjects, through *i)* identifying important aspects of the environment in which audited entities operates; *ii)* identifying the challenges and risks facing key management systems and controls within the federal executive; and *iii)* reviewing the plans and activities of internal audit and the extent to which the work of internal audit can be used.

Second, the inclusion and removal of priority themes from the Oversight Plan could benefit from a clear criterion to substantiate decisions on priorities by the TCU Plenary. During the last six years the priority themes have changed on an annual basis without a clear supporting evidence for their inclusion or removal. Annex 3.A1 compares the TCU priority themes during the last decade. Only the Growth Acceleration Programme (*Programa de Aceleração do Crescimento*, or PAC) has been a priority theme for the past five years. Other SAIs have established clear criterion and clear documentation to establish organisational priorities. For example, the United States Government Accountability Office (GAO) "High Risk Series" has established a well-documented methodology and criteria for identifying challenges and risks to performance and accountability – and any subsequent removal from this list (Box 3.4). Documentation is valuable for *i)* supporting the effective and efficient assessment of risk in audited entities and programmes; *ii)* serving as a source of information for discussing risk in audit prioritisation and planning; and *iii)* supporting development of internal capabilities and lesson learning within the TCU.

Use improvements in audit strategy to enhance government reporting

Improvements from the use of an audit matrix, developing knowledge on the functioning of key internal control and leveraging its internal knowledge of audit subjects could be used to enhance not only the TCU audit but also the CPR itself. The Organic Law on the TCU (Law 8 443/1992) grants Brazil's SAI the authority to define the content of the report produced by the central authority of the Internal Control System of the Federal Public Administration, a core element of the CPR. As discussed in Chapter 1 of this peer review, the Organic Law on the TCU states that the CPR should comprise two elements: *i)* the BGU; and *ii)* a report by the central authority of the Internal Control System of the Federal Public Administration. The General Norms for the Preparation and Control of the Budget and Financial Statements define the content of the BGU, with the Federal Ministry of Finance regulating the accounting basis for the statements. The Organic Law on the TCU gives the Brazil's SAI authority to define the content of the report by the central authority of the Internal Control System of the Federal Public Administration, which it does through the annual instruction. This is the instruction the TCU sends to the CGU every October, as discussed in the preceding section on the general audit timetable and responsibilities.

Box 3.4. The United States Government Accountability Office's High Risk Series

Since 1990, the United States Government Accountability Office (GAO) has periodically reported on government programmes and functions that have been identified as "high risk", characterised by greater vulnerability to waste, fraud, abuse and mismanagement.

Beginning in 1999, and generally coinciding with the start of each new Congress, the GAO has provided Congress with a report on government-wide "High Risks" (in 1999 and 2001, titled "Major Management Challenges and Program Risks").

High risks are determined based on the Government Accountability Office's own methodology and criteria for identifying major programme and mission areas, assessing agency management and programme performance, and determining if performance and accountability challenges are high-risk.

Identifying major programme and mission areas

For each major federal agency, the GAO identifies significant programmes and mission areas that will form the primary basis for reporting in the High Risk Series. The GAO focuses on areas that:

- attract the greatest attention of the legislature and executive;
- have high public interest and/or large dollar outlays;
- figure prominently in agencies' strategic plans, annual performance plans and reports; and
- have known performance and accountability, or high-risk, issues.

Assessing agency management and programme performance

Information regarding performance is drawn from:

- GAO audits of agency financial statements, other audit reports, testimonies, studies and surveys;
- inspectors general located in federal agencies that provide an internal audit and fraud detection function;
- agency reporting, including accountability reports; strategic plans, annual performance plans and reports; programme performance reviews and evaluations; and internal control assessments;
- the President's annual budget, which presents government-wide performance plans and management objectives; and
- relevant reports by congressional committees and outside study panels and commissions

Determining if programmes and functions are high-risk

In determining whether programmes and functions are high-risk, attention is given to whether the risk is:

- an inherent problem, e.g. when the nature of the programme creates susceptibility to fraud, waste, and abuse; and
- a systemic problem, e.g. when the management support or financial systems, policies and procedures established by an agency to carry out a programme are ineffective, creating a material weakness.

Additional consideration is given to the qualitative and quantitative factors, such as whether the risks:

- involve public health or safety, service delivery, national security, national defence, economic growth and/or privacy or citizens' rights;
- could result in significantly impaired service; programme failure, injury or loss of life; or significantly reduced economy, efficiency and/or effectiveness; and

Box 3.4. The United States Government Accountability Office's High Risk Series (*cont.*)

- could involve the loss of a minimum of USD 1 billion through, for example: the value of major assets being impaired; revenue sources not being realised; major agency assets being lost, stolen, damaged, wasted, or underutilised; improper payments; and contingencies or potential liabilities.

Before making a high-risk designation, the GAO also considers existing or planned corrective measures to resolve a material weakness and the status and effectiveness of these actions, such as:

- demonstration of commitment to resolving the problem;
- the extent of an agency's progress in strengthening controls to address the problem;
- whether the proposed remaining corrective action plans are appropriate;
- whether effective solutions will be substantially completed in the near term; and
- whether the solutions will resolve the root cause of the problem.

Source: GAO (General Accounting Office, United States) (2001), "Determining Performance and Accountability Challenges and High Risks", GAO-01-159SP; GAO (2011), "High-Risk Series: An Update", Report to Congressional Committees, GAO-11-278.

While the instruction serves to request information from the federal executive, it could also be used to positively shape the CPR. For example, during the last five years the TCU used this instruction to require the federal executive to provide in the CPR: *i)* information about the implementation and achievement of key programmes linked to the Pluri-annual Plan (audit of the FY 2007 PCPR); *ii)* information on budget execution for key programmes within each sectoral area, as well as the investment budget of state-owned and mixed-capital enterprises (FY 2008); *iii)* a five-year perspective on budget execution for key programmes within each sectoral area and how trends are aligned with the Pluri-annual Plan (FY 2009); *iv)* cost analysis of key programmes using information from the Cost System of the Federal Public Administration, created by the Secretariat of the National Treasury (*Secretaria do Tesouro Nacional*) (FY 2010);[4] and *v)* additional details on tax expenditure and how trends are aligned with the Pluri-annual Plan (FY 2011) (Table 3.11).

The TCU annual instruction could be used to require the federal executive to make explicit assertions – or statements of compliance – regarding information in the CPR. These assertions could subsequently be audited as part of the tests supporting the audit objectives.

Moreover, and as noted in Chapters 1 and 2 of this peer review, this instruction could be used to focus the attention of the federal executive to enhance the qualitative characteristics. At present the instruction focuses primarily on the display of core information and disclosure of supporting information as currently is the case. Qualitative dimensions include *inter alia* the relevance, intelligibility, verifiability and comparability of the information presented by the federal executive. The TCU can also do this more informally through its working meetings with the CGU. Both TCU and CGU officials report that they have engaged in greater co-ordination and co-operation over the CPR in recent years. The TCU could subsequently include a normative assessment of the federal executive's compliance with the qualitative dimensions of the CPR in this audit.

However, to ensure that actions to positively shape the CPR are aligned with the needs of the report's audiences, the TCU could take specific action to understand

challenges and barriers facing its use. The independence and objectivity of the TCU make it a meaningful vehicle to moderate and balance the views of the National Congress. In seeking to understand challenges and barriers facing the use of the CPR, the TCU may consider co-ordinating and co-operating with the CGU and the Secretariat of the National Treasury. Those two bodies are responsible for the preparation of the CPR. In engaging with the CGU and the Secretariat of the National Treasury, the TCU may reflect on the existing international guidelines on "Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector" to effectively manage any risks that could arise (INTOSAI, 2010b).

Table 3.11. Content of the Brazilian Federal Court of Accounts' annual instruction on the Accounts of the President of the Republic

Element(s)	Audited fiscal year					
	2006	2007	2008	2009	2010	2011
Main results & impact of performance by government function	o	o	●	●	●	●
Analysis of state & social security budgets, including:	●	●	●	●	●	●
• Observance of rules established in the 1988 Constitution, the Law on Fiscal Responsibility & Budgetary Directives Law	●	●	●	●	●	●
• Revenue collection	●	●	●	●	●	●
• Tax expenditure, related legislation, social & economic objectives, & government policy or programme	o	o	o	o	o	●
• Evolution of expenditure by government function & subfunction over previous five years	o	o	●	●	●	●
Macroeconomic performance, highlighting its effects on public finance	●	●	●	●	●	●
Main aspects related to consolidated financial statement & its composition	●	●	●	●	●	●
Characteristics & evolution of budget balance & public debt	●	●	●	●	●	●
Information regarding the investment budget	o	o	●	●	●	●
Cost analysis reports by federal ministry	o	o	o	o	●	●
Information on implementation of programmes in Pluri-annual Plan	o	●	●	●	●	●
Information about implementation of TCU recommendations in past audits of year-end government report	●	●	●	●	●	●

Notes:

● = Yes; o = No; TCU = Federal Court of Accounts.

Align quality control for the audit of CPR with that for other control and oversight processes

A number of key differences exist in the quality control during the planning and implementation phase for the audit of the CPR and other TCU control and oversight processes. For example, the audit of the CPR does not use a reference panel comprised of external experts to review the audit criteria in audit planning and main findings in audit implementation. Nor does the TCU formally solicit a response from the federal executive – i.e. the Office of the President of the Republic, the CGU or Secretariat of the National Treasury– on the audit of the CPR prior to its release. The "principle of contradiction", as it is referred, allows the SAI to agree the facts with the audited entity to help ensure that they are complete, accurate and fairly presented. It may also involve, as appropriate,

incorporating the audited entity's response to matters raised, whether verbatim or in summary.

In addition, the audit of the CPR has not typically been subject to the same *ex post* quality review, which other TCU control and oversight processes are subject. In 2009, a specific unit was created within TCU General Secretariat of External Control to evaluate the quality of completed audit activities. This unit is responsible for conducting random and periodic *ex post* assessment of control and oversight processes by secretariats of external control. In addition, the unit also provides training in specific control and oversight techniques; provides templates for audit planning and reporting; and works to integrate quality controls into ICT-enable management systems (i.e. e-TCU). For its part, Semag holds an annual retreat following completion of the audit, to identify lessons learned that can serve as input into the audit of the subsequent year's CPR.

The TCU notes that there are two main contributing factors for the different approaches to quality control for the audit of the CPR and other TCU control and oversight processes. The deadline for the audit is considered tight as the TCU has a constitutional deadline of 60 days to complete the audit of the CPR. This is coupled with the broad scope of the audit. However, the TCU notes that it does participate in an annual seminar on the audit of the CPR organised by the Secretariat of the National Treasury that is focused on learning lessons from the consolidation of the CPR. Beginning in 2012, for the audit of the FY 2011 CPR, the TCU also organised a seminar to discuss the main audit findings with the CGU, Federal Ministry of Finance and Federal Ministry of Planning, Budget and Management. In addition, the scope of the audit of the CPR is much broader than its other control and oversight processes.

The use of the audit matrix could help to support quality control for the audit of the CPR. The matrix could be used to focus discussion by a reference panel involving TCU officials and with external experts. The matrix could also help focus the government's attention in responding to the main findings on the CPR.

Ensuring professional and ethical audit work

The TCU human resource system is a career-based system, within which recruitment takes place through competitive examinations open to all persons who fulfil the basic requirements (Table 3.12). The adoption of a career-based system is similar to that mainstreamed into Brazil's federal public administration during the 1990s in order to prevent the spread of personal and/or political patronage (OECD, 2010). However, the TCU career system is separate and distinct from that for the federal public administration. An individual who has passed a competition for public administration must enter a TCU competition in order to join the body. There is no fixed schedule for the competitions to enter into the TCU.

Table 3.12. Recruitment in supreme audit institutions in Brazil and benchmark countries

Predominantly a position-based system	Predominantly a career-based system
Australia, Canada, Netherlands, South Africa, United Kingdom, United States	**Brazil**, Chile, France, Mexico, Portugal, Spain

Notes:

Position-based systems focus on selecting the best-suited candidate for each position, whether by external recruitment or internal promotion or mobility. Position-*based* systems allow more open access, and lateral entry is relatively common.

In *career-based systems*, civil servants are usually hired at the very beginning of their career and are expected to remain in the public service more or less throughout their working life. Initial entry is mostly based on academic credentials and/or a civil service entry examination. Promotion is based on a system of grades attached to the individual rather than to a specific position. This sort of system is characterised by limited possibilities for entering the civil service at mid-career and a strong emphasis on career development.

Efforts to modernise human resource management practices and develop the competencies of officials are key elements of the 2011-15 TCU Strategic Plan (TCU, 2011). The TCU has established a permanent Human Resource Management Committee responsible for formulating and overseeing implementation of TCU human resource management policies. This Committee advises the TCU General Co-ordination Committee and the TCU President on matters of human resource management. The Human Resource Management Committee is also responsible for conducting periodic evaluations of practices and for establishing guidelines for ongoing improvement in line with the TCU strategic plan. Moreover, the Human Resource Management Committee is responsible for proposing the creation of mechanisms to measure and analyse perceptions and expectations of TCU officials in relation to human resource management.

A competency framework was introduced into the TCU in 2006 with the aim of stimulating the development of a workforce of capable and motivated professionals, and to enhance TCU effectiveness. This framework defines personal, technical and managerial competencies as well as professional profiles for different occupational areas. All TCU officials have access to personal and technical competency development programmes and materials to support them in fulfilling their responsibilities and professional advancement. The introduction of competency management within the TCU occurred in parallel with its introduction in the federal public administration more generally. Competency management in the TCU, as in the federal public administration, is however still in its infancy (OECD, 2010).

As part of the TCU strategy for professional development, staff working in Semag are encouraged to participate in academic courses in partnership with Brasília Federal University and other public institutions. Semag officials also participate in seminars and discussion groups on external control and oversight, such as the Programme for the Modernisation of the External Control System of Brazilian States and Municipalities (*Programa de Modernização do Sistema de Controle Externo*). This programme is a network among Brazil's 34 courts of accounts, including the TCU; 27 courts from states and the Federal District; and 6 from municipal courts (i.e. Bahia, Ceará, Goiás, Pará, Rio de Janeiro and Sao Paulo). Semag officials also participate as observers in many discussion groups held by the Federal Ministry of Planning, Budget and Management, the Federal Ministry of Finance and the National Congress.

Develop a policy to rotate senior officials involved in the audit of the CPR

The TCU reports that Semag officials typically work for many years in the same secretariat, which helps to ensure continuity in the audit of the CPR. Information was not available on the average number of years TCU audit officials have worked in Semag, or how this compares with other TCU secretariats. Interviews revealed that some TCU officials had been employed in Semag for over a decade, while others had only two years of experience in this secretariat. While there are benefits to having SAI officials with a great deal of depth and background knowledge on specific issues and public sector entities, rotating staff and audit responsibilities more often leads to a broader professional development of staff. Rotation also can help to encourage new and innovative ways of doing things.

Align actions to strengthen financial audit capabilities with the TCU competency framework

As noted in the preceding sections, the TCU has begun a review to promote convergence of TCU financial audit standards and practices with the *INTOSAI Financial Audit Guidelines* and international good practice. It is imperative that actions to strengthen financial audit capabilities are aligned with the implementation of the TCU competency framework, to ensure synergies with – and to support implementation of – human resource management reforms. Moreover, the TCU could consider putting in place mechanisms to ensure that subsequent updates to the *INTOSAI Financial Audit Guidelines* – and "INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements" as suggested – are reflected in its internal guidelines and audit procedures in a timely manner. The INTOSAI Financial Audit Subcommittee will begin a review of two standards from the *INTOSAI Financial Auditing Guidelines* in 2012, with a further 36 scheduled to be reviewed after 2013. The INTOSAI Compliance Audit Subcommittee will begin to review ISSAI 4 200 after 2016. Ensuring TCU standards remain up to date could be achieved by a peer review of the TCU audit methodology in five years' time, and involve a number of SAIs represented on the INTOSAI Subcommittees on Financial Audit and Compliance Audit.

Instil high standards of professional and ethical conduct among TCU officials

In May 2009 the TCU published a Code of Conduct defining the principles and standards for ethical conduct applicable to its officials and its internal structures for ethics management and is aligned with ISSAI 30 on "Code of Ethics" (INTOSAI, 1998). The Code aims *i)* to make explicit the principles and standards governing the conduct of TCU officials; *ii)* to support the implementation of the institutional vision, mission, goals and values; *iii)* to align the values of TCU officials with those of the institution; *iv)* to promote high standards of conduct among TCU officials; and *v)* to establish basic rules on conflicts of interest, including post-employment restrictions, for TCU officials. Publication of the TCU Code follows the promulgation of a universal code for federal government officials in 1990, and specific codes for high officials in the federal public administration (2000) and officials in a variety of individual public sector entities (during the 2000s) (OECD, 2012).

The TCU Code defines its institutional values as well as the rights, duties and prohibitions its officials are to adhere. The institutional values include: *i)* defending the public interest; *ii)* legality, impersonality and transparency; *iii)* honesty, dignity and respect; *iv)* quality, efficiency and equity of public services; *v)* integrity and high

standards of conduct; *vi)* independence, objectivity and impartiality; and *vii)* professionalism, competence and development. These values are often condensed into ethics, justice, effectiveness, independence and professionalism, as published in many TCU documents. It is the right of every TCU official *i)* to work in an environment that preserves individual well-being and work-life balance; *ii)* to be treated equally with respect to performance assessment, compensation and professional development; *iii)* to participate in training necessary to remain up to date with methods and techniques relevant to their work; and *iv)* to engage in open dialogue with colleagues and superiors, disseminating information that may contribute to the performance of the institution.

It is the duty of all TCU officials: *i)* to uphold high standards of conduct in compliance with the TCU Code of Ethics; *ii)* to report immediately to the competent head of staff any act or fact that is contrary to public interest or harmful to the TCU and its mission; *iii)* to avoid actions or relationships that give rise to real or possible conflicts of interest; *iv)* to report to the TCU Ethics Committee information about relationships, economic interests or professional activities that give rise to real or possible conflicts and actions to be taken to avoid any risk. TCU officials are prohibited from *i)* undertaking actions that undermine the values and standards contained in the Code of Ethics; *ii)* abusing the powers, facilities and information of the TCU for personal favour, benefit or advantage; *iii)* using unpublished TCU materials for purposes other than the execution of their official duties; and *iv)* publishing or disseminating, without prior written consent, any materials produced for their official duties that have yet to be concluded.

To support the implementation of this Code the TCU has created an Ethics Committee. The Ethics Committee is responsible for *i)* organising and developing courses, manuals, booklets, lectures, seminars and other training activities to disseminate the Code; *ii)* resolving questions concerning the interpretation of, and deliberating on omissions in, the Code, making recommendations to the TCU President for interpretive guidelines; *iii)* receiving proposals and suggestions for the improvement of, and ensuring the consistency of internal regulations with, the Code; and *iv)* reporting on all of its activities annually in the TCU President's management report, including proposals and suggestions for the improvement of the Code. The TCU President selects and appoints the three committee members, and three substitute members, from among permanent TCU officials for a renewable two-year term. Members of the Ethics Committee may not have previously received any administrative or criminal sanctions. If a member of the Ethics Committee violates any rules contained in the Code or is criminally indicted, they are automatically suspended until a final decision has been taken.

Conclusions and recommendations

The TCU has demonstrated increased interest in enhancing the planning and implementation of its audit of the CPR as a means of supporting good governance. A number of actions have been taken to support the formulation of high-quality audit work, conducted in an efficient and effective manner. These actions include the introduction of an audit matrix to support audit planning and the mapping of high-level accounting processes and controls for the preparation of the BGU. Although these actions are only recent and their full impact will take several years to materialise, they have already had a demonstrable impact on the audit of the FY 2011 CPR. More critically, these actions establish a basis and momentum for further improvements in audit planning and implementation during the coming few years.

The TCU could consider implementing a number of recommendations to advance its audit planning and implementation of its audit of the CPR. At the core of these recommendations is the proposition to augment the audit matrix as not only an instrument for planning and implementation, but also for quality control. The matrix could be used to translate the audit objectives contained in the TCU Internal Rules into operational terms to support audit planning. The matrix can also provide a framework to define the extent and scope of audit tests to provide competent, relevant and reasonable evidence necessary to support audit main findings. Moreover, the matrix can support quality control by structuring discussion within the TCU and externally with experts on the audit strategy and main findings.

This role of the audit matrix for the CPR can also be considered in conjunction with the findings from Chapter 2 of this peer review. For example, the matrix can help to address the current disconnect between the content of the audit report and the main audit findings, as well as to frame the qualifications and recommendations to guide audiences' understanding of their significance. Finally, the audit matrix can be used as input for the formulation of the annual TCU instruction to the federal executive that guides the preparation of the CPR. In this context, the audit matrix can help to enhance not only the quality of the audit on the CPR but the CPR itself.

Box 3.5. Recommendations for the Brazilian Court of Accounts: Audit planning and implementation

Ensuring high-quality audit work

- Further develop the audit matrix for the CPR to support the formulation of an effective and efficient audit strategy. *In doing so:*
  - Include information on the audit objectives articulated in the TCU Internal Rules to support the formulation of an effective audit strategy;
  - Include information about the criteria against which the subject matter will be assessed, the audit tests to be conducted and the minimum level of materiality necessary for the audit tests;
  - Include information on qualifications from the audit of the previous years' CPR to support the definition of audit criteria and scope of tests to be conducted;
  - Include information on the weaknesses of key management systems and controls associated with the audit subject to support the definition of audit criteria and scope of tests to be conducted;
  - Include information on related work by internal audit, to the extent it may be used, considering the different responsibilities and standards used by internal audit; and
- Draw more systematically on the TCU internal body of knowledge as input into formulating the matrix for the audit of the CPR. *In doing so:*
  - Develop a common methodology to assess risk and to determine materiality across secretariats of external control; and
  - Establish and implement clear criterion for the inclusion and removal of entities and programmes for the priority themes of the TCU and individual secretariats of external control.

Box 3.5. Recommendations for the Brazilian Court of Accounts: Audit planning and implementation (*cont.*)

- Utilise improvements in audit strategy to enhance the CPR and not only the audit report itself. *In doing so:*
  - Communicate information on the objective and criteria of the audit to the federal executive and the National Congress to support their preparation of the CPR;
  - Utilise the audit matrix to inform the preparation of the TCU annual instruction guiding the preparation of the CPR, including requiring the federal executive to make explicit assertions regarding information.
- Adopt a matrix to support the formulation of audit judgement and main findings, as well as internal review and quality assurance processes.
- Align quality control for the audit of the CPR with that for other control and oversight processes, involving experts, through such forums as reference groups and/or panels, to enhance the methodologies of the audit of the CPR as well as enhance refine audit criteria and tests.

Ensuring professional and ethical audit work

- Analyse gaps between the TCU compliance audit manual and *INTOSAI Compliance Audit Guidelines* related to the Audit of Financial Statements (i.e. ISSAI 4 200), to strengthen the audit of the CPR.
- Align actions to strengthen financial audit capabilities of the TCU competency framework, to ensure synergies with – and to support implementation of – human resource management reforms.
- Put in place a mechanism to ensure that subsequent updates to the *INTOSAI Financial Audit Guidelines* are reflected in the TCU audit manuals and audit practices in a timely manner. *In doing so*:
- Monitor the revision of *INTOSAI Financial Audit Guidelines* to ensure that new standards and amendments to existing standards are reflected in the TCU audit manuals and procedures; and
- Consider inviting a peer review of the TCU financial audit methodology in five years (i.e. 2017), involving supreme audit institutions from the INTOSAI Financial Audit Subcommittee.
- Develop a framework to rotate senior staff and/or responsibilities for the audit of the CPR, in order to support the professional development of officials and the improvements of audit techniques.

Annex 3.A1

Brazilian Federal Court of Accounts-wide priority topics, national level

2006	2007	2008	2009	2010	2011
1. Voluntary transfers (permanent health material; digital inclusion; mechanised patrols)	1. Growth Acceleration Programme (PAC)	1. Growth Acceleration Programme (PAC)	1. Public works	1. Public works	1. Public works
2. Prohibitions during elections period	2. Public security	2. Amazon	2. Growth Acceleration Programme (PAC)	2. Growth Acceleration Programme (PAC)	2. Growth Acceleration Programme (PAC)
	3. Outsourcing in federal public administration (activities; information technology; cleaning, maintenance & surveillance services)	3. Agrarian reform	3. Health (primary care; medium- & high-complexity procedures)	3. Health (waste & misuse of resources; pharmaceutical assistance)	3. Health (SUS resources)
	4. Amazon (territorial occupation; environmental management)	4. Family grant (*Bolsa Familia*) programme	4. Agrarian reform	4. 2014 World Cup	4. 2014 World Cup
	5. Background research for FY 2008 Oversight Plan	5. Education (universalisation & quality control)	5. 2014 World Cup	5. Financing actions for regional development	5. Education (technical vocational education & school transportation)
		6. Energy safety	6. Voluntary transfers	6. IT management & use	6. Financing actions for regional development
		7. Ports	7. Financing actions for regional development	7. National Plan for Public Security & Citizenship	7. Information systems for management of state-owned enterprises
		8. Construction	8. Background research for FY 2010 Oversight Plan (benefits granted to charity; large-scale IT projects; SUS database; pensions)	8. Large-scale armed forces investments	8. Transfer of funds for the promotion of events
		9. Climate change		9. Public administration databases	9. Management System for the Distribution of Agreements & Contracts
		10. Background research for FY 2009 Oversight Plan (public sector governance; special tasks; health)		10. Background research for FY 2011 Oversight Plan (public administration IT systems; tax expenditure)	10. Staff/personnel

Notes

1 The 2000 Law on Fiscal Responsibility establishes a general framework for budgetary planning, execution and reporting, applicable to all levels of government. It is a "complementary law", requiring a qualified (absolute) majority of the National Congress to be modified. The law comprises general targets and limits for selected fiscal indicators, corrective institutional mechanisms in case of non compliance, and institutional sanctions for non-compliance.

2 The Budget Directives Law is an annual law establishing directives for the formulation and execution of the federal budget over a medium-term framework of three years. It must be submitted to the National Congress for examination and approval 4.5 months before submission of the Draft Annual Budget Law. The Pluri-annual Plan sets the government's priorities over the medium term, together with explicit targets and indicative budgetary appropriations at the programme level. It is released during the first year of every administration and spans the entire term of the administration.

3. Prior to Constitutional Amendment 19/1998, the obligation to prepare a year-end report existed only for public administrators. The direct federal public administration includes the Office of the President of the Republic, federal ministries, and secretariats of ministerial status. The indirect federal public administration includes organisations with legal personality, including agencies, foundations, and state-owned and mixed-capital enterprises. These public organisations implement policies on the instruction of organisations of the direct federal public administration. Each organisation of the indirect federal public administration is established by its own law that defines the degree of autonomy in connection with human resources, budget and procurement policies.

4. The federal government of Brazil, under the leadership of the Secretariat of the National Treasury, is introducing a cost system to measure the efficiency of federal government programmes. This system combines information from various management systems of the federal public administration to better assess and evaluate the delivery of public services. In the first semester of FY 2009, the Secretariat of the National Treasury initiated the development of an "exploratory prototype" for this system. The project was approved in July 2010 and the Secretariat of the National Treasury has since initiated training for public officials to use the system. The system was launched at the end of August 2010 (OECD, 2012).

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Chapter 4

Communicating findings and assessing impact

*This chapter analyses the Brazilian Federal Court of Accounts' (*Tribunal de Contas da União*, or TCU) actions to communicate its main findings on and assess the impact of its audit of the consolidated year-end government report: the Accounts of the President of the Republic (*Contas do Presidente da República*, or CPR). The chapter addresses* i) *the strategy to communicate the main findings (i.e. audit opinion, qualifications and recommendations) to target audiences;* ii) *the instruments used to communicate these findings – and, more broadly, to encourage discussion on government accountability; and* iii) *the systems and indicators used to assess the impact of communications activities and the audit more generally. The analysis in this chapter is framed by the* International Standards of Supreme Audit Institutions' *(ISSAI) "Principles of Transparency and Accountability" (ISSAI 20).*

Introduction

This chapter analyses actions to communicate the main findings and assess the impact of the external audit of Brazil's consolidated year-end government report by the Federal Court of Accounts' (*Tribunal de Contas da União,* or TCU). Supreme audit institutions (SAIs) and other independent government authorities are increasingly paying attention to clearly communicate their main findings and demonstrate the impact of their work.[1] The analysis in this chapter is framed by the *International Standards of Supreme Audit Institutions'* (ISSAI) "Principles of Transparency and Accountability" (INTOSAI, 2010). Principles 7 and 8 for transparency and accountability encourage SAIs to communicate publicly on the results of their audit work in a timely fashion through the media, Internet and other means. Reporting refers not only to the main findings but also follow up measures taken with respect to these findings. The principles also emphasise the need to maintain strong relations with relevant legislative committees in order to help them better understand audit main findings and to take appropriate action. However, the principles underline the possibility for SAIs to communicate directly with the media and to encourage public and academic interest in their main findings.

In analysing efforts to communicate the main findings and assess impact of the TCU audit of the consolidated year-end government report – the Accounts of the President of the Republic (*Contas do Presidente da República,* or CPR) – this chapter addresses the following questions:

- Is there an explicit co-ordinated strategy to communicate the main findings to primary and secondary target audiences?
- What instruments are used to communicate these findings – and, more broadly, to encourage debate on government reporting and performance?
- What indicators are used to assess the impact of communication activities and the audit more generally on government accountability and decision making?

The term "main findings" as used in this chapter refers to the audit opinion, qualifications and recommendations on the CPR. An audit opinion is normally in a standard format, which obviates having to state at length the findings of all audit tests but nonetheless conveys a message in an understandable context. Qualifications are material issues identified that may affect the audit main findings. Recommendations are suggestions to the federal executive in order to improve processes and enhance government reporting, performance and accountability.

The TCU has taken a number of actions to improve communication of the main findings stemming from the audit of the CPR in recent years; and has been supported by efforts to enhance TCU external communications more generally. Specific actions to improve communication of audit findings on the CPR began with the development of an executive summary, "synthesis sheets" and a dedicated webpage for this audit. More recently, the TCU has launched seminars and workshops to disseminate the main findings with different audiences, including the federal executive, civil society and academia. In 2012 the TCU also launched a journalism award to promote media coverage on the issues addressed in the audit of the CPR, though the scope of this award was subsequently broadened to cover all TCU control and oversight processes. The resourcing

of TCU units interacting with the National Congress and media have increased during the last few years, enabling more intensive communication of control and oversight processes and their main findings.

A key challenge facing TCU communications for the audit of the CPR is the need to define communication objectives rather than simply bettering dissemination activities. In other words, the TCU needs to focus on what are the desired actions to be taken its primary and secondary audiences once they receive the main findings. The TCU could benefit from implementing an explicit co-ordinated communication strategy. Such a strategy can help to define communication objectives as well as to identify target audiences, refine key messages and select an appropriate communications mix for each audience. A strategy should also establish how the impact of communication activities will be assessed and allocate dedicated resources for assessment. Assessing impact can be supporting by reporting not only on the federal executive's actions to implement recommendations but also those to address qualifications on the CPR. Members of National Congress could be surveyed to determine their knowledge, understanding and use of the main findings on the CPR. Media coverage on the main findings on the CPR could also be systematically assessed. Together, these actions can help improve the effectiveness of TCU communication and enhance audit impact.

Communication strategy for the audit main findings

Although the TCU considers the audit of the CPR one of its most significant activities, there is no explicit co-ordinated strategy to communicate main findings, i.e. audit opinion, qualifications and recommendations. As discussed in Chapter 1 of this peer review, the significance of this audit stems from a variety of factors, including its history, content and procedure. The audit is the first constitutional responsibility of the TCU, and one that has direct input into the oversight activities of the National Congress. It is one of the longest-standing activities of the TCU, having been conducted since 1892, and one of the broadest in scope. The decision on the audit opinion and supporting report is taken in an extraordinary session of the TCU Plenary, made up of all nine TCU ministers. However, the TCU has in the past considered its audit of the CPR completed upon the decision of the TCU Plenary. Moreover, the TCU currently does not specifically understanding the process for, or comprehend the main barriers and constraints affecting, National Congress' scrutiny of the CPR and the TCU audit opinion.

An explicit co-ordinated communication strategy could help the TCU to *i)* define its primary target audience(s) as well as discerning their current level of awareness, understanding and use of the audit report; *ii)* articulate clear and measurable communication objectives for each primary target audience; *iii)* ensure the selection of an appropriate communications mix for each primary target audience; *iv*) allocate internal roles and resources for communicating the main audit findings; and *v)* provide a sound basis for evaluating, and learning lessons from, communication activities. Box 4.1 proposes generic content for such a strategy.

Box 4.1. Generic content for a communication strategy for the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic

Introduction and overview

- *Introduction,* outlining why a communication strategy is being developed, what it hopes to achieve and who is responsible for the communication strategy.
- *Background,* briefly stating the objectives of the audit being communicated, providing sufficient detail for someone who has no knowledge of the audit.
- *Rationale for the communication strategy,* stating why a communication strategy is necessary and what the target audience is expected to "do" as a consequence of receiving the communication messages. The rationale should draw on lessons from previous communication strategies with emphasis on lessons learned about: *i)* target audiences; *ii)* communication objectives; *iii)* communication activities; and *iv)* the impact of communication activities.

Objectives and messages

- *Audit objectives & scope,* providing the overarching context necessary for understanding how the communication strategy will support the desired audit outcomes.
- *Communication objectives:* These should be clear and measurable so as to inform the development of an appropriate communication strategy and serve as the basis for evaluating that strategy. Communication objectives are distinct from communication tasks that are undertaken to achieve the objective; they may include raising awareness, changing attitudes and changing behaviours.
- *Target audiences:* The more thoroughly target audiences are defined and understood, the greater is the likelihood of a strategy succeeding. Broad groupings such as "the legislature", "the executive" and "citizens" are less likely to result in a strategy that works. Target audiences may be subsequently grouped into the categories of primary (those directly affected or that need to take action); secondary (those benefiting from the main findings and/or perhaps influencing the primary audience); and other stakeholders (those having a general interest). Attention may also be given to specific audiences, such as those who lack access to information through, for example, low income, poor education, low literacy levels, disability or geographical isolation.

Messages and evaluation

- *Key messages,* including details of main findings (i.e. the audit opinion, qualifications, other key messages and recommendations), as well as positive actions taken by the federal executive to address qualifications and implement recommendations since the last audit; and a clear "call to action" outlining what target audiences should do as a result of receiving the messages. The key messages should encapsulate the communication objective in as few words as possible. Attention should also be given to whether separate objectives and key messages exist for different target audiences.
- *Communications mix,* outlining all of the proposed instruments for the communication strategy. The mix should include a brief description of the instruments and the use of the instruments by different target audiences. Specific attention should be accorded to instruments to target audiences with little or no access to information. The specific mix should be guided by communications research on the target audiences and evaluation of past communication strategies.
- *Evaluation,* which plays a crucial role in ensuring that communication activities are well directed and that lessons can be learned. Evaluation also helps gather information necessary to meet accountability requirements.

Box 4.1. Generic content for a communication strategy for the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic (*cont.*)

Management and resourcing

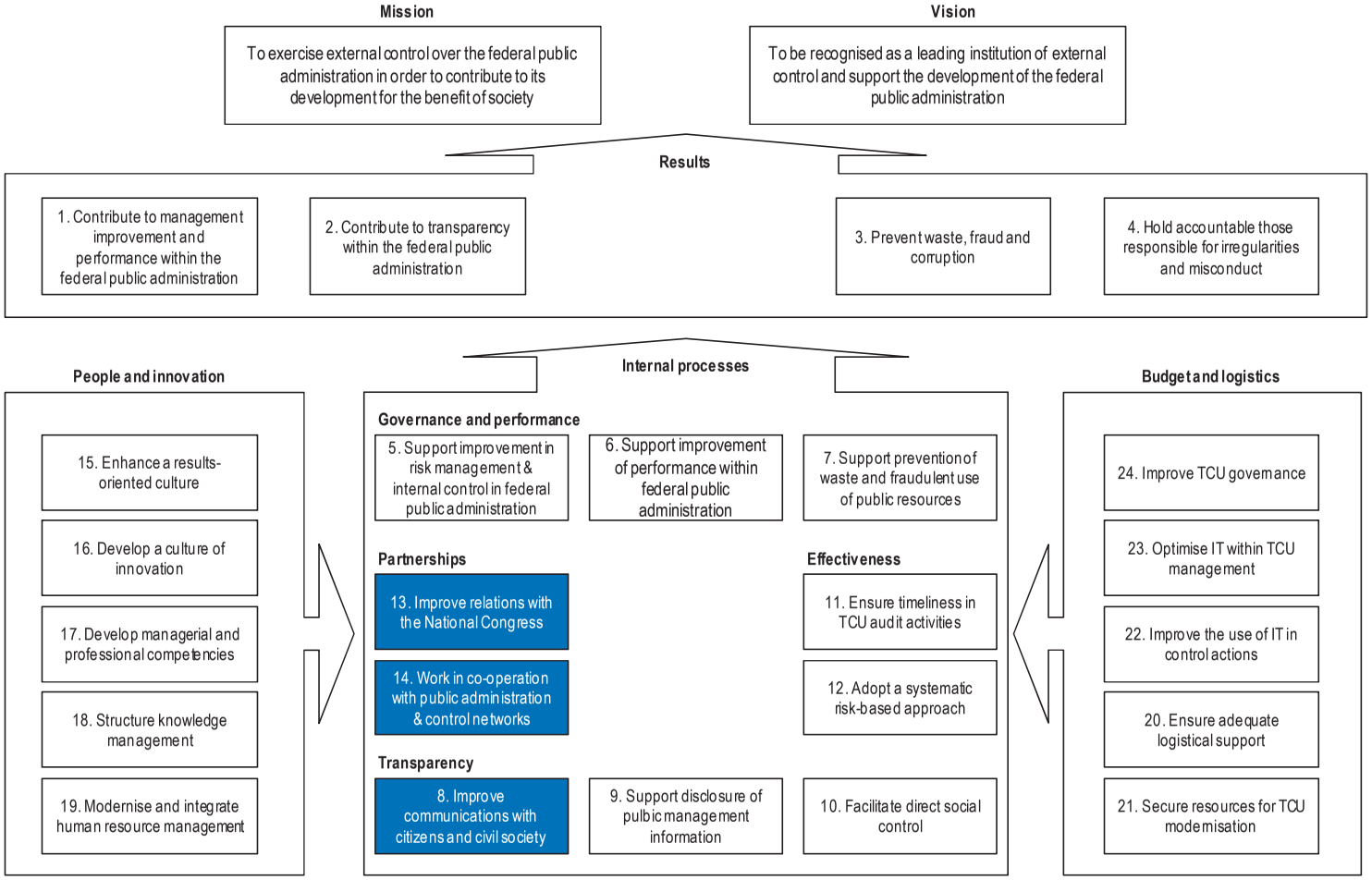
- *Communication management,* defining the roles and responsibilities of the members of the communications team. This could include defining the roles of different divisions within the organisation, especially if these different units are responsible for different stakeholders. It should be include information on any internal approval processes and who is ultimately responsible for approval.
- *Timeline,* with start-to-finish coverage and any specific dates that need to be accommodated, such as announcements and launches. Consideration should also be given to other significant events beyond the scope of influence of the institution responsible for the communication strategy.
- *Budget,* stating the amount of money and staff time available for implementing the communication strategy, with specific amounts for each component of the strategy and what activities each includes. A share of resources should be set aside for evaluation**.**

Admittedly, the TCU has taken a number of actions to develop its institutional communication system during the last decade, but not always systematically measuring the outcomes. Beginning in 2003, the TCU included communications with the National Congress and citizens as an element of its strategic plan. In 2007 the TCU established a specific TCU-wide communications plan for FY 2008 and FY 2009 focusing on citizens, the National Congress, the federal executive and media. This communications plan was subsequently absorbed into the 2011-15 TCU Strategic Plan. The current plan outlines among its goals: *i)* improving communications with citizens and civil society; and *ii)* enhancing relations with the National Congress (Figure 4.1). Implementation of the strategic plan is supported by annual directives that establish targets, define initiatives and identify responsibilities to achieve these targets. However, the targets themselves are not systematically measured. For example, "National Congress satisfaction with the TCU", objective 13 of the plan, has yet to be measured (Table 4.1).

Clearly define the primary audiences and communication objectives for each

The TCU could better define its communication objectives, focusing on what it seeks from primary and secondary audiences once they receive the main findings on the CPR. Although the TCU has invested in broadening the audience for its audit of the CPR, discussed in the following section, it has yet to articulate a clear communication objective for each target audience, nor prioritise its various audiences. The current communication objectives for the audit of the CPR are articulated very similarly to the desired results of the TCU strategic plan: i.e. to have a positive impact on transparency and accountability, and to support better management practices within the federal government – as well as to enhance the institutional image of the TCU itself (TCU, 2011a). Moreover, the TCU has limited information on its audiences: the National Congress' Planning, Budget and Control Joint Committee (*Comissão Mista de Planos, Orçamentos Públicos e Fiscalização,* or CMO), the Office of the Comptroller General of the Union (CGU), the Secretariat of the National Treasury (*Secretaria do Tesouro Nacional,* or STN) and the media. The TCU could focus on understanding categories of audiences within these broader groupings, their knowledge and understanding of the audit objectives, and how they use the main findings.

Figure 4.1. Brazilian Federal Court of Accounts' Strategic Map, 2011-15



Source: Adapted from TCU (2011a), *Planejamento Estratégico, Construindo o TCU do Futuro, 2011-2015, Sumário Executivo* (Strategic Plan, Building the Future of the TCU, 2011-2015, Executive Summary), *www.tcu.gov.br*.

Table 4.1. Brazilian Federal Court of Accounts' 2011-15 Strategic Plan measures, indicators, targets, initiatives and responsibilities

Related to communications with media and the general public, the National Congress, the public administration and control network

Objectives	Strategic Plan			Annual directives to implement the Strategic Plan				
				Performance targets		Strategic initiatives		Primary responsibility
	Proposed measures	Performance indicators		2011	2012	2011	2012	
8. Improve communication with general public	Enhance communication of control & oversight processes	Use of headlines • Index of headlines published	Index of headlines presented to & published by the media	90% (Dec. 2011)	90% (Dec. 2012)	None	Identify & use the new TV channels for the promotion of TCU action	Secom
	Enhance relations with external stakeholders	• Index of headline penetration	Number of meetings with journalists	12 meetings (Dec. 2011)	None			
		Number of broadcasting channels used		10 channels (Dec. 2011)	10 channels (Dec. 2012)	None	None	Unspecified
	Develop & implement communication strategy	None	Index of satisfaction related to TCU website	75% (Dec. 2011)	75% (Dec. 2012)	Develop & implement communication strategy, including by audience segments	None	Secom
13. Improve relations with National Congress	Enhance relationship with the National Congress	Timeliness of processing requests by the National Congress		100% (Dec. 2012)	100% (Dec. 2012)	Enhance relationship with the National Congress		Aspar
		National Congress satisfaction with TCU	None	None	None			
		None	Official meetings with the National Congress	45 meetings (Dec. 2011)	45 meetings (Dec. 2012)	Improve processing of National Congress requests for audits & information, & classification of materials sent to the National Congress		Segecex

Note:

Segecex = TCU General Secretariat for External Control; Secom = TCU Secretariat for Communications; Aspar = TCU Congressional Advisory Service.

Source: Adapted from *Portaria TCU 160/2011, Aprova a atualização do Plano Estratégico do Tribunal de Contas da União para o quinquênio 2011-15* (TCU Decree 160/2011, Approving the update of the Strategic Plan of the Federal Court of Accounts for 2011-15).

In refining its communications objectives, the TCU could pay particular attention to the National Congress. The 1988 Constitution of the Federative Republic of Brazil establishes the National Congress as the primary audience of the audit of the CPR. The Constitution explicitly states that the TCU opinion should be "preliminary", which the TCU emphasises should be taken to mean that the National Congress has the exclusive competence to issue the opinion on the CPR and thereby to judge the performance of, and hold accountable, the President of the Republic. In recent years the TCU has given more attention to audiences other than the National Congress with respect to the audit of the CPR. This can be explained, in part, because of substantial delays in National Congress scrutiny of the CPR and the audit opinion. As discussed in Chapter 1 of this peer review, the National Congress – through the CMO – only begins to review the CPR using the TCU main findings, on average, two-and-a-half years after receiving these materials.

As part of efforts to better support the National Congress in holding the federal executive to account, the TCU could take action to understand the barriers and constraints affecting legislative scrutiny of the CPR and its main findings. This information could support more targeted communication activities by the TCU to the National Congress.

Select an appropriate communications mix for different primary and secondary audiences

The TCU uses a broad communications mix to disseminate the main findings of its audit of the CPR. This mix includes an executive summary and synthesis sheets, the TCU (Internet) Portal, national radio and television, social media, and specific events and meetings with different audiences. This is in addition to opening up to the public the extraordinary session of the TCU Plenary that decides on the audit opinion of CPR. Approximately a dozen federal ministers, as well as the President of the Federal Senate and the President of the Chamber of Deputies, attended the TCU Plenary session on the audit of the FY 2011 CPR. Although the TCU renders its audit opinion to the National Congress, there is no formal presentation of the audit main findings on the CPR at the National Congress. Such a presentation could be explored in co-operation with the National Congress.

Use the executive summary and synthesis sheets to focus on main findings of the audit of the CPR

The executive summary and synthesis sheets are considered key instruments for distilling and communicating the main findings on the audit of the CPR, given that the full audit report is over 500 pages in length. The TCU first published an executive summary for the FY 2004 CPR. Beginning with the audit of the FY 2009 CPR, the TCU began to produce synthesis sheets of its audit; these use simple, accessible language and highlight more clearly what the TCU perceives as the most relevant aspects of its audit. The appealing format of the synthesis sheets accounts for their popularity and subsequent use as the primary content of the TCU dedicated website on the audit of the CPR, discussed in the following section.

A key challenge facing the TCU is how to effectively distil the main findings from the audit of the CPR in the executive summary and synthesis sheets. This can be seen from the volume and content of the information communicated through these instruments. The TCU executive summary on the audit of the CPR grew from approximately 40 pages (or 10% of the total audit report size) to approximately 100 pages (or 25% of the total

audit report size) between the audits of the FY 2004 and FY 2008 CPRs. While the executive summary for the audit of the FY 2010 CPR was reduced to 12 pages, it grew to 41 pages the year after (Table 4.2).

Table 4.2. Number of pages of the Brazilian Federal Court of Accounts' report, executive summary and synthesis sheets on the audit of the Accounts of the President of the Republic

	Audited fiscal year										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
TCU audit opinion & audit report	646	609	596	486	342	322	447	431	467	488	511
Executive summary of TCU audit of the CPR				42	71	49	83	103	n.a.	12	41
TCU synthesis sheets on the audit of the CPR (counting front & back)									14	46	50

Notes:

CPR = Accounts of the President of the Republic; TCU = Brazilian Federal Court of Accounts.

The executive summary and synthesis sheets could focus more on the main findings of the audit of the CPR to guide audiences' understanding, framing the findings to emphasise their significance for government accountability and performance. At present the TCU focuses more on communicating key analysis and data contained in the audit report rather than the main findings. That the synthesis sheets are arranged by chapter of the audit report rather than the main findings also reflects this fact. Moreover, even though there is a specific synthesis sheet titled "Conclusions, Qualifications and Recommendations", it does not address the main findings in their entirety. The "Conclusions, Qualifications and Recommendations" synthesis sheet for the audit of the FY 2011 CPR made reference to the existence of 25 qualifications but did not list or discuss even one of them, nor the expected impact of addressing them (Table 4.3). The same synthesis sheet noted that there were 40 recommendations but listed only 10 of them, stating what should be done but not stating the importance or expected benefit of their implementation.

The synthesis sheets could also be more clearly branded as part of the audit of the CPR. At present the sheets, if accessed individually, cannot be explicitly linked to the audit of the CPR. Rather, they are branded by the content of the material they discuss. The risk is that if the synthesis sheets are read individually from one another, there is no way to identify that they stem from the audit of the CPR.

Moreover, the TCU could evaluate the need for both an executive summary and synthesis sheets on the audit of the CPR. Although the synthesis sheets were originally conceived for journalists, they now overshadow the executive summary for many audiences because of their more attractive format.

Table 4.3. Inclusion of qualifications and recommendations in the Brazilian Federal Court of Accounts' synthesis sheets on the audit of the Accounts of the President of the Republic

Audited fiscal year	2009		2010		2011	
Communication instrument	Synthesis sheet on conclusions, qualifications & recommendations	Full report	Synthesis sheet on conclusions	Full report	Synthesis sheet on conclusions, qualifications & recommendations	Full report
Qualifications	15	16	0	8	0	25
Recommendations, *of which linked to*	13	33	0	23	10	40
2. Brazil's economic performance	0	0	0	0	0	2
3. [Compliance of] Budget execution [with budgetary laws & regulations]	7	9	0	4	4	11
4. [Compliance & performance of] Government sectoral actions	2	2	0	0	0	0
5. [Regularity of the] Consolidated financial statements of the federal government	3	19	0	16	0	13
6. [Assessment of] Thematic topic(s)	1	3	0	0	6	14
7. [Status of] Recommendations from previous audit of year-end government report	0	0	0	2	0	0

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic.

Centralise all content for the audit of the CPR on its dedicated TCU webpage

The TCU created a dedicated webpage for reporting on the audit of the FY 2006 CPR and has subsequently improved the page over the past five years. This dedicated webpage has become the platform through which to access not only the full audit report on the CPR, but also the executive summary and synthesis sheets (Table 4.4). Moreover, the synthesis sheets now provide the basis for the online content of the TCU dedicated webpage on the audit of the CPR.

A number of pages could be made to the dedicated TCU webpage on the audit of the CPR in order to make the main findings more accessible and to draw attention to the subject matter of the audit. The TCU could consider publishing all content related to the audit on this webpage. This could include, for example, the press release(s) for the audit report and contact details for media; presently this information is only available through other parts of the TCU Portal. The TCU could also include links to its reports on control and oversight processes for monitoring actions by the federal executive to address audit qualifications and implement audit recommendations. The direct link to these control and oversight processes is particularly relevant for demonstrating the impact of TCU audit work. This could be complemented by a synthesis of actions by the federal executive to address audit qualifications and implement audit recommendations, perhaps using a

traffic light summary to communicate this information clearly to audiences (i.e. green means completed; orange, being implemented; and red, no progress).

Table 4.4. Content of the Brazilian Federal Court of Accounts' dedicated webpage on the audit of the Accounts of the President of the Republic

Content	Audited fiscal year					
	2006	2007	2008	2009	2010	2011
Report information						
Title of the audit	●	●	●	●	●	●
Name of rapporteur	●	●	●	●	●	●
Link to the subject matter (i.e. the CPR)	o	o	o	o	o	o
Download full audit report	●	●	●	●	●	●
Download the main findings (i.e. opinion, qualifications & recommendations)	●	o	o	o	o	o
Download the executive summary of the audit report	●	●	●	n.a.	●	●
Download the "synthesis sheets" of the audit report	n.a.	n.a.	n.a.	●	●	●
Download the individual chapters of the audit report	o	o	o	●	o	o
Link to reports on control and oversight processes for monitoring actions by the federal executive to address audit qualifications and implement audit recommendations	o	o	o	o	o	o
Synthesis of actions by the federal executive to address audit qualifications and implement audit recommendations	o	o	o	o	o	o
Frequently asked questions	o	o	o	o	o	o
Social media						
Video on the audit	o	o	o	o	●	o
Links to various TCU social media pages (e.g. Twitter, Facebook)	o	o	o	o	●	●
Ability for users to post audit information on social media platforms	o	o	o	o	o	o
Interaction & feedback						
Press release on the audit	o	o	o	o	o	o
Contact details for media	o	o	o	o	o	o
Online satisfaction survey	o	o	o	o	●	●
Institutional information						
TCU logo	●	●	●	●	●	●
TCU mission	●	●	●	●	●	●

Notes:

● = Yes, o= No; n.a. = Not applicable (not produced); TCU = Brazilian Federal Court of Accounts; CPR = Accounts of the President of the Republic. There was no dedicated TCU webpage prior to the audit of the FY 2006 CPR.

The dedicated TCU webpage for this audit could also include a direct link to the actual CPR to which it relates. This concern is augmented because the TCU audit opinion is not characterised by "completeness" – i.e. it is not appended to and published together with the CPR. As discussed in Chapter 2 of this peer review, the incompleteness of the opinion is a consequence of the reporting process of the CPR, as defined in Brazil's 1988 Constitution: the TCU audits the CPR after the President of the Republic has presented the accounts to the National Congress. This reporting process, whereby the TCU audits the CPR after it has been published and sent to the National Congress by the President of the Republic, began in 1934. Prior to that the TCU would issue an audit opinion before the CPR was sent to the National Congress by the President of the Republic, and this opinion would be appended and published together with the CPR. Not publishing the link to the CGU website on the CPR creates a disconnect with the subject matter in question.

Clarify which audiences use national radio, national television and social media

The TCU has a history of using national radio, national television and social media to communicate its audit findings on the CPR with citizens who are unable or disinclined to access its website. However, the TCU does not know which of its audiences actually use these instruments (Table 4.5). Underlying the continued TCU use of national radio and television is the relatively low level of Internet penetration and use in Brazil compared to OECD countries. Only 45% of Brazil's population had some form of access to the Internet in 2009, with only 39% of the total population accessing the Internet at least once in the previous 3-month period. Brazilian citizens' use of the Internet to access government services and information is even more limited, with only 27% of the population over 16 years of age accessing e-government services within the previous 12-month period (CGI, 2009). These numbers are below many OECD country figures owing to a lack of infrastructure affecting large segments of Brazil's population, mainly in rural areas. By comparison, broadband Internet penetration is over 90% in Korea and around 40-45% in Portugal and Spain. Brazil's figures for broadband Internet penetration are more on par with Chile (32%) but higher than Mexico (10%) (OECD, n.d.).

The TCU increasingly uses social media to communicate directly with citizens, though currently its approach is a gradual one that balances citizens' expectations with its institutional capabilities. The TCU has found that direct communication with citizens creates new opportunities for direct social control by citizens seeking information through its official profile pages and using these pages to deliver feedback and report misconduct about the federal government. At the same time, the TCU considers that using social media can enhance its institutional image as being closer to citizens. As in many Latin American countries, adoption of mobile technologies has largely outpaced broadband Internet adoption in Brazil. In 2008, more than 50% of Brazil's population had mobile phones, whereas this number was below 35% in 2005. Although the TCU views products for mobile technologies positively but does not have the capabilities to utilise them effectively at present.

Table 4.5. Brazilian Federal Court of Accounts' use of national television, radio and social media

Media	Instrument	Used since	Description	Target audience reached
National radio	TCU Minute, Voice of Brazil	1995	One-minute briefing about TCU activities on governmental radio show; "Voice of Brazil", broadcast nationwide on Monday, Wednesday & Friday	Undefined
National television	TCU Citizen	2009	1- to 2-minute videos shown about TCU activities & responsibilities during programme breaks on different government TV channels, including Federal Senate TV, Chamber of Deputies TV, & Justice TV	Undefined
	TCU in Action	2009	30-minute TV show broadcast on Federal Senate TV & Chamber of Deputies TV channels, focusing on specific themes and/or subjects relevant to recent TCU findings or oversight activities	Undefined
Social media	TCU Facebook Page	2011	TCU publishes information about works, events and courses, & allows citizens to interact directly with the TCU to ask questions & make suggestions	Undefined
	TCU Twitter Profile	2011	Used to disseminate rapid updates on TCU activities, focusing primarily on audit results	Undefined
	TCU YouTube	2011	Archive of institutional videos "TCU in Action" & "TCU Citizen"	Undefined

Notes: TCU = Federal Court of Accounts.

Assess the impact of specific events to communicate the main findings from the audit of the CPR

Since 2011 the TCU has sought to increase the number of forums for disseminating its main findings on the audit of the CPR, both within the government and externally. One such forum is the Council for Economic and Social Development (*Conselho de Desenvolvimento Econômico e Social*), an 82-member body representing the federal executive and sectoral, social and geographical diversity of Brazilian citizens. This Council has been described as one of the Lula Administration's most innovative measures to provide a mechanism for greater dialogue and improved governance, the better to implement the government's reform agenda (Doctor, 2007). In 2012, the TCU will launch an annual seminar on the audit main findings on the CPR with key stakeholders from the federal executive, and will begin a project to present the main findings on the CPR at major Brazilian universities.

Box 4.2. The role of councils within the federal government of Brazil

The federal government of Brazil has long sought to mainstream citizen engagement in public policy through participatory councils at all levels of government. At the federal level, councils focus on the formulation and oversight of public policies, and may be deliberative or consultative. Deliberative councils play an active role in decision making and may publish resolutions, recommendations and mandatory guidelines to shape public policy. Consultative councils provide a forum for dialogue between government and citizens as input into the formulation of public policy.

In October 2010, there were 61 national councils involving 1 742 participants: 785 from the federal government and 957 from non-governmental organisations. Of these 61 national councils, 19 have been created since 2003. At the municipal level councils are involved in oversight of the implementation of federal programmes. In 2004, over 28 000 councils were established for health, education and the environment alone.

Although all national participatory councils require the involvement of civil society organisations, their composition varies considerably. In October 2010 there were 38 national councils with civil society organisations comprising more than 50% of membership (29 with between 50% and 74%, and 9 with between 75% and 99%). Of the remainder, 18 are comprised of 25-49% representation from civil society organisations and 5 have 1-24%. In January 2007, some 440 non-governmental organisations were represented on national councils, many of them organisations participating on multiple councils.

Source: Adapted from Coelho, V.S.P., B. Pozzoni and M. Cifuentes (2005), "Participation and Public Policies in Brazil" in J. Gastil and P. Levine (eds), *The Deliberative Democracy Handbook: Strategies for Effective Civic Engagement in the Twenty-First Century*, Jossey-Bass, California; da Silva, E.R.A. (2009), "Participação Social e as Conferências Nacionais de Políticas Públicas: Reflexões Sobre os Avanços e Desafios No Período de 2003-06" [Social Participation and National Conferences on Public Policy: Thoughts on Progress and Challenges in the Period of 2003-06], *Texto para Discussão 1378,* Instituto de Pesquisa Econômica Aplicada, Rio de Janeiro.

In 2012 the TCU launched its own Journalism Award, with the aim of rewarding those who report on specific topics included in the audit of the CPR. The TCU award offers BRL 80 million in prize money, divided among four categories: print media (newspapers and magazines), radio, television and the Internet, with BRL 15 million for first and BRL 5 million for second place. For its inaugural year the award was to focus on the role of government in the economy, infrastructure needs for sustainable economic and environmental growth, and the impact of the 2014 World Cup. However, the TCU took a

decision to change the scope of the award to cover all TCU control and oversight processes and not simply the audit of the CPR.

Enhance co-ordination in communications management

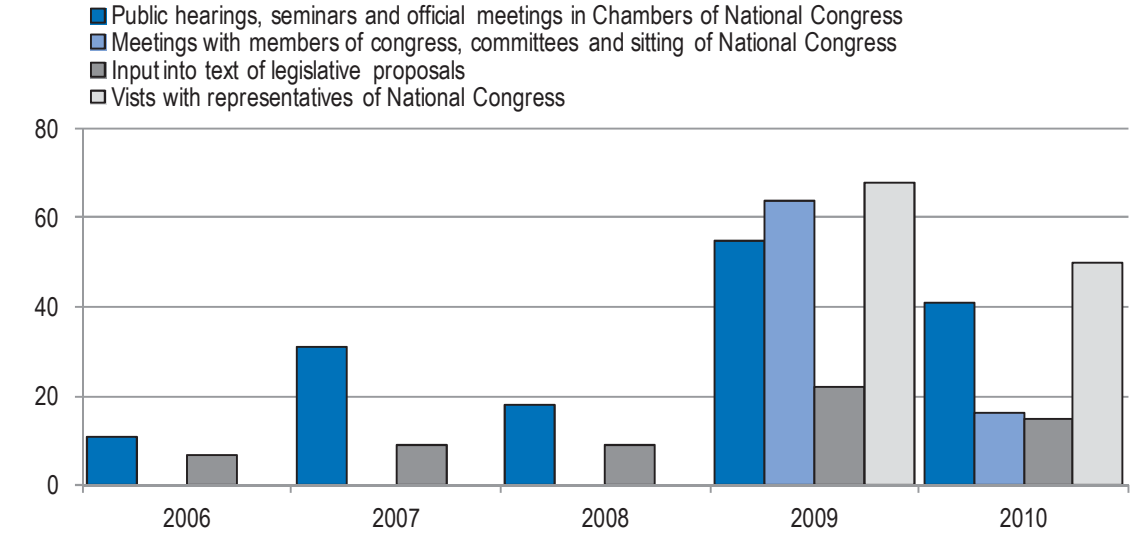
Communications management for the audit of the CPR is the joint responsibility of three TCU units: the Secretariat of Government Macro-Evaluation (*Secretaria de Macroavaliação Governamental*, or Semag); the Secretariat of Communication (*Secretaria de Comunicação*, or Secom) and the Congressional Advisory Service (*Assessoria Parlamentar*, or Aspar). Both Aspar and Secom are under the General Secretary for the President of the Republic; Semag is under the General Secretary for the External Control. Semag co-ordinates planning and implementation of the audit of the CPR and leads TCU activities to communicate the main findings of this audit to the federal executive. Secom prepares printed and multimedia materials relating to the audit, organises a press conference for the launch of the audit report, and analyses the media coverage given to the audit findings. Aspar is responsible for managing communication of the main findings to the National Congress, and may organise meetings with the heads of congressional committees and individual members of the National Congress to do so. Apsar may also identify specific congressional sessions in which the main findings could be presented.

Communication of the audit of the CPR has benefited from actions to increase the responsibilities and resourcing of both Secom and Aspar. Secom was created in 2011, replacing the Communication Advisory Unit. It differs from that earlier unit in that its responsibilities have increased, to *i)* analyse information reported about the TCU; *ii)* make TCU judgements and reports more accessible to specific and general audiences; and *iii)* produce journalistic content about the TCU and its activities. More generally, Secom formulates TCU policies and co-ordinates actions to promote awareness and understanding of TCU activities and performance among the general public. Secom has 25 full-time staff: 8 are TCU auditors and 6 are TCU technicians (6 of the 14 auditors and technicians have backgrounds in communications), 7 interns and 4 consultants. Secom reports that it is better resourced than its predecessor, though information on the change in staffing and financial resources was not available.

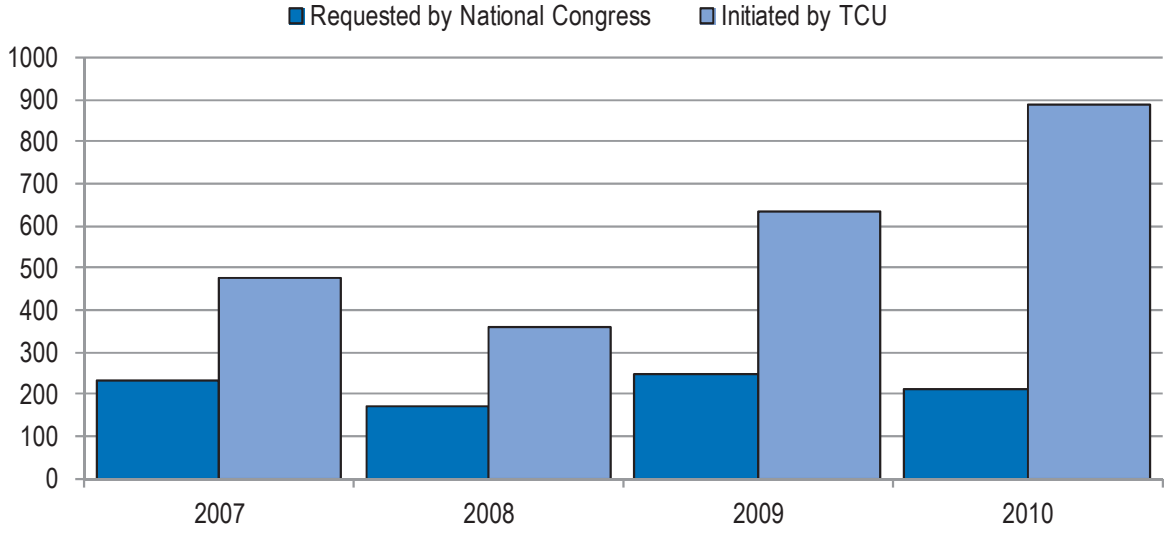
Since 2008, the role of Aspar changed with a new TCU policy to increase interaction with the National Congress and make congressional committees more aware of its work. As part of this policy, the TCU has sought to better inform the National Congress about its activities and to better manage its specific requests (Box 4.3). Neither of these actions constitutes a new mandate; they have been part of the TCU mandate outlined in the 1988 Federal Constitution. However, this policy has led to a significant increase in the level of interaction between the TCU and National Congress, to raise awareness of the TCU and participate in the work of the National Congress. This is evident from the large increase of activities in which the TCU is present in the National Congress without the significant increase in oversight processes requested by the National Congress (Figure 4.2). The responsibilities of Aspar also include conducting research about expectations and demands of the National Congress with respect to external control, and managing and updating the TCU database on the National Congress. Six auditors and five technicians staff Aspar.

Figure 4.2. Interaction between the Brazilian Federal Court of Accounts and the National Congress

A. Federal Court of Accounts' presence in National Congress



B. Brazilian Federal Court of Accounts' oversight processes initiated by the TCU and requested by the National Congress



Note: Data do not include meetings between the TCU and the main political parties following the 2010 national elections that served to inform the new members of the National Congress about the TCU functions and responsibilities.

Source: Adapted from TCU (2011b), *O Congresso Nacional e o TCU: Controle Externo Integrado, 2ª edição* (Congress and TCU: Integrated External Control, 2nd Edition), Tribunal de Contas da União, *www.tcu.gov.br.*

Box 4.3. National Congress requests to the Brazilian Federal Court of Accounts

Brazilian Federal Court of Accounts' (TCU) Resolution 215/2008 establishes procedures for the admission and processing of requests for oversight activities by the National Congress, its chambers and committees. The National Congress may request the TCU to *i)* audit an administrative unit from any branch of the federal government; *ii)* audit the regularity of financial statements of, or a specific expenditure by, an administrative unit from any branch of the federal government; or *iii)* provide information on control in an administrative unit in any branch of the federal government and/or the results of past TCU control and oversight processes.

National Congress requests may originate from either the Federal Senate or the Chamber of Deputies, or any of their respective committees. All requests must be channelled through the Presidents of the National Congress, the Federal Senate and the Chamber of Deputies. Requests from individual members of the National Congress or political factions are not considered. Requests for an audit of the regularity of financial statements of, or of a specific expenditure by, an administrative unit in any branch of the federal government must originate from the Chair of the National Congress Planning, Budget and Control Joint Committee.

National Congress requests must be sent directly to the TCU President; it is prohibited for any other TCU body/unit to receive a direct request from the National Congress. In processing a National Congress request, the TCU is prohibited from *i)* terminating the processing of a request before it is concluded; *ii)* including a request in another TCU process, unless the same authority requests both processes; or *iii)* disregarding a request altogether.

Requests from the National Congress, its chambers and committees are classified as a priority matter for the TCU. The TCU President must periodically update the requesting authority on the request's status, and transmit the result of a completed request to the National Congress. The TCU has also established deadlines for processing National Congress requests: 180 days for an audit of an administrative unit in any branch of the federal government; and 30 days for information requests on audits, conclusive opinions on the regularity of expenditure, or requests for action related to main findings in reports of congressional commissions of inquiry. The TCU Plenary may extend these deadlines once, for an equal period.

In processing a request, the TCU President must: *i)* inform the requesting authority of the number given to the process and, if applicable, the TCU minister responsible for overseeing the request – or the reason why a request cannot be processed, and *ii)* assign the processing of the request to an appropriate TCU unit. It is up to the responsible TCU unit, through the appointed TCU minister, to clarify the objective and scope of a request.

All National Congress requests are deliberated by the TCU Plenary composed of all nine TCU ministers. A request is concluded once the requesting authority is provided with a report containing *i)* the TCU position, in the case of a request for information; *ii)* the TCU position regarding the need for an *ad hoc* audit of an accountable official, in the case of a request for an audit or inspection; *iii)* the TCU opinion, in the case of a request for a conclusive statement; or *iv)* a statement that the TCU does not have the authority, or that it is technically impossible, to process the request.

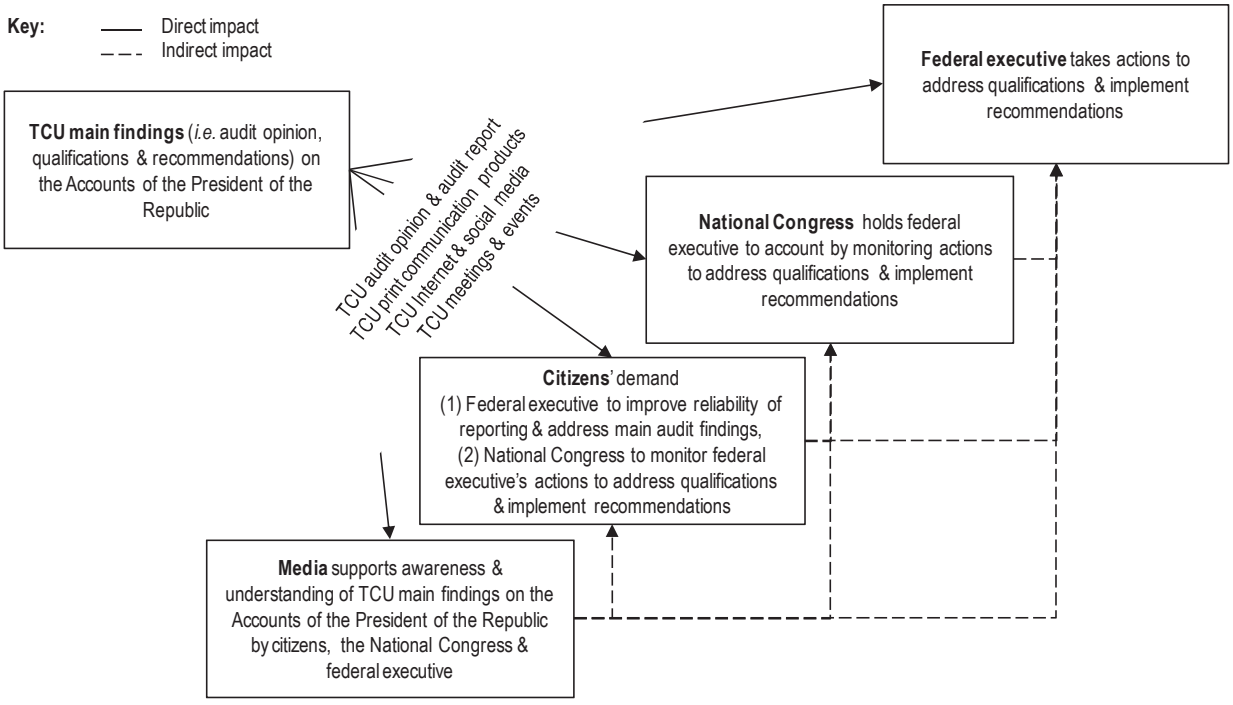
Source: Adapted from Brazilian Federal Court of Accounts "Resolução 215/2008 Dispõe Sobre o Tratamento de Solicitações do Congresso Nacional" (on the Treatment of Requests from the National Congress).

Indicators to assess communications and audit impact

The TCU does not have any specific systems and indicators to measure the impact of its communication activities related to the audit of the CPR or the impact of the audit more generally. Figure 4.3 illustrates the channels through which the TCU audit main findings could have an impact. The TCU can *i)* monitor the federal executive's actions to respond to the main audit findings; *ii)* survey the National Congress' awareness, understanding and use of the audit's main findings; and *iii)* assess media coverage of the main findings. However, as noted in the previous section, the TCU could focus on

understanding categories of audiences within these broader groupings and their preferred communications mix to receive information on the main findings.

Figure 4.3. Possible impact of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic



Report on the federal executive's actions not only to implement recommendations but also to address qualifications

The TCU could more systematically report on actions by the federal executive to address qualifications and implement recommendations on the CPR. The TCU only systematically includes information on the status of the audit recommendations in for the subsequent audit report on the CPR. Moreover, the TCU treats past recommendations separately from current recommendations in the audit report, creating an artificial distinction between the two categories. Of the 100 TCU recommendations in the audits of CPRs between FY 2006 and FY 2010, 43 were removed for being implemented; 35 were removed after being partially implemented; and 22 were removed without being implemented at all (Table 4.6). There is no reporting of the federal executive's actions to address previous qualifications identified in the audit of the CPR. The TCU reports that it does monitor actions by the federal executive to address qualifications through routine control and oversight processes. As noted in the previous section, the TCU could include links to its control and oversight processes monitoring actions by the federal executive to address qualifications on its dedicated webpage for the audit of the CPR.

Table 4.6. Brazilian Federal Court of Accounts' reporting on recommendations from previous audit of the Accounts of the President of the Republic

	Audited fiscal year				
	2006	2007	2008	2009	2010
Recommendations considered implemented & removed/being implemented & removed	6	10	10	6	11
Recommendations being partially implemented & removed	9	6	8	7	5
Recommendations not considered implemented & carried forward	19	10	6	14	0
Recommendations not considered implemented & removed	3	3	4	6	6

In 2012, the TCU issued a special report to demonstrate the impact of its audit on the CPR for the past five years, but did not assess the status of previous TCU qualifications and recommendations. The objective of the special report – titled *Priority Topics from the Accounts of the President of the Republic over the Past Five Years: 2007-2011* (hereafter "Priority Topics Report") – was to highlight significant issues that have consistently arisen in the audit of the CPR during the previous five years. The report was launched together with the audit of the FY 2011 CPR and highlighted 11 Priority Topics; each was accompanied by a brief introduction, contextualisation and TCU actions or plans to monitor the topics.

The Priority Topics Report does not, however, focus on reporting the impact of TCU audit of the CPR. For example, the discussion of compliance with Pluri-annual Plan's financial and physical targets and indicators in the report does not refer to the qualifications and recommendations from the audits of the FY 2007, 2008, 2009 or 2011 CPRs. Discussion of compliance with the Budget Directives Law's (*Lei de Diretrizes Orçamentárias*) priorities and goals in the report does not refer to the qualifications and recommendations from the audits of the FY 2008, 2009, 2010 or 2011 CPRs. The discussion of attestation of the consolidated financial statement of the federal government – the General Balance of the Union (*Balanço Geral da União,* or BGU) – in the audit report does not refer to the qualifications and recommendations from the audits of the FY 2007, FY 2008, FY 2009, FY 2010 or FY 2011 CPRs (Table 4.7).

Survey National Congress' awareness, understanding and use of main findings on the CPR

An additional approach to measuring the communication and broader audit impacts could be to periodically survey awareness and understanding of the CPR audit, its objectives and the main audit findings among members of the National Congress. The 2011-15 TCU Strategic Plan included surveys of National Congress members, but as of 2012 the TCU has yet to conduct any such surveys. SAIs in a number of OECD countries survey members of the legislature as input into evaluating impact; two examples are the Australian National Audit Office and the Auditor General of Canada (Boxes 4.4 and 4.5, respectively). In adopting this approach, the TCU should use good practice methodologies to ensure the quality of survey results; seek to understand the factors that underlie the results; and be conscious of and understand the limitations of perception surveys (OECD, 2012). The TCU could also more systematically monitor and report internally on discussions related to the audit of the CPR in the National Congress. Discussions with a number of TCU officials indicated lack of clarity even over the process that the National Congress follows to scrutinise the CPR and the TCU audit opinion and audit report.

Table 4.7. Link between the "Priority Topics Report" and main findings from previous Brazilian Federal Court of Accounts' audits of the Accounts of the President of the Republic

A. Potential link

Brief description of challenge identified in audit of the year-end government report	Audited fiscal year 2007	2008	2009	2010	2011
2. Incomplete & inaccurate data in the federal government's information systems for the Pluri-annual Plan	• Qualification VIII • Recommendation IX	• Recommendations VIII, IX, X & XI	• Qualification IX	-	• Recommendation II
3. Disconnect between priorities & goals in various budgetary documents	-	• Qualification III	• Qualification I • Recommendation I	• Recommendation I	• Qualification III
10. Accounting inconsistencies in the Accounts of the President of the Republic	• Qualifications VI,VII &VIII • Recommendations XV, XVIII & XIX	• Recommendations XV & XXV	• Qualification XIII • Recommendations XV & XXXII	• Qualification VII • Recommendation VII	• Qualifications IX, X & XXV

B. Actual link

Brief description of challenge identified in audit of the year-end government report	Audited fiscal year 2007	2008	2009	2010	2011
2. Incomplete & inaccurate data in the federal government's information systems for the Pluri-annual Plan	None	None	None	n.a.	None
3. Disconnect between priorities & goals in various budgetary documents	n.a.	None	None	None	None
10. Accounting inconsistencies in the Accounts of the President of the Republic	None	None	None	None	None

Notes: n.a. = Not applicable. Annex 4.A1 provides data for this table.

Source: TCU (2012), *Temas de Destaque das Contas do Governo dos Últimos 5 Anos : 2007-2011* (Priority Topics of Accounts of the President of the Republic Over the Past Five Years: 2007-2011), Brazilian Federal Court of Accounts, Brasilia.

Box 4.4. Australian National Audit Office's surveys of Parliament committee members and committee secretaries

The Australian National Audit Office (ANAO) commissions periodic surveys to measure its performance in meeting the needs of parliamentarians and to identify opportunities for improving its service to Parliament. More specifically, the survey aims to:

- obtain constructive feedback on the performance of the ANAO in meeting the needs and expectations of members of parliament, the Joint Committee of Public Accounts and Audit, and other parliamentary committees;
- identify measures that could be implemented to enhance the ANAO relationship with Parliament; and
- increase awareness within Parliament of the ANAO product range and services.

Particular attention accorded to the Joint Committee of Public Accounts and Audit, the primary point of contact between the ANAO and Parliament. This committee's main role is to hold government agencies accountable for the lawful, efficient and effective use of public funds. The Joint Committee examines all ANAO reports presented for discussion in Parliament. The ANAO has commissioned surveys in 2000, 2002, 2008 and 2011. Parliamentary committee secretaries were also included in the survey for the first time in 2008. These secretaries are public servants who serve as the contact point for committee-related business.

All 226 parliamentarians (150 members of the House of Representatives and 76 senators) are invited to participate in the survey. Completion of the survey is through a face-to-face interview with a senior research consultant and a senior ANAO officer during one of the parliamentary sitting periods; a telephone interview with a senior research consultant; or completion of a hard-copy questionnaire. All 34 committee secretaries are invited to respond to the survey through a telephone interview with a senior research consultant.

Broadly, the 2011 survey found that ANAO officials were rated highly by parliamentarians and parliamentary committee secretaries for their accessibility, responsiveness, and the extent to which advice or information provided addressed their needs. Survey respondents also valued the work of the ANAO, with many remarking that the ANAO played a vital role in keeping government agencies accountable. Moreover, respondents considered that the ANAO produces high-quality products, is independent and nonpartisan, and has integrity as an organisation.

The 2011 survey identified some areas where the ANAO could improve, and the ANAO has developed a number of initiatives for 2012-13, including development of a communications plan to guide its engagement with members of Parliament. The ANAO will also look to develop a more concise brochure to outline the objectives and key findings of each performance audit. It is also considering other approaches to better express the key themes and findings of an audit and to reduce the complexity in its reports, to the extent practical.

Source: ORIMA Research (Organisational Improvement and Market Research) (2009), "Australian National Audit Office, 2008 Parliamentary Survey", Australian National Audit Office.

Box 4.5. Office of the Auditor General of Canada's surveys of parliamentarians

The Office of the Auditor General of Canada conducts periodic surveys of parliamentarians as input to general and specific audit activities. General surveys were conducted in 2007, 2008 and 2010, and administered by an external firm to ensure the anonymity of respondents. Most recently, in 2010, the survey questionnaire was sent to 50 parliamentarians and garnered a response rate of 42%. Post-audit surveys are administered by the Office of the Auditor General of Canada with an average response rate of between 49% and 83% in recent years, depending on the type of audit and the type of respondent. The Office of the Auditor General of Canada publishes key results of the surveys in its annual Performance Report.

General questions asked by the Office of the Auditor General of Canada:

1. Do Office of the Auditor General of Canada's audits help you in holding the government to account?
2. Were the audits findings reported in an objective and fair manner?
3. Did the "main points" section of the audit reports provide a useful summary?
4. Were Office of the Auditor General of Canada's audit reports easy to understand?
5. Did the audits act as a catalyst for making important changes?
6. Did the audits identify opportunities for improvement?
7. Were the audits an important source of information that supported the work of the committee?
8. Did recommendations in the audit reports focus on the most significant problems identified by the audit?
9. When appearing before your Committee, were individuals from the Office of the Auditor General of Canada well prepared?
10. When appearing before your Committee, did individuals from the Office of the Auditor General of Canada provide satisfactory responses to questions?

Response options are made on a 6-point scale of "almost never", "seldom", "sometimes", "often", "almost always", and "do not know/no opinion".

Space is available for additional comments regarding the work of the Office of the Auditor General of Canada and how to make reports more useful, as well as for other suggestions to improve interaction between the Office of the Auditor General of Canada and the committees.

Source: Adapted from Office of the Auditor General of Canada (n.d.), "Survey of Parliamentary Committee Members", *www.oag-bvg.gc.ca/internet/English/acc_fs_e_9379.html.*

Survey and assess media coverage to enhance communication of main findings

The TCU could also more systematically survey and report internally on media coverage related to the main audit findings of the CPR. Secom contracts a third party to perform both qualitative and quantitative analysis of media coverage of its audit processes, including: *i)* the number of print and Internet news articles published about TCU control and oversight processes in general; *ii)* which TCU processes are of most interest to these print and Internet news media; and *iii)* which TCU processes are explored in greatest depth by print and Internet news outlets. This information is also used for monitoring and reporting on implementation of the TCU Strategic Plan. In relation to the TCU audit of the CPR, Secom only provides information on the number of news outlets and articles published. For example, Secom identified 71 articles in 56 news outlets on the audit of the FY 2011 CPR in the days immediately after the TCU plenary session.

A more systematic approach to monitoring media coverage on the audit of the CPR would include assessing whether the media reports reflected the content and tone of the TCU press release. Table 4.8 presents a synthesis of the basic analysis conducted by the OECD of media coverage given to the audit of the FY 2011 CPR in the days after its release. It is based on the content, but not the tone, of the TCU press release, i.e. it touches on whether the media reports address what the TCU included in its press release rather than how the media reports presented the TCU content. There were 71 articles about the audit of the CPR; 22 of the 71 newspapers providing coverage were in the top 50 by circulation (as defined by the Brazilian National Association of Newspapers). Many newspapers did focus on the TCU qualifications – specifically in relation to the Growth Acceleration Programme, sustainable development, energy, infrastructure, and the 2014 World Cup. None, however, made reference to the TCU recommendations on these subjects. By comparison, only six articles focused on the BGU, and eight focused on compliance of federal government budget execution with budgetary laws.

Table 4.8. Media coverage of Brazilian Federal Court of Accounts' main findings on the FY 2011 Accounts of the President of the Republic in the days immediately following the Plenary decision

Analysis	Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup	BGU	Compliance with budget execution
Reference to TCU qualification	6	6	3	8	2	5	7	6
Discussion of TCU qualifications	25	18	25	33	1	12	0	0
Discussion of TCU recommendations	0	0	0	0	0	0	n.a.	0
Government response to TCU qualifications	6	5	11	1	0	7	0	0
Total	37	29	39	42	3	24	7	0
Of which, top 50 national media, by circulation	17	10	14	11	0	3	5	4

Notes:

BGU = General Balance of the Union; TCU = Federal Court of Accounts; Annex 4.A2 provides underlying data for this table.

Conclusions and recommendations

The TCU has taken a number of actions to broaden the communications mix on the audit of the CPR through the media, Internet and other means. Specific actions include the creation of an executive summary, synthesis sheets, much of which is communicated through the Internet, as well as the Internet, social media, TV and radio. The actions support communication to the wider public in a timely fashion about its main findings on the audit of the CPR, in line with ISSAI on "Principles of Transparency and Accountability". While communication to the wider public is important, it should serve to augment communication to the primary audiences and not serve as a substitute for it. In this context, the TCU could consider implementing a number of recommendations to advance its communication of the main findings and assessment of audit impact in relation to the CPR. At the core of the recommendations is a proposition to develop an

explicit co-ordinated communication strategy, linking existing communication activities and providing a framework for assessing impact.

This role of an explicit co-ordinated communication strategy can also be considered in conjunction with the findings from Chapters 1 and 2 of this peer review. Chapter 1 notes that the TCU could take action to comprehend the barriers and constraints affecting the National Congress' understanding, awareness and use of the CPR and the TCU audit findings. The National Congress only begins to scrutinise the CPR using the TCU audit findings, on average, two-and-a-half years after receiving these materials. Greater understanding of these constraints and barriers could assist the TCU in working together with the National Congress to enhance public sector accountability and inform decision making, linking *ex post* and *ex ante* budget oversight. Chapter 2 focused on enhancing audit reporting. For example, an explicit co-ordinated communication strategy can help to address the current disconnect between the content of the audit report and the main audit findings, as well as to frame these findings to guide audiences' understanding of their significance.

Box 4.6. Recommendations for the Brazilian Federal Court of Accounts: Communicating main findings and assessing impact

Communicating main audit findings to primary target audiences

- Develop an explicit co-ordinated communication strategy for the audit report on the CPR. *In doing so,*
  - Define clearly the target audiences for the audit, paying attention to their knowledge, understanding & use of the main findings in order to tailor more specific communication messages;
  - Monitor the external environment to ensure that the communication of audit findings is effectively linked to current issues and public policy debates within the National Congress and media; and
  - Include within the strategy clear indicators for measuring the communication's impact, and allocate clear responsibility and resourcing for this responsibility.
- Present the main findings at the National Congress to the congressional committees, in addition to inviting the presidents of the National Congress to the extraordinary session of the Plenary on this audit.
- Refine communication instruments, selecting an appropriate mix for different primary and secondary audiences. *In doing so,*
  - Focus the executive summary and synthesis sheets communication products on the main findings to guide primary audiences' understanding; framing the findings to emphasise their significance;
  - Evaluate the need for producing both synthesis sheets and executive summary on the main findings, giving attention to primary audiences' use of both products;
  - Clearly brand the TCU synthesis sheets on the audit of the CPR as part of the audit of the CPR; if they stand alone, there is no way to tell that they stem from the main findings of the CPR;
  - Provide a direct link between the dedicated TCU webpage for the audit of the CPR and the dedicated webpage for the CPR; and
  - Publish press release and contact information for journalists on the dedicated TCU webpage for the audit of the CPR.

Box 4.6. Recommendations for the Brazilian Federal Court of Accounts: Communicating main findings and assessing impact (*cont.*)

  - Provide information on control and oversight activities linked to follow up main findings on the dedicated TCU webpage for the audit of the CPR.

- Enhance co-ordination in the communication planning, implementation, evaluation and lesson learning among Semag, Secom and Aspar and other secretariats of external control involved in reporting.

Systems and indicators to assess communications and broader audit impact

- Systematically report on federal executive's actions to address all qualifications and implement all recommendations related to previous audits of the CPR.
- Present qualifications from current and previous audit of the CPR together, including them in the audit report until they have been satisfactorily addressed by the federal executive.
- Present recommendations from current and previous audit of the CPR together, including them in the audit report until they have been satisfactorily implemented by the federal executive.
- Conduct periodic surveys of members of the National Congress – specifically, the CMO – to evaluate their knowledge, understanding and use of the main findings.
- Conduct media analyses to assess the accuracy of media coverage of the audit findings, to evaluate whether TCU communication activities are clear and effective.

Annex 4.A1

Media coverage of the Brazilian Federal Court of Accounts' audit of the FY 2011 Accounts of the President of the Republic

Table 4.8 has been prepared drawing upon the Brazilian Federal Court of Accounts (TCU) media clippings from on the audit of the FY 2011 Accounts of the President of the Republic (CPR) in the days immediately after the TCU Plenary decision on this audit. Table 4.A1.1 presents the summary of the analysis with details presented in Table 4.A1.2.

In conducting the analysis the topics included in the TCU press release on the audit of the CPR were first identified. A content analysis of the media clippings was then prepared based on the issues included in the TCU press release. The content analysis focused on whether the media clippings made reference and/or discussed the TCU qualifications or recommendations – as well as whether they included any of the federal executive's response. Data on the media outlets that authored the media clippings were then crossed with circulation data from National Association of Newspapers (*Associação Nacional de Jornais*) to ascertain media coverage of the audit.

Table 4.A1.1. Summary of media analysis on external audit of FY 2011 Accounts of the President of the Republic

Analysis	Topic included in TCU press release					
	Growth Acceleration Plan (PAC)	Sustainable development	*Energy	Infrastructure	Health & education	2014 World Cup
Articles discussing the TCU qualifications	25	18	25	33	1	12
Articles making reference to TCU qualifications	6	6	3	8	2	5
Federal executive's response to TCU qualifications	6	5	11	1	0	7
Total articles that discuss TCU qualifications, make reference to TCU qualifications or government response to TCU qualifications	37	29	39	42	3	24
% total articles	52%	41%	55%	59%	4%	34%

Notes: TCU = Federal Court of Accounts

Table 4.A1.2 Media analysis on external audit of FY 2011 Accounts of the President of the Republic

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release					
				Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
286 398	2	Folha de Sao Paulo (SP)	Record level of tax expenditure concern TCU	●			●		
263 046	4	O Estado de Sao Paulo (SP)	TCU ignores problems and approves Dilma's accounts	●●		●●			●●
256 259	5	O Globo (RJ)	TCU approves Dilma's government accounts with qualifications				●		
			TCU approves Dilma's accounts but demands action	●●		●●			
188 561	6	Zero Hora (RS)	TCU approves Dilma's government accounts						
79 823	16	Estado de Minas (MG)	Tax expenditure concerns TCU	●●		●●			
			Politics update – Personal prestige						
56 321	20	Correio Brasiliense (DF)	Tax expenditure concerns TCU	●●		●●			
50 288	21	O Dia (RJ)	TCU approves the 2011 accounts with qualifications	●●	●●		●●		
			Hoffman says that government is working to reduce costs	R	R	R			R
			Qualification exists in Dilma's accounts, says TCU	●					
47 140	22	O Tempo (MG)	TCU approves the accounts with qualifications		●	●	●		
45 377	23	A Tarde (BA)	TCU approves Dilma's government accounts with qualifications	●●	●●		●●		
43 513	23	Gazeta do Povo (PR)	Tax expenditures higher than social expenditure	●					●

Table 4.A1.2. Media analysis on external audit of the FY 2011 Accounts of the President of the Republic (*cont.*)

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release					
				Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
41 830	26	Jornal do Commercio PE(PE)	TCU approves the 2011 government accounts with qualifications	●●	●●		●●		
41 533	27	Diario Catarinense (SC)	TCU approves 2011 accounts	●●					
41 222	28	Diario de Sao Paulo (SP)	TCU approves government accounts with qualifications	●●	●●		●●		
34 681	32	Correio da Bahia (BA)	TCU approves 2011 government accounts with qualifications	●●	●●		●●		
33 639	34	O Popular (GO)	Dilma's accounts have 25 qualifications		●	●	●		
33 114	33	Diario do Nordeste (CE)	Ceará has 6% of Union's transfers			●●			
27 125	39	Hoje em Dia (MG)	TCU approves Dilma's government accounts with qualifications			●●	●●		
26 785	41	A Gazeta ES (ES)	Dilma's accounts has 25 qualifications						
24 762	44	Diario de Pernanbuco (PE)	TCU approves 2011 accounts with qualifications	●●	●●		●●		
			Tax expenditure concerns TCU (Renuncias fiscais preocupam TCU)	●●					
20 751	47	A Tribuna SP (SP)	TCU approves prior opinion on the accounts of the Republic		●●				
14 926	9	Correio do Povo (RS)	TCU approves Dilma's accounts						
			Gleisi wants to cut government costs	R		R			

Table 4.A1.2. Media analysis on external audit of the FY 2011 Accounts of the President of the Republic (*cont.)*

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release					
				Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
n.a.	-	A Gazeta MT (MT)	TCU approves the accounts with qualifications	●●	●●		●●		
			Minister says government is working to reduce costs	R		R			R
n.a.	-	Agencia Brasil (DF)	TCU approves 2011 accounts with qualifications	●●	●●				
n.a.	-	Brasil Economico (SP)	Stability opens the window for growth		●●	●●			
			Gleisi Hoffmann says government is working to reduce costs		R	R	R		R
n.a.	-	DCI (SP)	TCU approves Dilma's government accounts with qualifications			●●	●●		●●
n.a.	-	Diario da Manha (GO)	TCU approves Dilma's government accounts with qualifications		●●	●●R	●●		
n.a.	-	Diario de Natal (RN)	TCU approves Dilma's government accounts, but has 25 qualifications	●●		●●			
n.a.	-	Estadao.com (SP)	TCU approves, with qualifications, the 2011 federal government accounts			●●	●●	●	
n.a.	-	Extra RJ Online (RJ)	TCU approves, with qualifications, the 2011 federal government accounts			●●	●●	●●	●●
n.a.	-	Folha de Pernambuco (PE)	Dilma's first government accounts approved by TCU, but has qualifications			●●	●●		

Table 4.A1.2. Media analysis on external audit of the FY 2011 Accounts of the President of the Republic (*cont.)*

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release					
				Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
n.a.	-	G1 (RJ)	TCU approves, with qualifications, Dilma's first government accounts			●●	●●		
			TCU approves, with qualifications, the 2011 federal government accounts			●●	●●		
n.a.	-	Gazeta do Sul (RS)	TCU approves the 2011 government accounts with qualifications	●●	●●		●●		
n.a.	-	Istoe Online (SP)	TCU approves Dilma's government accounts with qualifications			●R	●		
n.a.	-	Jornal da Brasilia (DF)	Gleisi Hoffman says that the government is working to reduce costs		R	R			R
			TCU approves Dilmas's government accounts with qualifications			●●	●●		
n.a.	-	Jornal da Midia (BA)	TCU approves the 2011 government accounts with qualifications	●●	●●		●●		
n.a.	-	Jornal de Brasilia (DF)	Approved, but with qualifications			●●	●●		
n.a.	-	Jornal do Commercio RJ (RJ)	TCU approves the 2011 government accounts with qualifications	●●	●●		●●		
			Gleisi Hoffman says that government is working to reduce cost and raise investment	R	R	R			R
n.a.	-	Jornal do Senado (DF)	TCU approves, with qualifications, Dilma's accounts	●					●

Table 4.A1.2. Media analysis on external audit of the FY 2011 Accounts of the President of the Republic (*cont.)*

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release					
				Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
n.a.	-	Jusbrasil (SP)	TCU approves, with qualifications, the 2011 federal government accounts				●●		●●
n.a.	-	Monitor Mercantil (RJ)	Gleisi Hoffman says that government is working to reduce costs	R	R	R			R
			TCU approves the government accounts with 25 qualifications	●●		●●			
			TCU approves the government accounts with qualifications	●●	●●		●●		
n.a.	-	MSN Noticias (SP)	TCU approves, with qualifications, the 2011 federal government accounts			●●	●●		●●
n.a.	-	Novo Jornal (MG)	TCU approves, with qualifications, Dilma's 1st government accounts (	●●	●●		●●		
n.a.	-	O Globo online	TCU approves, with qualifications, the 2011 federal government accounts			●●	●●		●●
n.a.	-	O Liberal (PA)	TCU approves Dilma's government accounts but with qualifications			R	●●		
n.a.	-	O Mossoroense (RN)	TCU considers today, the 2011 government accounts	●			●		●
			TCU approves the government accounts with qualifications	●●	●		●	●	
n.a.	-	O Tempo (MG)	Gleisi Hoffmann says that the government is working to reduce costs and increase investment	R		R			R

Table 4.A1.2. Media analysis on external audit of the FY 2011 Accounts of the President of the Republic (*cont.)*

By distribution and then alphabetical order
●● = Discussion of TCU qualifications; ● = Reference to TCU qualifications; R = Government response to TCU qualifications

Circulation	Ranking (top 50)	Media publication (and state, if applicable)	Article title	Topic included in TCU press release: Growth Acceleration Plan (PAC)	Sustainable development	Energy	Infrastructure	Health & education	2014 World Cup
n.a.	-	Portal da Band	Brazil: TCU approves Dilma's first government accounts						
n.a.	-	R7 (SP)	TCU approves, with qualifications, the 2011 federal government accounts		●	●●	●●		●●
n.a.	-	Reuters (SP)	TCU approves, with qualifications, the 2011 federal government accounts			●●	●●		
n.a.	-	Senado Federal	TCU approves government accounts with 25 qualifications	●	●				●
n.a.	-	Terra (SP)	TCU approves, with qualifications, the 2011 government accounts			●●	●●		●●
n.a.	-	Tribuna do Norte (RN)	The TCU approves today the 2011 government accounts (TCU approves the 2011 government accounts with qualifications	 ●●	● ●●		● ●●		●
n.a.	-	Valor Economico (SP)	TCU approves the 2011 accounts with 25 qualifications and 40 recommendations	●●			●●		●●
n.a.	-	Valor online (SP)	TCU approves Dilma Rousseff's 2011 government accounts with qualifications						●●
n.a.	-	Veja online (SP)	TCU approves Dilma's government accounts with 25 qualifications	●●	●●	●●	●●		●●
n.a.	-	Yahoo (SP)	TCU approves 2011 federal government accounts with qualifications			●●	●●		●●

Notes:

BA = Bahia; CE = Ceará; DF = Distrito Federal; ES = Espírito Santo; GO = Goiás; MG = Minas Gerais; MT = Mato Grosso; PA = Pará; PE = Pernambuco; PR = Paraná; RJ = Rio de Janeiro; RN = Rio Grande do Norte; RS = Rio Grande do Sul; SC = Santa Catarina; SP = São Paulo.

Source: Associação Nacional de Jornais (National Association of Newspapers), "Maiorer Jornais do Brasil" [Major Newspapers in Brazil], *www.anj.org.br/a-industria-jornalistica/jornais-no-brasil/maiores-jornais-do-brasil.*

Annex 4.A2.

Link between the "Priority Topics Report" and main findings of past audits of the Accounts of the President of the Republic

Table 4.A2.1. Potential link between "Priority Topics Report" and main findings of past audits of the Accounts of the President of the Republic

Brief description of challenge/risk facing the government	Audited fiscal year 2007	2008	2009	2010	2011
1 Increase in foreign reserves and co-ordination between monetary and fiscal policies	-	-	-	-	-
2. Incomplete & inaccurate data in the federal executive's information systems supporting the Pluri-annual Plan	• Qualification VIII • Recommendation IX	• Recommendations VIII, IX, X & XI	• Qualification IX	-	• Recommendation II
3. Disconnect between priorities & goals in various budgetary documents, resulting in reduced focus of public sector entities in monitoring & reporting	-	• Qualification III	• Qualification I • Recommendation I	• Recommendation I	• Qualification III
4. Committed expenditure carried over to next fiscal year	• Qualifications II & IV • Recommendations VI & VII	-	• Recommendations XXI & XXII	-	• Qualification XIX
5. Voluntary transfers	-	-	-	-	-
6. Minimum spending on health and education	-	-	-	-	-
7. Collection of administrative fines	-	-	• Qualification III	-	-
8. Need to monitor tax expenditure	-	-	• Qualification X	-	-
9. Oversight of national policy on regional development	-	-	-	-	• Recommendation IX
10. Accounting inconsistencies found in the consolidated financial statement of the federal government	• Qualifications VI,VII,VIII • Recommendations XV, XVIII & XIX	• Recommendations XV,& XXV	• Qualification XIII • Recommendations XV & XXXII	• Qualification VII • Recommendation VII	• Qualifications IX, X-& XXV
11. Necessity to measure and monitor effectively the costs of goods and services in public administration	-	-	-	• Qualification IX	-

Table 4.A2.2. Actual link between "Priority Topics Report" and past audits of the Accounts of the President of the Republic

	Audited fiscal year				
	2007	2008	2009	2010	2011
1 Increase in foreign reserves and co-ordination between monetary and fiscal policies	n.a.	n.a.	n.a.	n.a.	n.a.
2. Incomplete & inaccurate data in the federal executive's information systems supporting the Pluri-annual Plan	None	None	None	n.a.	None
3. Disconnect between priorities & goals in various budgetary documents, resulting in reduced focus of public sector entities in monitoring & reporting	n.a.	None	None	None	None
4. Committed expenditure carried over to next fiscal year	None	None	None	None	None
5. Voluntary transfers	n.a.	n.a.	n.a.	n.a.	n.a.
6. Minimum spending on health and education	n.a.	n.a.	n.a.	n.a.	n.a.
7. Collection of administrative fines	n.a.	n.a.	None	n.a.	n.a.
8. Need to monitor tax expenditure	n.a.	n.a.	None	n.a.	n.a.
9. Oversight of national policy on regional development	n.a.	n.a.	n.a.	n.a.	None
10. Accounting inconsistencies found in the consolidated financial statement of the federal government	None	None	None	None	None
11. Necessity to measure and monitor effectively the costs of goods and services in public administration	n.a.	n.a.	n.a.	None	n.a.

Notes :

n.a. = Not applicable.

Topics 1 and 5 also appear in FY 2006. Topic 6 also appears in FY 2005 and FY 2006 consolidated year-end government reports. Topic 8 also appears in FY 2004, FY 2005 and FY 2006 consolidated year-end government reports. Topic 9 also appears in FY 2002 consolidated year-end government reports. Topic 11 also appears in FY 2004 consolidated year-end government reports.

Source: TCU (2012), *Temas de Destaque das Contas do Governo dos Últimos 5 Anos : 2007-2011* (Priority Topics in the Consolidated Year-end Government Report Over the Past Five Years: 2007-2011), Brazilian Federal Court of Accounts, Brasilia.

Note

1. See for example Dye, 2009; El Midaoui, 2011; Jezierski, 2011; and UN/INTOSAI, 2011. In relation to SAI performance and impact, see for example Goldsmith, 2007; Nombembe, 2007; UN/INTOSAI, 2007; and Walker, 2007.

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THE AUDIT OF THE CONSOLIDATED YEAR-END GOVERNMENT REPORT

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