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ACCOUNTABILITY AND TRANSPARENCY IN PUBLIC SECTOR REPORTING

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SUMMARY

1. Introduction
2. Public Management
3. Public Accounting
4. Public Auditing
5. Final remarks



1. INTRODUCTION (1/2)

1.1. PUBLIC ADMINISTRATION AND PUBLIC SECTOR

- Nature and public/private law regimen
 - Public Administration/Public Sector acts:
 - On behalf of citizens;
 - To the citizens; and
 - With public resources (from citizens)
(Financial citizenship)
 - Consequently, Public Administration/Public Sector must act according with the legal framework and its principles, render accounts and be submitted to evaluation and audit and to be accountable
 - The relations Public Sector – Users; Public Sector – Clients; and Public Sector - Citizens

1. INTRODUCTION (2/2)

1.2. THE ROLE AND PLACE OF PRINCIPLES IN PUBLIC MANAGEMENT

- The principles guide public management even with discretionary powers
([Images 2 and 3.pptx](#))
- The principle of trust is crucial in social life:
 - Etymological origin (*con+fides*: fully believe on reliability, honesty, truth...)
 - The principle of trust involves predictability, stability and good faith!
 - The lack of trust in institutions is difficult recovery!
 - The trust is key to everything, including the results – The basis is the commitment!

2. PUBLIC MANAGEMENT (1/3)

2.1. DEMONSTRATIONS OF SOUND PUBLIC MANAGEMENT BUILDING TRUST

- Leading by example
- Good management: economy, efficiency, effectiveness
- Managing with the involvement of citizens
- Concern for preservation of public heritage
- Response to requests from citizens
- Recognition of errors and its correction...
- Be aware of comments and suggestions received
- Consideration and implementation of the recommendations received
- Timely fulfillment of the contracts
- Transparency and accountability
- Management with results corresponding to taxes payed by citizens
- Assumption of the responsibilities



2. PUBLIC MANAGEMENT (2/3)

2.2. SOME ASSURANCE OF GOOD PUBLIC MANAGEMENT

- The need of risks management prevention
 - Guarantees:
 - The existence of strong public institutions (for example, the SAI, the Central Bank,...)
 - Appointment of public manager by merit
 - Plans of risk management prevention
 - Education and development
 - Rational organisation of public bodies
 - Adequate Accounting system
 - Obligation of rendering of accounts
 - Prevention and fight against corruption
 - Evaluation and auditing;
 - Clear regime of who is responsible... and the consequences

2. PUBLIC MANAGEMENT (3/3)

2.3. THE CONTRIBUTION OF CITIZENS FOR SOUND MANAGEMENT

([Image 4.pptx](#))

- Justice on taxation
- Financial citizenship
- Participation (for example, participatory budgeting)
- Suggestions...

3. PUBLIC ACCOUNTING (1/11)

3.1. THE ACCOUNTS

- The accounts, product of accounting systems
- Reflection of organisations activity, in connection with:
 - Management reports; and
 - Activities reports
- Instruments for management and the definition of macroeconomic policies.

3. PUBLIC ACCOUNTING (2/11)

3.2. RENDERING ACCOUNTS AND CITIZENSHIP

- The rendering of accounts strengthens the exercise of civil, economical and political rights
- ARISTOTLE, in *Politics*:
«The rendering of accounts must be public, in order to inform citizens and to evaluate those who manage public resources»
- Art. 15.^º da *Declaration of Human Rights and Citizens*, of 1789:
«La société a le droit de demander compte à tout agent public de son administration»



3. PUBLIC ACCOUNTING (3/11)

3.3. RENDERING ACCOUNTS, AUDITING AND RESPONSIBILITY

- The accounts, as a basis of audit and judgment of responsibilities
 - Internal and external audit
 - Audit of sound management and political scrutiny
 - Types of responsibilities concerning public management
 - Power and Autonomy *versus* Responsibility

3. PUBLIC ACCOUNTING (4/11)

3.4. THE TRIBUNAL DE CONTAS (COURT OF ACCOUNTS) AND THE OBLIGATION OF RENDERING ACCOUNTS

- The obligation of rendering accounts to the *Tribunal de Contas*

Arts. 51.^º and 52.^º, Law nr. 98/97

- Consequences

Arts. 65.^º and 66.^º, Law nr. 98/97

3. PUBLIC ACCOUNTING (5/11)

3.5. THE NEW PORTUGUESE ACCOUNTING SYSTEM FOR PUBLIC ADMINISTRATION (SNC-AP) – CHANGING CONTEXT

- To satisfy the needs of good management, planning, rendering of accounts and auditing
- Building and uniforming the system with higher quality
- The recent financial crisis

Accounts and bad accounts

- The global and integrated world where we live:
 - IPSAS
 - EPSAS
 - SEC (cfr. Directive of Council nr. 2011/85/EU);
- New requirements for better performance in Public Sector

3. PUBLIC ACCOUNTING (6/11)

3.6. THE SNC-AP – POSITIVE ASPECTS

- Extended application to Public Administration
- Alignment with international standards and with European Union SEC
- Better access to data concerning tax revenues, patrimony, State debt, Treasury...
- Comparability and consolidation of fiscal information, allowing an integrated and complete view of Public Finance

3. PUBLIC ACCOUNTING (7/11)

3.6. THE SNC-AP – POSITIVE ASPECTS (cont.)

In consequence:

- More transparency
- Best tool for management, including planning
- Better accountability
- Best tool for auditing, *maxime*, performance audit:
 - The information available allows analysis of the economy, efficiency and effectiveness and to appreciate the sustainability of Public Finance
- Better instrument for the judgement of responsibilities

3. PUBLIC ACCOUNTING (8/11)

3.7. THE SNC-AP – SOME CHALLENGES

- The rendering of accounts according with the new system
- Definition of evaluation indicators
- The adaptation of IT
- The certification of the General Account of the State
- The involvement of Public Managers
- The needs of specific training



3. PUBLIC ACCOUNTING (9/11)

3.8. INTERNACIONAL COMPARISON

DATA CONCERNING OECD MEMBER STATES

(Source – French *Cour des comptes* (2016), *La comptabilité générale de l'État, dix ans après: Une nouvelle étape à engager*, Paris)

- 1 – The majority of Member States present public accounts annually
- 2 – Diversity of accounting practices in Public Sector
- 3 – Trend to have more States with accounting system based on IPSAS
- 4 – The certification of public accounts is a good contribution to improve accounting systems
- 5 – It is not easy to determine the costs of this type of reform
- 6 – To be useful, public financial statements must be elaborated in a short term
- 7 – Financial statements allow a long term economic view
- 8 – A large consolidation of accounts allows better public management

3. PUBLIC ACCOUNTING (10/11)

3.8. INTERNACIONAL COMPARISON (cont.)

DATA CONCERNING OECD MEMBER STATES

(Fonte: OECD/IFAC (2017), *Accrual practices and reform experiences in OECD Countries*, OECD Publishing, Paris)

1. “Around three-quarters of OECD Countries have adopted accrual accounting for their year-end financial reports, although they have not necessarily implemented all aspects (...)”
2. “Most Countries that have implemented accrual accounting reforms report a large range of assets, including lands and buildings, defence equipment and infrastructure, but certain liabilities, such as debt related to public-private partnerships (PPPs) and civil servant pensions are not reported by a significant number of Countries”
3. “The rationale for this situation varies depending on the Country: (...) technical difficulties for inventorying assets and evaluating liabilities (...) and lack of international consensus on the appropriate accounting treatment”
4. “More than a quarter of OECD Countries prepare their annual budgets on an accrual basis”

3. PUBLIC ACCOUNTING (11/11)

3.8. INTERNACIONAL COMPARISON (cont.)

DATA CONCERNING OECD MEMBER STATES

(Fonte: OECD/IFAC (2017), *Accrual practices and reform experiences in OECD Countries*, OECD Publishing, Paris)

5. “Looking at the accounting and budgeting framework as a whole, there are (...) two dominant practices: a vast majority of Countries prepare accrual financial statements but use cash appropriations in their budgets”
6. “Despite a majority of Countries having adopted accrual accounting, the direct adoption of international accounting standards, such as *International Public Accounting Standards (IPSAS)* or *International Financial Reporting Standards (IFRS)* by national governments is very low”
7. “Only 15% of OECD Countries provide an overview of the Public Sector as a note in their financial statements, and another 20% do so at the federal level”
8. “Financial statements are subject to independent external control or audit in all OECD Countries”
9. “A majority of Countries have expressed satisfaction on that the reform’s transparency and accountability objectives have been fully achieved”

4. PUBLIC AUDITING (1/8)

4.1. STRUCTURAL VIEW OF PUBLIC FINANCIAL ADMINISTRATION (EUROPEAN UNION AND PORTUGAL)

Função/Atividade	SETOR PÚBLICO ADMINISTRATIVO *					Setor Empresarial Público
	União Europeia	Estado	Regiões Autónomas	Municípios	Freguesias	
Autoridade Financeira/ /Orçamental	Parlamento Europeu e Conselho	Assembleia da República	Assembleias Legislativas	Assembleias Municipais	Assembleias de Freguesia	
Função executiva/ /gestão/administração	Comissão Europeia e outros órgãos de gestão	Governo e outros órgãos de gestão	Governos Regionais e outros órgãos de gestão	Câmaras Municipais e outros órgãos de gestão	Juntas de Freguesia	
Controlo interno	Departamento de controlo da Comissão Europeia	Inspeções-Gerais e outras unidades	Inspeções Regionais e outras unidades	Inspeção tutelar e Unidade de Auditoria Interna	Inspeção tutelar e Unidade de Auditoria Interna	
Controlo externo e independente	Tribunal de Contas Europeu	Tribunal de Contas	Tribunal de Contas	Tribunal de Contas	Tribunal de Contas	

* Não explicita entidades da Administração Pública indireta e associações



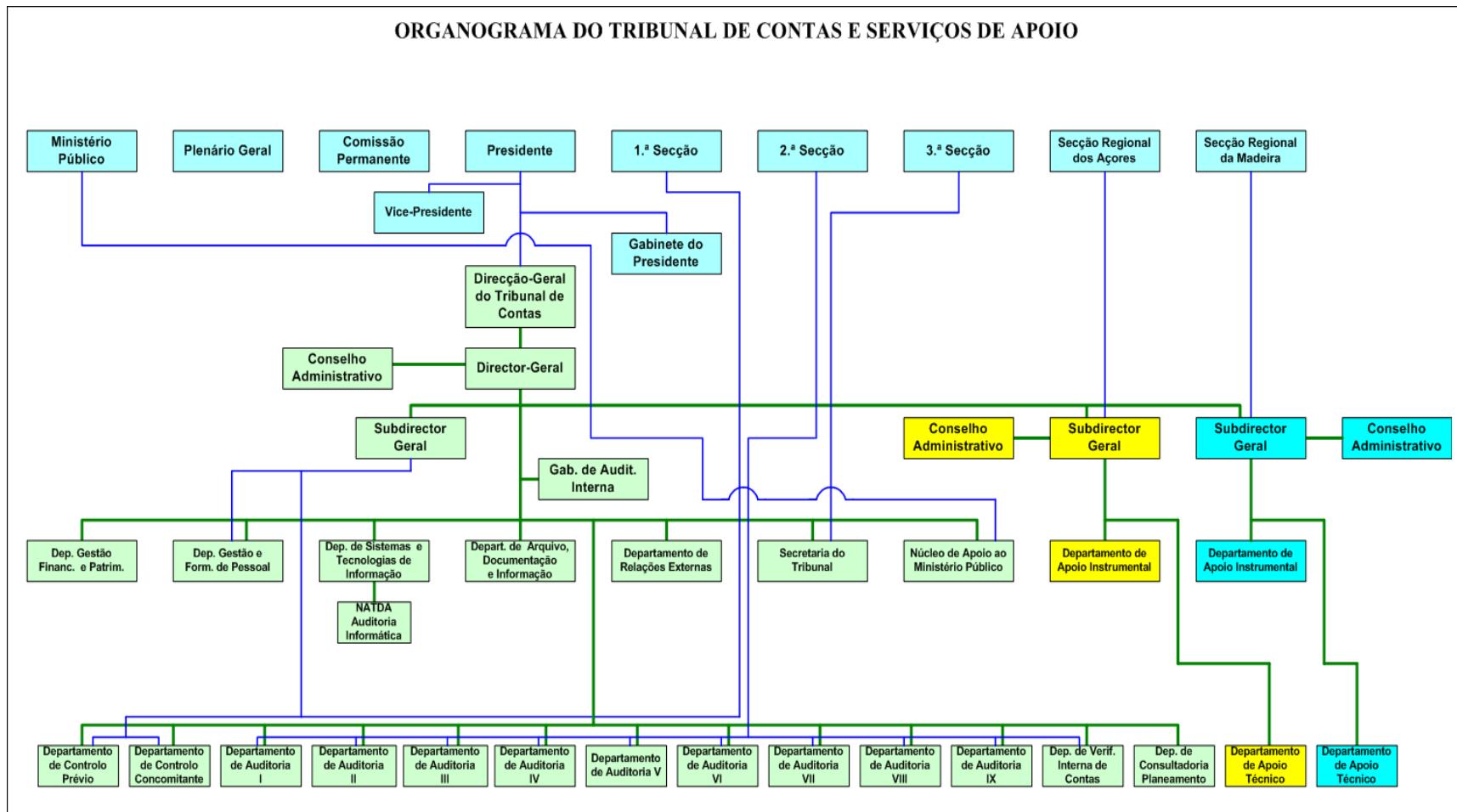
4. PUBLIC AUDITING (2/8)

4.2. TYPES/MODELS OF SUPREME AUDIT INSTITUTIONS (SAIs)

- Court of Audit (Court of Accounts/Court of Auditors)
- Auditor General Model
- Mixed Model

4. PUBLIC AUDITING (3/8)

4.3. THE PORTUGUESE MODEL: COURT OF AUDIT/COURT OF ACCOUNTS



4. PUBLIC AUDITING (4/8)

4.4. CURRENT STRUCTURAL ISSUES OF PUBLIC AUDITING

- Single audit”?
- Articulation internal control/external control
- Who audits can judge?
- Certification of accounts – financial audit *versus* performance audit?
- Laws and rules *versus* standards and guidelines?

4. PUBLIC AUDITING (5/8)

4.5. CURRENT REQUIREMENTS IN PUBLIC AUDITING

STRENGTHENING THE AUDITING STANDARDS:

- Independence and ethics
- Professionalization (XXII INCOSAI 2016)
- Quality and consistency
- Good leading of audit teams
- Audit risks and materiality (correct, complete and appropriate conclusions and recommendations)
- Improvement of criteria and indicators for performance auditing

4. PUBLIC AUDITING (6/8)

4.6. SOME PRINCIPLES OF PUBLIC AUDITING

- Contradictory
- Relevance, including present subjects
- Possibility of audit all public resources
- Selectivity
- Publicity
- Access to information. The role of SAIs and the information available



4. PUBLIC AUDITING (7/8)

4.7. CURRENT TOPICS FOR PUBLIC AUDITING

- Audit of Ethics in Public Sector
 - Performance audits to evaluate programmes and public policies, namely in social sectors (health, education, environment...)
 - International environmental agreements
 - Humanitarian aids



4. PUBLIC AUDITING (8/8)

4.8. AND AFTER AUDITING?

- The information to citizens and their representatives (Parliaments)
 - The auditees and the recommendations received from SAIs
 - The judgement of responsibilities, specially, fiscal responsibility
 - The strategic planning



TRIBUNAL
DE CONTAS

5. FINAL REMARKS

- CURRENT AND FUTURE DEMAND
 - QUALITY OF ACCOUNTS (RELIABLE, ACCURATE, COMPLETE, TIMELY, ACCESSIBLE AND EASY CONSULTATION)
- STRATEGIC OBJECTIVES OF *TRIBUNAL DE CONTAS*: PROMOTE GOOD GOVERNANCE, RENDERING OF ACCOUNTS AND RESPONSIBILITY IN PUBLIC FINANCE
 - THESE OBJECTIVES ARE IN LINE WITH THE NEW ACCOUNTING SYSTEM
 - THEREFORE, THE IMPLEMENTATION OF THE NEW ACCOUNTING SYSTEM MUST BE MONITORED
- MANAGEMENT, RENDERING OF ACCOUNTS , AUDITING AND TRANSPARENCY
 - ([Images 5, 6 and 7.pptx](#))
- RENDERING OF ACCOUNTS , AUDITING AND TRUST
 - ([Image 8.pptx](#))



PUBLIC ADMINISTRATION AND PUBLIC SECTOR

IMAGE 1



IN: <https://pt.wikipedia.org/wiki/Porto>

THE ROLE AND PLACE OF PRINCIPLES IN PUBLIC MANAGEMENT

IMAGE 2



<https://pplware.sapo.pt/informacao/estadio-dragao-equipado-wifi-alta-densidade/>

THE ROLE AND PLACE OF PRINCIPLES IN PUBLIC MANAGEMENT

IMAGE 3



IN: <http://www.panoramio.com/photo/48314832>



THE CONTRIBUTION OF CITIZENS FOR SOUND MANAGEMENT

IMAGE 4



IN: https://pt.wikipedia.org/wiki/Tapete_persa



MANAGEMENT, RENDERING OF ACCOUNTS AND TRANSPARENCY

IMAGE 5



"O Número" de Almada Negreiros



TRIBUNAL
DE CONTAS

2531847

MANAGEMENT, RENDERING OF ACCOUNTS AND TRANSPARENCY

IMAGE 6



Fonte: Arquivo fotográfico do Tribunal de Contas

MANAGEMENT, RENDERING OF ACCOUNTS AND TRANSPARENCY

IMAGE 7



IN: <http://whc.unesco.org/en/news/1288/>



RENDERING OF ACCOUNTS AND TRUST

IMAGE 8



IN: <http://www.judydouglass.com/2015/06/trust-living-in-faith-and-hope/>