



ASSESSMENT OF THE RELIABILITY OF THE PORTUGUESE REPUBLIC FINANCIAL REPORT (2010 TO 2019)

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ABSTRACT

Objective: Accountability and transparency are essential values within the New Public Governance, in which reporting emerges as an instrument of accountability from public managers to stakeholders. In this context, the research aims to study the reliability of the Financial Reporting of the Portuguese State from 2010 to 2019.

Method: The investigation method was the case study. It was analysed the limitations disclosed in the Opinions of the General State Account, issued by the Court of Auditors, (TdC), from 2010 to 2019. Data have been classified to carry out the descriptive analysis, allowing the interpretation of the information.

Results: It can be concluded that the reliability of the Portuguese State's financial reporting is conditioned, namely by limitations of the scope and by the existence of material errors. Also, the lack of consolidated financial information and an accounting system that allows the integrated recording of State operations, as provided for in the legislation, affects the transparency and reliability of the General State Account. These constraints also limit the issuing of an opinion by the Court of Auditors under the International Standards on Auditing.

Originality/Relevance: There is no known research on the reliability of the financial reporting of the Portuguese State, which is essential for the desired transparency.

Theoretical/methodological contributions: The study contributes to the knowledge of the public sector transparency, meeting the stakeholders' requirements for good governance practices and accountability.

Keywords: Accountability, Opinion of the General State Account, Reliability, Transparency.

AVALIAÇÃO DA CONFIABILIDADE DO RELATÓRIO FINANCEIRO DA REPÚBLICA PORTUGUESA (2010 A 2019)

RESUMO

Objetivo: A accountability e a transparência constituem valores essenciais no âmbito da New Public Governance, surgindo a prestação de contas como um instrumento de responsabilização dos gestores públicos perante os stakeholders. Neste contexto, a presente investigação visa estudar a fiabilidade do relato financeiro do Estado português no período de 2010 a 2019.

Método: O método de investigação utilizado foi o estudo de caso. Foram estudadas as limitações formuladas e divulgadas nos Pareceres da Conta Geral do Estado de 2010 a 2019, emitidos pelo Tribunal de Contas (TdC) em

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cada ano. Estas foram classificadas por forma a realizar a análise descritiva e permitir a interpretação da informação.

Resultados: Pode concluir-se que a fiabilidade do relato financeiro do Estado Português é condicionada, nomeadamente, por limitações de âmbito e pela existência de erros materialmente relevantes na informação prestada. Também a inexistência de informação financeira consolidada e de um sistema contabilístico que possibilite o registo integrado das operações do Estado, conforme previsto na legislação em vigor, afeta a transparência e a fiabilidade da Conta Geral do Estado. Estas condicionantes limitam, ainda, a emissão de uma opinião por parte do TdC nos termos previstos pelas Normas Internacionais de Auditoria.

Originalidade/Relevância: Não se conhecem trabalhos de investigação sobre a fiabilidade do relato financeiro do português, sendo essenciais no âmbito da desejada transparência.

Contribuições teóricas/metodológicas: O estudo contribui para o conhecimento da transparência no âmbito do Setor Público, atendendo às exigências dos stakeholders por boas práticas de governação e accountability.

Palavras-chave: Accountability, Fiabilidade, Parecer sobre a Conta Geral do Estado: Transparência.

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1 INTRODUCTION

The New Public Governance (NPG) reinforced the need to create mechanisms conducive to transparency and accountability in the Public Sector. Thus, accountability and transparency are increasingly essential values of a good governance model, in which financial reports are an instrument of communication from public managers to citizens and other stakeholders, which should be certified by an external auditor.

Therefore, one of the central pillars of this accountability and transparency is the existence of fiscalization and supervisory entities, such as Bank of Portugal, regulatory bodies, general inspections, and the the Court of Auditors (TdC, in the Portuguese acronym) which exercises the external control (Martins, 2013a).

The annual disclosure of the General State Account (CGE, in the Portuguese acronym), inform citizens and other stakeholders about the origin, application, and results obtained from the public resources. However, the disclosure of reliable information can only be guaranteed through audits, which convey reliability to public financial reporting, whereby the accounts must be accompanied by the certification of an external auditor (Parada et al., 2021). In the context of the GCE, this role is assumed by the TdC when preparing, approving, and disseminating the Opinion of the General State Account (PCGE, in the Portuguese acronym), thus contributing to the reliability of the Portuguese State Account.

The audits by the TdC are carried out under the principles contained in the Court's Audit Manuals and the International Standards of Supreme Audit Institutions (ISSAI), with the TdC pronouncing not only on the legality of the transactions, but also on the economy, efficiency and effectiveness of management and on the reliability of the internal control system. Recommendations are made to the Parliament and/or the Government, so that measures are adopted to suppress the deficiencies detected (Sousa, 1998), and a judgement is made on the financial activity of the State, which may include emphases and Qualifications.

The PCGE issued by the TdC takes into account, not only the fact that it is a sovereign body, as determined by Articles 110, 202 and following of the Constitution of the Portuguese Republic, but also its powers as defined in Article 214(1) of the Constitution, which cover the fiscalization of the legality of the public revenues and expenditures, the assessment of the



financial management, and the judgement of the Account (the PCGE). The latest precedes the approval of the CGE.

In this context, this research aims to assess the reliability of the financial reporting of the Portuguese State in the period from 2010 to 2019, through the study of the limitations formulated and disclosed in the PCGE issued by the TdC in each year, with special attention on its evolution.

Given the growing importance of the TdC as a Supreme Audit Institution (SAI), the PCGEs of the last ten years were analysed, since the TdC plays a key role in the area of accountability and transparency in Portugal.

There are no known research studies on this topic in Portugal, so this study contributes to the knowledge of transparency in the Public Sector, meeting the demands of stakeholders for good governance and accountability practices.

This paper is structured in five sections, starting with this introduction, where the research problem is contextualized and defined, followed by the theoretical framework. The third section is devoted to the methodology and the fourth to the presentation and discussion of the results. Finally, the last section concerns the conclusion.

2 THEORETICAL FRAMEWORK

The NPG introduces private sector management techniques into the public sector, namely concerning the setting of targets and holding the public agents accountable for their results (Osborne, 2006), thus emphasizing the effectiveness and efficiency of public sector, without forgetting accountability, transparency, and fairness (Runya et al., 2015).

Therefore, it seeks to improve the quality, economy, efficiency, and effectiveness of public services, contributing to the reduction of public expenditure (António, 2020), allowing public managers to become aware of the importance of their actions, and also contributing to increasing transparency and accountability.

Accountability is the process by which public managers are responsible for their decisions and actions, subject to external scrutiny (Morais & Teixeira, 2016; Da Silveira et al., 2013; International Federation of Accountants (IFAC), 2001). For Morais and Teixeira (2016), it is associated with external control, allowing citizens to evaluate the economy, efficiency, and effectiveness of public resources, demanding a responsible, rigorous and transparent management of public money.

Thus, accountability is one of the principles of democracy, being associated with transparency in the decisions and actions of public agents, encompassing accrued and transparent information, and to hold and to be accountable (Lopes & Freire, 2010).

Several authors refer to the existence of a set of basic principles underlying good governance and the safeguarding of public resources, such as fairness, accountability, social and organizational responsibility, public control, and transparency (Caldeira, 2016; Silva et al., 2015; Martins, 2013b).

Good governance is not currently limited to the legality of the acts carried out but also encompasses transparency, accountability, and good management of public financial resources, which contributes to the growing role of SAIs. Thus, one of the main challenges that SAIs have nowadays is to develop their activity according to high-quality standards, which result from complying with basic principles of transparency and accountability (Almeida et al., 2012). This leads to higher levels of demands from the framework of the entire budgetary process, not only in terms of the realism of macroeconomic and macrobudgetary forecasts but also in terms of the requirements for transparency of public accounts and the disclosure of financial information.



SAIS must be independent as a basic condition for the development of their public activity, thus ensuring transparency and accountability in the public sector given that the audits they carry out legitimize and give credibility to the financial reports (Amiq et al., 2024; Silva & Inácio, 2015).

Public goods and services are financed mostly by taxes paid by citizens, leading to an increasing demand for information on how that money is spent. This information reaches stakeholders through the disclosure of the CGE, with the GCE audit playing a key role in good governance, as they provide unbiased information and objective assessments on the public management, contributing to increase accountability and integrity of the public sector, thus increasing the citizen's trust (Alves, 2013).

Parada et al. (2021) state that financial auditing, through the issuance of a certification, plays a key role in increasing the credibility of financial statements, helping to prevent anomalies and ensuring that public money is being managed and spent efficiently and effectively, which contributes to integrity, transparency and increased citizens' trust in the government. The International Monetary Fund (2018) also adds that it is through reporting that legislators, auditors, and the general public hold governments accountable for their financial performance. The Conceptual Framework of the Accounting Standardization System for Public Administrations (SNC-AP) (published by Decree-Law No. 192/2015, of 11 September) stresses that financial reporting aims to be useful for accountability and decision-making purposes. Therefore, public accountability has a positive effect on the quality of financial reports (Eliana et al., 2023).

Financial reporting aims to provide useful information to its users, so transparency is essential to trust in the information disclosed (Abreu & Segura, 2019). Financial auditing, namely through the issuance of the Legal Certification of Accounts (CLC, in the Portuguese acronym), has been relevant in increasing the credibility of financial statements (Marques & Almeida, 2004), and is seen as a way to prevent anomalies, ensuring that public resources are being managed and applied appropriately (Costa et al., 2006). In the absence of CLC, users of financial statements cannot conclude that they reflect reality transparently and appropriately (Goodson et al., 2012). According to Goodson et al. (2012) and Hay and Cordery (2017), auditing in the public sector contributes to greater integrity, transparency, and credibility of financial information.

Thus, audit reports assure citizens about the reliability of financial information, identifying more critical areas that must be improved, giving greater credibility in the report (Parada, 2019). Thereby, SAIs contribute to the improvement of public governance through their audit activity, without forgetting the ethical dimension that good governance involves, and they must be seen as credible, and independent entities. This audit must follow the International Standards on Auditing (ISA) to ensure its credibility.

Morais and Teixeira (2016) state that accountability is associated with external control, with the TdC being the promoter of this transparency, which, as an external auditor, oversees the legality and regularity of public revenues and expenditures, assesses good financial management and effective responsibilities for financial infractions, and is responsible “to give an opinion on the General State Account, including that of Social Security, as well as on the account of the Assembly of the Republic” and “to assess the legality, as well as the economy, effectiveness, and efficiency, according to technical criteria, of financial management [...], including the organisation, functioning and reliability of internal control systems” (Law No. 98/97, of 26 August, which approves the Law on the Organisation and Procedure of the Court of Auditors (LOPTC)).

TdC recognition as an external control body is also in Decree-Law No. 155/92, of 28 July, which states in Article 53 that external control is exercised by the TdC under the terms of its own legislation. Also, the Article 68 of Law No. 151/2015, of 11 September, the Budgetary



Framework Law (LEO), defines that the judicial control of the execution of the State Budget is the responsibility of the TdC, and is carried out under the terms of the respective legislation. Given its legal powers, the TdC has an important responsibility in promoting the transparency of public finances, providing guarantees of credibility before the citizens, the parliament, and the Community bodies.

Thus, concerning the State's Portuguese reporting, the Court is the only external control body, and is not subject to any political control, and its decisions are binding, prevailing over any other rules. The TdC audits, including those relating the PCGE, are carried out under the legal and regulatory requirements set out in the Court's Audit Manuals and Procedures, following the ISSAI and under the general principles and guidelines of INTOSAI, improving the efficiency of the resources and the credibility of the audit results, promoting not only transparency, good governance and accountability, but also ensuring that the exercise of its function as auditor is carried out with independence, objectivity, professionalism and ethics, according to accepted processes and methodologies and based on appropriate and sufficient evidence to support the judgments of the audit reports, leading to increased citizens' trust in the public sector.

Confidence in the CGE is obtained through the opinion of the TdC. Despite Article 66 of the LEO provides for the issuance of a certification by this institution, this has been postponed, due to various constraints that have delayed the entry into force of part of this legal diploma.

The CGE includes the accounts of the Central Administration and the Social Security (Article 76 of LEO) and is presented to the Parliament. The CGE includes the financial report of the Portuguese State and the TdC opinion. Article 58 of the LEO defines that CGE is subject to administrative control (under the competence of the entity), jurisdictional (competence of the TdC) and political (under the responsibility of the Parliament), to assess the legality and financial regularity of public revenues and expenditures, and the good management of public money, other public assets, and public debt.

The TdC is responsible for giving an opinion on the CGE (Article 107 and Article 214(1)(a) and (b), both of the Constitution), including the SS Account, which is prepared based on the rules of INTOSAI, of which the TdC is an effective member (Tavares, 2014).

The PCGE issues a judgment on the legality and financial correctness of the operations examined, and may also pronounce on the economy, efficiency, and effectiveness of management, as well as on the reliability of the internal systems control. Recommendations are also made to the Parliament and/or the Government, to override the deficiencies found. These recommendations are presented in a clear, succinct, and precise manner (Court of Auditors, 1999) and consist of guidelines on actions to be taken in the short term to resolve the non-conformities detected and improve public management.

The recommendations cover legality, organization, operation, and administrative and financial management, having a preventive, corrective, and pedagogical function, that is, they do not constitute a decision, but an opinion where one or more paths can be followed. These recommendations may or may not be complied with by the entities, which incur in financial infractions in case of repeated and unjustified non-compliance (Article 65(1)(j) of the LOPTC).

In the PCGE there is also an autonomous point, called "Judgement on the Account", where, under the terms of paragraph 2 of article 41 of the LOPTC, "a judgement on the legality and financial accuracy of the operations examined" is issued. Thus, in addition to the aforementioned judgment on the Account, in this point are also formulated emphases and Qualifications.

Emphases are paragraphs that do not affect the opinion to be issued in the PCGE, aiming to draw attention to issues that are of fundamental importance to the understanding of the CGE, being relevant to the understanding of the audit, of the auditor's responsibilities and/or its report.



ISSAI 1700 ‘Forming an Opinion and Reporting on Financial Statements’ refers to the auditor's responsibility to form an opinion on the financial statements and the layout and content of the auditor's report, while ISSAI 1706 ‘Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report’ addresses the auditor's responsibilities in the additional communication when emphases are included in the report. Thus, emphases relate to matters contained in the CGE, reporting uncertainties regarding the future outcome or that the TdC considers important for the users of the PCGE, such as derogation from budgetary principles and accounting policies or changes in accounting policies that affect the principles of consistency and comparability.

Regarding Qualifications, they are intended to highlight any limitation of scope, detection of errors, omissions, deficiencies, or material misstatements related to the legality and regularity of the transactions examined, the reliability of the internal control systems, the consistency and completeness of the financial reporting or disagreement with the accounting policies adopted, leading to the issuance of a favourable judgment with Qualifications (Court of Auditors, 2016). On the other hand, the existence of a high occurrence of irregularities may raise doubts about the veracity and reliability of the information provided, which may lead to a general reservation about the reliability of the financial information.

The qualifications issued in the PCGE thus relate to four key areas: legality, financial accuracy, accounting systems, and internal control. Table 1 presents a summary of the main characteristics that typify the limitations of the PCGE.

Table 1. Summary of the limitations contained in the PCGE

Limitations	Formulation	Gravity	Incidence	Areas
Recommendations	General Plenary of the TdC (Articles 41 and 75 of the LOPTC)	Of lesser severity, only suggestions and/or guidance are made on how to improve, refine, or implement certain actions or procedures.	Legality, organisation, functioning, administrative and financial management (Articles 41, 54, and 55 of the LOPTC).	Budgetary process, public debt, implementation of accounting plans, financial flows with the EU, treasury operations, reliability of budgetary statements and balance sheet items, etc.
Emphasis	General Plenary of the TdC (Articles 41 and 75 of the LOPTC)	Situations with greater impact. Appear in a specific paragraph, not preventing the formulation of a judgment on the CGE.	Derogation from budgetary principles and accounting policies, changes in accounting policies.	Legality, financial accuracy, and internal control.
Qualifications	General Plenary of the TdC (Articles 41 and 75 of the LOPTC)	More serious situations which may even prevent the formulation of a judgment on the Account.	Scope limitation, detection of material errors and omissions, deficiencies, or misstatements.	Legality, financial accuracy, accounting systems, and internal control.

Source: Own elaboration

3 METHODOLOGY

This research is based on the analysis of the PCGEs prepared by the TdC, published and on the Court's website (www.tcontas.pt), analysing a time horizon of ten years (2010 to 2019). As a research method, the case study was used through document analysis, which in the first phase consisted of manual collection, organization, cataloging, and classification of



information. Data was recorded in a database to allow its analysis and processing. In a second phase, the descriptive analysis and interpretation of the collected data was carried out, which covered the totality of the data under study, based on the recommendations, emphases, and Qualifications made.

The limitations of the study are divided into two blocks:

- ✓ Recommendations, where the recommendations made to the Parliament and/or government for the year in question (n) are analysed and where the analysis is carried out on the degree of acceptance of the recommendations made in the opinion of year n-2 (opinion issued two years earlier, i.e. the recommendations made in the PCGE for 2010 are analysed in the PCGE for 2012 and, so on);
- ✓ Judgment on the Account, which includes not only the emphases and qualifications but also the judgment on the Account and the limitation of scope, when formulated.

To carry out this study, the analysis of the PCGE was divided into two sectors: the central government (CG) [which is part of the integrated services (SI) subsector and the autonomous services and funds (SFA)] subsector), whose account is prepared based on cash (budgetary) accounting, and Social Security (SS), whose account is based on accrual accounting, integrating a balance sheet and an income statement. This separation is justified by the fact that, also in the PCGE, these two sectors are analyzed separately, presenting individualized recommendations, emphases, and Qualifications.

In addition to this separation, there was also a change in the analysis carried out on the PCGEs from 2017, given the new structure of the PGCE as of 2017, which covered the areas of the recommendations and introduced new areas different from those existing in the PCGEs from 2010 to 2016, preventing the continuity of their analysis and temporal comparability. Thus, when carrying out the individual analysis of the recommendations areas, the analyses of these two periods (PCGE from 2010 to 2016; PCGE from 2017 to 2019) was separated.

4 RESULTS AND DISCUSSION

The presentation of the results was disaggregate according to the recommendations and the judgment on the Account (emphases, Qualifications, and judgment or limitation of scope).

4.1 Recommendations

Table 2 shows the different areas of the recommendations formulated for CG in the period from 2010 to 2016.

Table 2. Quantification of CG recommendations, by area - PCGE from 2010 to **2016**

Areas	2010	2011	2012	2013	2014	2015	2016	Total
Macroeconomic framework/forecasts underpinning fiscal policy	-	1(2%)	3(7%)	3(6%)	3(5%)	3(5%)	2(4%)	15
Budget Changes	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	7
Budget Execution	15(33%)	15(32%)	14(31%)	18(35%)	21(38%)	22(40%)	16(36%)	121
Public debt	5(11%)	7(15%)	4(9%)	5(10%)	6(11%)	5(9%)	6(13%)	38
Implementation of the POCP and sectoral plans	1(2%)	2(4%)	-	-	-	-	-	3
Application of Asset Accounting	-	-	2(4%)	2(4%)	2(4%)	-	-	6
SNC-AP Implementation	-	-	-	-	-	1(2%)	-	1



Financial Flows with the EU	5(11%)	7(15%)	5(11%)	5(10%)	6(11%)	6(11%)	7(16%)	41
Financial Flows with the Corporate Public Sector	3(7%)	3(6%)	2(4%)	2(4%)	1(2%)	1(2%)	1(2%)	13
Financial Flows with Autonomous Regions and Local Authorities	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	7
Tax Benefits; Grants and other forms of support	3(7%)	2(4%)	1(2%)	1(2%)	1(2%)	1(2%)	1(2%)	10
State Patrimony	6(13%)	4(9%)	6(13%)	8(15%)	8(15%)	8(15%)	6(13%)	46
Treasury operations	6(13%)	4(9%)	5(11%)	6(12%)	5(9%)	6(11%)	4(9%)	36
Monitoring of financial assistance mechanisms to Portugal	-	-	1(2%)	-	-	-	-	1
Total	46(100%)	47(100%)	45(100%)	52(100%)	55(100%)	55(100%)	45(100%)	

Source: Own elaboration

It is observed that the area of “Budget execution” is the one that registers the highest number of recommendations (always above 30%). The areas “State assets”, “Treasury operations”, “Public debt” and “Financial flows with the EU” also have a significant number of recommendations, with values between 9% and 16%.

The recommendations formulated for CG in the period from 2017 to 2019, taking into account the new typifications of the areas of incidence are presented in Table 3.

Table 3. Quantification of CG recommendations, by areas - PCGE from 2017 to 2019

Areas	2017	2018	2019	Total
Budgetary and accounting scope	2(6%)	2(6%)	2(8%)	6
Reliability of the budget statements	8(23%)	7(21%)	6(25%)	21
Reliability of assets	8(23%)	6(18%)	5(21%)	19
CGE information and transparency	6(17%)	4(12%)	2(8%)	12
Budgetary procedure	3(9%)	2(6%)	1(4%)	6
Management and control systems	8(23%)	4(12%)	3(13%)	15
Public support	-	1(3%)	1(4%)	2
Sustainable Development Goals	-	4(12%)	-	4
Ongoing reform	-	1(3%)	2(8%)	3
Contingent liabilities	-	2(6%)	2(8%)	4
Total	35(100%)	33(100%)	24(100%)	

Source: Own elaboration

It can be seen that the recommendations mostly focus on the “Reliability of the budgetary statements” and the “Reliability of the balance sheet”, areas with an incidence of between 18% and 25%. Also, the areas of “CGE Information and Transparency”, “Management and Control Systems” and “Budgetary Process” register percentages between 4% and 23%.

As of the 2017 PCGE, the recommendations formulated for the SS sector also began to be typified by areas, which allowed that, for the first time, it was possible to carry out an analysis of them, similar to what had already been happening with the CG sector. The areas of recommendations are presented in Table 4.



Table 4. Quantification of SS recommendations, by areas - PCGE from 2017 to 2019

Areas	2017	2018	2019	Total
Budgetary and accounting scope	1(4%)	-	-	1
Reliability of the budgetary and financial statements	13(52%)	15(63%)	12(63%)	40
CGE information and transparency	1(4%)	2(8%)	2(11%)	5
Management and control systems	10(40%)	3(13%)	3(16%)	16
SS Stabilization Fund	-	4(17%)	2(11%)	6
Total	25(100%)	24(100%)	19(100%)	

Source: Own elaboration

It can be seen that the area of “Reliability of budgetary and financial statements” is the one with the highest percentage of recommendations, with values between 52% in the 2017 PCGE and 63% in the 2018 and 2019 opinions. This area, associated with the recommendations made for the area of “Management and control systems”, allows us to assess that, also in the SS Account, the budgetary, financial, and management and control aspects are the ones with the greatest weaknesses. However, in the opinions of the last two years, there has been a significant improvement in the area of “Management and control systems”, which has suffered a sharp reduction, having gone from 40% in 2017, to 13% and 16% in 2018 and 2019, respectively, which shows the effort made by the competent authorities.

The opinions are not limited to making recommendations but also examine the extent to which they are accepted. Thus, Table 5 shows the degree of acceptance of the recommendations that were formulated in the opinions of year n-2. The analysis of the acceptance of the recommendations is not disaggregated between CG and SS, since it is not detailed in the PCGE, so it was decided to carry out a global study. Likewise, the analysis is not divided by areas, since this information is not available for all typification groups.

Table 5. Quantification of the acceptance of recommendations – PCGE from 2010 to 2019

PCGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fully accepted	9(13%)	18(22%)	14(18%)	11(13%)	8(8%)	10(10%)	8(11%)	4(7%)	-	-
Partially accepted	23(33%)	37(45%)	38(49%)	35(41%)	49(52%)	46(47%)	36(48%)	33(55%)	-	-
Not accepted	33(48%)	27(33%)	22(29%)	37(43%)	35(37%)	25(26%)	22(29%)	15(25%)	-	-
Harmed	4(6%)	-	3(4%)	3(3%)	3(3%)	17(17%)	9(12%)	6(10%)	-	-
Not appreciated	-	-	-	-	-	-	-	2(3%)	-	-
Total	69(100%)	82(100%)	77(100%)	86(100%)	95(100%)	98(100%)	75(100%)	60(100%)	-	-

Source: Own elaboration

In the total universe of recommendations analysed, there is a high percentage of recommendations considered as “Not accepted” (between 25% and 48%), a percentage that is much higher than what would be desirable, always exceeding the recommendations “Fully accepted” (which are between 7% and 22%) and the ones “Partially accepted” in the PCGE of 2010 and 2013.

Finally, and with a lower degree of expression, there are the recommendations considered as “Harmed”, which registered a substantial increase from three to seventeen in the 2015 PCGE, due to the SNC-AP publication that revoked Decree-Law No. 232/97, of 3 September, which had approved the Official Public Accounting Plan (POCP), leading to the various recommendations formulated based on that plan being considered as “Harmed”.



The “Not Addressed” recommendations referred to deficiencies related to the fight against tax and customs fraud and evasion, and the development of manuals of procedures for the calculation of pensions, matters that were not addressed in the 2019 opinion.

4.2 Emphases

The emphases formulated for the CG and SS sectors focus on the areas of “Legality”, “Financial accuracy” and “Internal control”, and their quantitative evolution can be observed in Table 6.

Table 6. Quantification of formulated emphases, by areas – PCGE from 2010 to 2019

Areas	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total	
Legality	CG	2 (100%)	2 (100%)	2 (100%)	4 (67%)	3 (38%)	5 (50%)	5 (42%)	3 (27%)	2 (22%)	2 (25%)	30
	SS	4 (100%)	5 (100%)	7 (100%)	4 (100%)	4 (100%)	4 (100%)	4 (100%)	5 (71%)	4 (100%)	5 (100%)	46
Financial accuracy	CG	-	-	-	2 (33%)	5 (63%)	5 (50%)	7 (58%)	8 (73%)	7 (78%)	6 (75%)	40
	SS	-	-	-	-	-	-	-	-	-	-	-
Internal control	CG	-	-	-	-	-	-	-	-	-	-	-
	SS	-	-	-	-	-	-	2 (29%)	-	-	-	2
Total	CG	2 (100%)	2 (100%)	2 (100%)	6 (100%)	8 (100%)	10 (100%)	12 (100%)	11 (100%)	9 (100%)	8 (100%)	70
	SS	4 (100%)	5 (100%)	7 (100%)	4 (100%)	4 (100%)	4 (100%)	4 (100%)	7 (100%)	4 (100%)	5 (100%)	48

Source: Own elaboration

It can be seen that, although the area of “Legality” has had emphases in all the years and the area of “Financial accuracy” only has emphases formulated for the CG (from the 2013 PCGE), it is the latter that registers, both in absolute and relative terms (except for 2013), the highest values, which have increased over the years (except for the 2015 and 2019 PCGE), having gone from 33% in 2013 to 73% and 78% in 2017 and 2018, respectively.

In the SS sector, it is the area of “Legality” that has the highest percentage of emphases, where, except for the 2017 PCGE, always corresponded to 100%, remaining constant, in absolute terms, in four emphases in most years (opinions from 2010, 2013 to 2016 and 2018), registering a slightly higher number in the remaining years.

To sum up, it is the areas of “Legality”, for the CG and SS sector, and “Financial accuracy” for the CG sector that present the situations that deserve greater prominence in the opinions, which have had some delay and even resistance in their resolution.

4.3 Qualifications

The Qualifications refer to much more serious situations than those contained in the emphases. Table 7 shows the quantitative evolution of the Qualifications, by area and by sector.



Table 7. Quantification of formulated Qualifications, by areas and sectors – PCGE from 2010 to 2019

Areas		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Legality	C	-	-	-	1	1	1	1	-	-	-	4
	G				(10%)	(9%)	(8%)	(11%)				
	SS	1 (20%)	1 (20%)	3 (43%)	2 (11%)	6 (22%)	4 (12%)	9 (29%)	3 (18%)	3 (14%)	2 (13%)	
Financial accuracy	C	12	12	13	8	8	9	6	8	8	8	92
	G	(100%)	(100%)	(100%)	(80%)	(73%)	(75%)	(67%)	(100%)	(100%)	(100%)	
	SS	4 (80%)	4 (80%)	4 (57%)	16 (89%)	16 (59%)	21 (64%)	17 (55%)	14 (82%)	18 (86%)	14 (88%)	
Accounting systems	C	-	-	-	1	2	2	2	-	-	-	7
	G				(10%)	(18%)	(17%)	(22%)				
	SS	-	-	-	-	-	-	-	-	-	-	
Internal Control	C	-	-	-	-	-	-	-	-	-	-	-
	G											
	SS	-	-	-	-	5 (19%)	8 (24%)	5 (16%)	-	-	-	
Total	C	12	12	13	10	11	12	9	8	8	8	103
	G	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	
	SS	5 (100%)	5 (100%)	7 (100%)	18 (100%)	27 (100%)	33 (100%)	31 (100%)	17 (100%)	21 (100%)	16 (100%)	

Source: Own elaboration

From the analysis of Table 7, it can be seen that the Qualifications mainly focused on the area of “Financial accuracy”, both at the CG and SS sectors, although in the case of SS there are also Qualifications in all of the years on “Legality”. Between 2013 and 2016, the CG's opinions registered Qualifications on the “Accounting Systems”, which ceased to emerge from the 2017 PCGE, because the POCP was revoked and the SNC-AP was approved.

At SS sector, the opinions from 2014 to 2016 presented Qualifications in the area of the “Internal control”, but they ceased to appear as of 2017.

4.4 Judgment or scope limitations

The “Account Judgment” Chapter, in addition to the emphases and qualifications previously analyzed, also includes the issuance of a Judgment or a Limitation of Scope. In the opinions from 2010 to 2012, a “generally favourable judgement on the legality of budget execution” was formulated for the CG, and scope limitations were made in the opinions from 2013 onwards, as can be seen in Table 8.

Table 8. CG scope limitations (2013 to 2019)

2013	The CGE does not include the revenue and expenditure of seven Autonomous Funds and sixteen Reclassified Public Entities, which underestimates overall revenue and expenditure
2014	The CGE does not include the revenue and expenditure of nine CG entities, including the Resolution Fund, which underestimates overall revenue and expenditure
2015	The CGE does not include the revenue and expenditure of three CG entities, which underestimates the overall revenue and expenditure
2016	The CGE does not include the revenue and expenditure of four CG entities, which underestimates the overall revenue and expenditure
2017	CGE does not present CG's balance sheet and income statement, even if partial
2018	The General State Account does not present the balance sheet and income statement of CG
2019	The General State Account does not include the balance sheet and income statement of CG

Source: Own elaboration



It can be seen that, between 2013 and 2016, the scope limitations formulated were based on the fact that the CGE did not include the income and expenses of the universe of entities, leading to an undervaluation of the values contained therein, something that had already been observed when analyzing the Qualifications. As of the 2017 PCGE, the scope limitations now refer to the fact that the Account does not include a Balance Sheet and an Income Statement, given that the Account is still reported on a cash basis.

Regarding the SS Account, scope limitations were formulated in the 2013 and 2014 opinions, given that “It is not possible to ensure that the SS reflects, in all material respects, a true and fair view of SS's economic, financial and asset situation”. As for the opinions of 2010 to 2012 and 2015 to 2019, no judgments or limitations of scope were made for SS, as the TdC considered that the SS Account was affected by material errors, affecting the Qualifications formulated, the reliability and consistency of the economic, financial and budgetary information.

The accountability and transparency of the Portuguese State is necessarily based on the disclosure of financial information. The accounting regulations in force in Portugal in the Public Sector (SNC-AP) stresses that financial reporting must be useful for accountability purposes. However, it is not enough to report financial information, it must be reliable because only then can it achieve the objectives it proposes (Parada et al., 2021; Parada, 2019; Abreu & Segura, 2019).

Thus, the PCGE issued by the TdC contributes to the transparency and accountability of the reporting of the State Portuguese (Parada et al., 2021; Parada, 2019; Abreu & Segura, 2019; Hay & Corderly, 2017, Goodson et al., 2012; Marques & Almeida, 2004; Costa et al., 2006).

Given the results obtained, in the CG sector, the largest number of recommendations made by the TdC has focused on the areas of “Budget execution” and “State assets” (2010 to 2016)” and in the areas of “Reliability of budget statements” and “Reliability of balance sheets” (2011 to 2019). Although the typifications have changed during the period under study, the problems seem to be the same. Its maintenance should not be unrelated to the high number of recommendations “not accepted” by the entities, which translates into the perpetuation of problems throughout the period under study.

Concerning the legality and financial accuracy of transactions (according to Article 41 of the LOPTC), the number of emphases and Qualifications contained in the PCGEs of the CG and SS allows us to imply that the GCEs have several limitations which undermine their credibility. This is evident in the Judgments and Limitations of scope issued, both about the CG (which are related to the repeated undervaluation of budget execution and, more recently, to the lack of mandatory financial information following the publication of the SNC-AP), and the SS (whose Accounts have been considered affected by material errors which, of course, limits its reliability).

On the other hand, the fact that the CG accounts do not include a balance sheet and a profit and loss account, but only budgetary information, in itself constitutes a major limitation to the scope of transparent and reliable public reporting, as it does not allow for the comparability and consolidation of financial information. In addition, the CGE contains information supported by different and non-integrated accounting systems, which is a critical element for its certification. These constraints do not allow the Court to express its opinion in terms that are completely in line with the model provided for by the ISAs, which presupposes the implementation of an accounting system that enables the integrated recording of the State's budgetary and financial operations, as provided for in the new LEO and the SNC-AP, which also affects the reliability of the Account.



5 CONCLUSION

The present investigation allowed us to conclude that there is still a long path before the reliability of the Portuguese State's report can be considered reasonable. This is due, not only to the high number of Qualifications made, which led, in some years, to the issuance by the TdC of scope limitations, motivated not only by errors and inaccuracies, but also to the fact that the CGE does not include all the income and expenses of the universe of entities. Additionally, there is no balance sheet and profit and loss account for CG, and there were years when the Court couldn't make any judgement or limitation of scope for the SS sector, given that the account was affected by material errors.

The absence of such financial information in the CG, combined with the fact that the information is obtained from different and non-integrated systems, limits not only the possibility of obtaining consolidated financial information but also the issuance by the TdC of an opinion under the terms provided for by the ISA, which naturally limits the reliability of the report.

The main limitation of the present research was related to the fact that the collection and interpretation of the data depended only on the researchers, and there was no database where they could be collected.

As a future investigation, it is proposed to analyze whether the full implementation of LEO and SNC-AP to the universe of entities of the State Portuguese, with the consequent preparation of the balance sheet and consolidated income statement, will contribute to greater reliability of public reporting.

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