



TRIBUNAL DE
CONTAS

STRATEGIC PLAN

2020 - 2022

Court of Auditors

**STRATEGIC
PLAN**

2020 - 2022

LISBON - 2019

MISSION

The Court of Auditors' mission is, under the Constitution and the Law: to oversee the legality and regularity of public revenues and expenses, to judge Accounts ordered to be submitted to it by Law, to give an opinion on the General State Account and on the Accounts of the Autonomous Regions, to assess public financial management, to enforce financial responsibility and exercise other powers assigned to it by Law (Article 214 of the Constitution; Article 1 of the LOPTC).

The Court is also responsible for certifying the General State Account (Article 66(6) of Law no. 151/2015, of 11 September, as amended by Law no. 37/2018, of 7 August).

By fulfilling its mission, the Court of Auditors contributes to the sustainable development of public finances.

VISION

Promoting accountability, quality and responsibility in public finances

VALUES

Independence | Integrity | Responsibility | Transparency

PRESENTATION NOTE

The Strategic Plan for the period 2020-2022, which is hereby presented, aims to establish the framework for the Court's activity along the next three years, guiding and mapping out its work and asking all Court members and support services staff what the Institution should be doing and what it strives to achieve at the end of this period.

This is the first planning exercise prepared on the basis of a new model which includes:

- A top-down approach to strategic decisions, balanced with the **participatory nature** of the planning process, which paved the way for the indispensable bottom-up input;
- Taking into account the **view of the Court's work recipients** on where to focus and invest in terms of external and independent financial control of public finances;
- A **reinforcement of the risk analysis methodology**, with consequences in terms of prioritising the tasks to be developed;
- A systematic concern with flexibility, seen as the **ability to adjust to the rapid and unforeseen changes** associated with a globalised, interconnected and digitalised reality.



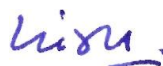
The Court has thus adopted four major Strategic Goals it intends to achieve in the 2020-2022 triennium, which embody simultaneously a strong commitment to the **relevance of its contribution to a trajectory of accuracy and sustainability of Portuguese public finances** and a significant **investment in the modernisation and reorganisation** of its structure and *modus operandi*, as well as in the qualification and rejuvenation of its human resources.

Trust, Sustainability, Responsibility and Impact are key dimensions that characterise the four Strategic Goals approved.

In order to achieve them, several priority axis of action have been identified, in a view to respond to the risks and challenges the Court faces, namely those related to the preparation for the **digital society, sustainable development**, and the impacts of **demographic evolution and climate change**.

The Court thus undertakes, by means of this important strategic instrument, approved by the General Assembly on October 9, 2019, to reinforce the policy of **transparency and openness to society**, evolving towards a **more integrated and coordinated approach** to several aspects of financial control that give greater **relevance, efficiency and effectiveness** to its performance and contribute to reinforce citizens' trust in public financial management.

The President,



(Vítor Caldeira)

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I - ENVIRONMENTAL ANALYSIS

Throughout a participatory process, which involved the Honourable Judge Counsellors, the Attorney General Deputies, as well as the directors and other members of the Court's Support Services, in accordance with the Court's new planning model, approved by the General Assembly on March 20, 2019, were identified the main axis that characterise the internal and external context of the Court of Auditors, in order to point out the main factors that influence the Institution's activity and performance in the medium term.

Thus, the main challenges for institutional development are listed below, with a view to increasing the value of the Court's activities and products for the auditees, the public sector, other stakeholders and citizens in general.

The Court of Auditors and its operational environment: Strengths, critical aspects and potential for development

The most solid and positive aspects found within the Institution are summarised in the following **strengths**:

- ❖ **Independence, collegiality, autonomy**; these values are ensured by the constitutional and legal status of the Court and its judges and by its self-government model;
- ❖ **Citizens' and stakeholders' favourable perception of quality, soundness and technical consistency, as well as of the exempt nature of the audit and financial control initiatives and decisions made by the Court**;
- ❖ **Common values** of integrity, impartiality, objectivity, political neutrality, professional ethics, openness to innovation and new control methodologies resulting from the adoption of a new Court regulation, professional standards and audit manuals, other guidelines or directives and Instructions and an Ethics Charter, as a result of the strong institutional and functional leadership of the Court, which generates an "esprit de corps" and affiliation as well as a feeling of belonging to the Institution;
- ❖ The development of a policy of **transparency** and **openness to society**.

There are still **critical aspects** within the organisation that need improvement, at the organisational level as well as in terms of institutional culture and action methods and processes; namely the Court recognises the need to:

- ❖ **Revise the Court Organisation and Procedure Law**, in order to meet the new requirements arising from the Budgetary and Public Accounting Reform, enshrined in the new Budget Framework Law and complementary legislation and in the SNC-AP (National Accounting System for Public Administration).
- ❖ Increase the use of **risk analysis techniques at the various levels of the Institution's audit activity** :
 - with regard to strategy, activity planning and priority setting;
 - with regard to the planning and scheduling of audits and other control actions, under the terms provided for in auditing standards and auditing manuals in force, also including an estimate of the means and capacities that will be allocated to allow *ex post* evaluation of programmed and achieved results and identify deviations;
- ❖ Rationalise and optimise the **coordination between the various instances** of the Institution and, particularly, between the specialised sections of prior, concurrent and successive inspection and the regional sections, in order to achieve a more integrated, systemic, timely and appropriate control of legality and good management in the use of public resources;
- ❖ Evolve towards an **integrated and coordinated approach** to the auditing function, combining the various types of audit and developing synergies between the sections, the judges of the various areas of responsibility and the different audit departments of the headquarters and regional sections that may culminate in the preparation of reports;
- ❖ Improve the **timeliness, efficiency and effectiveness** of inspection and control actions, namely audits, with a view to an increase of their impact;

- ❖ Reformulate the **human resources management strategy** in order to reinforce the valorisation, motivation and productivity of human resources and their adaptation to the needs arising from the Institution's missions and objectives, taking into account, namely, the growing importance of digital skills in auditing;
- ❖ Innovate and adapt to opportunities and challenges in terms of **information systems**, namely the ones inherent to digitisation and the use of artificial intelligence;
- ❖ Improve quality control, integrating the existing review and supervision perspective into a **quality control system** that also incorporates quality assurance as well as the measurement of achieved *versus* planned results;
- ❖ Ameliorate the communication between the Court, the citizens and other stakeholders.

Times of uncertainty represent to the Court the opportunity to strengthen and demonstrate the relevance and value for the auditees, the stakeholders and citizens in general, in such a way that raises confidence in institutions. Over the next three years, public finances will face several risks. These risks will allow the identification of the main challenges the Court will face during this period, and will be reflected on the following critical factors of success:

ACCOUNTABILITY

Intensify financial audit and internal verification of the accounts rendered to the Court as specified on the new instruction nº 1/2019, by using and enhancing the virtualities of automatism in the analysis, validation and reporting of the new accounts' electronic platform.

Challenges faced by AUDITORS

The evolution of the knowledge, skills and abilities that make an Auditor is significant.

Nowadays, having an academic background in law, economics, management, or even auditing, is clearly insufficient to face the challenges of auditing.

Factors such as the use of new technologies, namely robotics, data analytics and artificial intelligence, are involved in auditing operations and are key to "making a difference" as public auditors.

For example, the current notion of "sample" will tend to evolve in the context of the improvement of international auditing standards, reflecting various technological advances.

On the other hand, auditors must bear in mind that their relationships with the auditees and stakeholders is one of the decisive factors for the reinforcement of the audits' impact.

INTERNAL CONTROL SYSTEM

To monitor and evaluate the efficacy of the implementation of the new internal audit and control system architecture foreseen on the new Budget Framework Law.

ESTABLISHING RESPONSABILITIES FOR FINANCIAL OFFENCES

To face, whenever justifiable, an autonomisation of investigation audit for financial offences (violations) pointed out in audit reports in such a way that enables improvements in efficacy, timeliness and readiness for establishing financial responsibilities.

HANDLING OF DENOUNCES

To ensure a greater capacity, operability and efficacy in the process of handling and presentation of the conclusions regarding the situations identified on denounces submitted to Court.

REORGANIZING SUPPORT SERVICES TO THE COURT

To reorganize the support services to the Court giving it a more matrix shaped profile without losing the hierarchic paradigm which is important for the consistency of the institution on a modern and progressive human resources management perspective ensuring a cohesive and concerted building on which quality control is an established and permanent concern.

LEGISLATIVE CHANGES

Legislative changes in administrative, financial, budgetary and accounting matters may have important consequences while exercising the competencies conferred to the Court by the Constitution and its Organization and Procedural Law.

INFORMATION TECHNOLOGIES

It is important to respond to the challenges which arise from technologic developments and digitalization which, although enabling, entail new and relevant risks due to their impact in society as a whole and in public finance, namely concerning the systems reliability, data integrity, safety of the information, and also the means of prevention, detection and protection from eventual cyber-attacks.

Although the risks resulting from digitalization, especially in the domains of robotic and artificial intelligence cannot be underestimated, several opportunities to the optimization of the Court's activity arise from digitalization that should be pointed in audit – *ex ante*, concomitant and *ex post* – and the trials the Court conducts. This new context will imply that new capacitation and automation tools will be made available, including the resource to artificial intelligence, which will enable the Court to redefine some procedures and

methodologies reallocating to tasks of higher value the resources released by the automation of routine work.

QUALITY OF PUBLIC FINANCE

The growing demands regarding the quality of public finance are associated to increased accountability involving legality, regularity and sound financial management issues. Therefore a particular attention must be paid to the reinforcement of the systems for the prevention of fraud and corruption, as well as financial mismanagement, by ensuring an increased focus on ethics, integrity, transparency and settlement of situations involving conflicts of interest.

SUSTAINABILITY OF PUBLIC FINANCE

Demographic evolution and increased ageing of populations, are phenomenon transversal to the European Union countries, but especially acute in Portugal, threatening the sustainability of social security and health systems.

Moreover national electoral cycles and the inherent political and social tension carry risks to public policies compromising the attention and commitment that the rigour of budgetary discipline requires.

In this context a particular emphasis must be placed on the risks related to the implementation of big infrastructures projects as well as those associated with the uncertainty that remains around the financial sector.

GOVERNMENT AND ADMINISTRATION

It is also important to concentrate efforts on the whole of ongoing **national reforms** with direct or indirect impacts on public finance. Namely in the cases:

- Of the progress achieved in the **budgetary reform**, namely the implementation of the Budgetary Framework Law of 2015, and of the new accounting systems.
- Of the reform of the internal audit model of the State's financial administration, including the consideration of other auditors' work.
- Of the reform of the State, most especially by anticipating the consideration of the decentralization of attributions, competencies and resources to Local Authorities.

SUSTAINABLE DEVELOPMENT GOALS

The Court is responsible for assessing the effectiveness of public policies and the pursuit of several Sustainable Development Goals (SDG). The commitment of the Court in this domain implies the adoption of a cross-cutting, systemic and integrated approach to audits targeted at the implementation of SDG. This holistic approach can be achieved in different ways, namely through the consideration of SDG in actions carried out in different domains of control or by

taking into account the risks identified in previous audits undertaken in this area (Audit Based Advice).

Climate change and its consequences, as environmental sustainability, desertification and water shortage, or the increased frequency and severity of extreme natural phenomenon, constitute at a national level new forms of pressure over public finance and, on the other hand, are capable of jeopardizing international solidarity.

INTEGRITY

Legislative changes aiming to reinforce public integrity (of which the so called “transparency package” is an expression) in line with recommendations from several international organizations, also appear as a challenge to the Court, considering the impact that eventual misconduct may have on public finance, namely in the area of public procurement.

In this context, the Court engaged in the identification of potential risks (internal and external) capable of interfering with its control activity through the elaboration of a risk evaluation matrix, using scales of probability and impact, capable of measuring the risk level associated to each of them. The results of this work were taken into consideration while setting up the priority axis of actions to be carried out in order to ensure the achievement of the strategic goals established for the triennium 2020-2022.

II – STRATEGIC GOALS AND PRIORITY AXES

As mentioned before, the evaluation of the risks identified together with the trends and results attained in the context of the strategic diagnosis (environment analysis and risks) lead to the formulation of the strategy to be pursued by the Court, based on its mission, vision and values.

The strategic goals approved, whose justification is given by the risk matrix, may be synthesized in four central concepts:



The consideration of the factors included in internal and external risks and the reasons that justify their weighting led to place the emphasis on the reinforcement of citizen’s trust, the sustainability of public finance, a stronger demand for accountability and transparency and the need to ensure the impact and relevance of the Courts’ activity.

Accordingly, for the triennium 2000-2022, the Court approved the following strategic goals:

Strategic Goal 1

TO CONTRIBUTE TO CITIZENS’ TRUST IN PUBLIC FINANCE MANAGEMENT

Citizen’s trust in the State is closely connected to the effectiveness of external independent control of public finance.

The Court strives to continue to be recognized as a model institution, thus contributing to the reinforcement of that trust.

Priority actions axis

- ◆ To ensure control of integrity breaches and to evaluate the impacts in public finance management
- ◆ To improve the mechanisms of risk analysis, quality of evidence collecting, reviewing and quality control
- ◆ To promote the treatment of denouncements in a timely, autonomous, effective way in order to achieve relevant impacts
- ◆ To simplify and enhance the appeal of the information made available to citizens
- ◆ To promote the conditions for turning the Court into a model in terms of ethics and integrity

Strategic Goal 2

TO CONTRIBUTE TO THE SUSTAINABLE MANAGEMENT OF PUBLIC FINANCE

Sustainability of public finance requires a particular attention to specific transversal matters such as demographic, climate and technological change.

Priority actions axis

- ◆ To reinforce control in the areas of big public investments and quality of public expenditure
- ◆ To intensify the control in the areas of Health, Social Security and Education, regarding financing, coverage and quality of the services involved
- ◆ To audit the measures directed to the mitigation and adjustment to climate change
- ◆ Accompanying digital transformation
- ◆ To monitor the implementation in Portugal of 2030 Agenda for Sustainable Development
- ◆ To carry out the actions of mandatory and recurring nature (e.g. *ex ante* control)

Strategic Goal 3

TO CONTRIBUTE TO THE ACCOUNTABILITY OF ALL MANAGERS OF PUBLIC FUNDS AND ASSETS

All managers of public funds and assets are bound to the duty of accountability.

The Court is responsible for ensuring transparency and reliability in public finance, making sure that all managers of public funds and assets render accounts; carrying out accounts audit and certification; and undertaking financial audit and establishment of responsibilities for financial offences.

Priority actions axis

- ◆ Intensifying financial audit and audit the accounts of entities subject to the jurisdiction and financial control of the Court
- ◆ To continue auditing the implementation of the Budgetary Framework Law, including the modifications in accounting systems; proceed with the strategy of certification of the General State Account and the new approach to the Court's opinion on it
- ◆ To audit administrative reforms, including measures for the decentralization of competences and responsibilities to Local Authorities and evaluate the risks connected
- ◆ To carry out the actions of mandatory and recurring nature (e.g. the Court's Opinion on the General State Account, mandatory audits)
- ◆ To create the conditions for the establishment of responsibilities for financial offences

Strategic Goal 4

TO ENHANCE THE IMPACT OF THE COURT'S ACTIVITY, strengthening its quality, relevance and effectiveness

The Portuguese Court of Auditors is the institution responsible for the external independent control of public finance, with a permanent concern to improve the quality, relevance and effectiveness of its activity in order to respond to citizens' demand for transparency and good management in public finance.

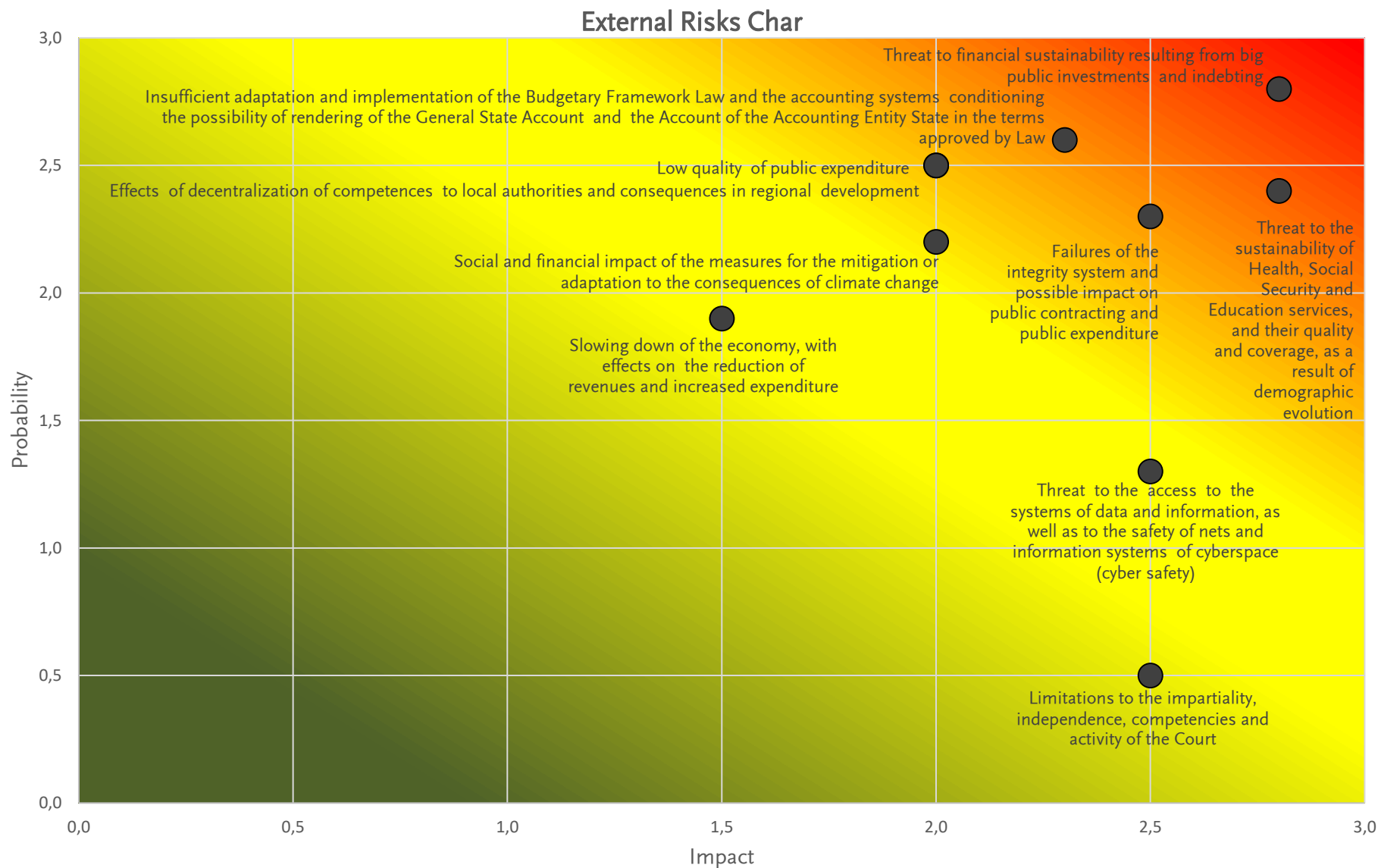
Automation of routine procedures will be leveraged in order to allocate resources to tasks of a higher value.

Priority actions axis

- ◆ To adapt the internal organization to the priorities defined

- ◆ To formulate and implement a strategy of human resources management capable of promoting their capacitation, motivation, mobility and rejuvenation
- ◆ To reinforce the auditors' competence in the application of the rules, methodologies and technologies used in audit work
- ◆ To promote the safety of the information, the qualification in digital resources and skills, the dematerialization and automation of processes and procedures, with resource to artificial intelligence, in *ex ante* control, the different methods of concomitant and *ex post* control and in trials
- ◆ To ensure the accomplishment of the tasks of instrumental support to the Court.

III – EXTERNAL AND INTERNAL RISKS CHARTS



Internal Risks Chart

