



Preliminary Opinions on
the Consolidated Year-End
Government Report
for Fiscal year 2016



FEDERATIVE REPUBLIC OF BRAZIL

FEDERAL COURT OF ACCOUNTS

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PRELIMINARY OPINIONS ON THE CONSOLIDATED YEAR-END GOVERNMENT REPORT FOR FISCAL YEAR 2016

TO THE NATIONAL CONGRESS

Accounts of the President of the Republic

In compliance with article 71, item 1 of the Federal Constitution of Brazil, the Federal Court of Accounts of Brazil examined the consolidated year-end government report for the period of January 1 to May 11 and May 12 to December 31, 2016. This analysis aimed at issuing the respective Preliminary Opinions on the accounts. In light of article 36 of the TCU Organic Law – Law 8.443/1992, the mentioned accounts are comprised of the General Balance of the Union (BGU), the consolidated financial statement of the federal government, and the Report on the Federal Government's budget execution.

Mandate of the President of the Republic

According to article 84, item 24 of the Federal Constitution, it is the exclusive responsibility of the President of the Republic to render to the National Congress annually the accounts of the prior fiscal year. The deadline for rendering accounts is sixty days after the opening of the legislative session. According to item 2 of this same article, the President is also responsible for the top management of the federal administration with the help of the Cabinet Ministers.

On the other hand, the mandate to produce and consolidate the report on the budget execution of the Federal Government lies with the Ministry of Transparency and Office of the Federal Comptroller General (CGU). This is done through the Federal Internal Control Secretariat, according to article 24, item 10 of Law 10.180/2001, combined with article 67, item 5 of Provisional Measure¹ 782, of May 31, 2017.

As for the mandate to produce and consolidate the General Balance of the Union (BGU), the consolidated financial statement of the federal government, this is the responsibility of the National Treasury Secretariat of the Finance Ministry, according to article 18, item 6 of Law 10.180/2001, combined with article 7, item 6 of Decree 6.976/2009.

Mandate of the Brazil's Federal Court of Accounts

To comply with its constitutional and legal mandate and as established in the heading of paragraph 1 of article 228 of the TCU Internal Rules, the TCU opinion is conclusive in order to express:

- If the accounts rendered by the President of the Republic represent appropriately the financial, budgetary, accounting and assets position on December 31, 2016;

¹ A provisory measure (in portuguese: medida provisória) is a legal act in Brazil through which the President of Brazil can enact laws without previous approval by the National Congress. There are two requirements for a provisory measure to be used: urgency and relevance of the matter to be regulated.

- If the constitutional and legal principles that govern federal public administration were observed, with emphasis on compliance with the constitutional, legal, and regulatory norms on budget execution by the Federal Government and the other operations carried out with federal public resources, especially regarding what is set forth in the annual budget law.

Furthermore, paragraph 2 of the same norm requires the preparation of a report containing the following information:

- Execution of the programs foreseen in the annual budget law regarding legitimacy, efficiency and economy, as well as achievement of the goals and its consonance with the pluriannual plan and with the budget guidelines law;
- The effect of federal financial and budgetary administration on the economic and social development of the country;
- Compliance with the limits and parameters established in Complementary Law 101/2000 – Fiscal Responsibility Law (LRF).

The audits performed with the purpose of examining the Accounts of the President of the Republic to issue a prior opinion follow the TCU Auditing Norms (NAT) and the Fundamental Principles of Financial Auditing of the International Organization of Supreme Audit Institutions (INTOSAI). These norms require that the audit work be planned and executed to obtain reasonable assurance that the Accounts of the President of the Republic are free from errors and irregularities that are materially relevant.

However, it is worth noting that the Accounts of the President represent the consolidation of the individual accounts of the ministries, federal bodies and agencies that depend on the federal budget. Considering that these individual accounts are certified and judged *a posteriori*, there may be errors and irregularities that are not detected at the consolidated level and that will be found and judged in the future, in compliance with article 71, item 2 of the Federal Constitution.

Given these observations, the Court considers that the evidence obtained is sufficient and adequate to support the audit opinions that make up these Preliminary Opinions.

Mandate of the National Congress

According to article 49, item 9 of the Federal Constitution, it is the exclusive mandate of the National Congress to judge annually the accounts rendered by the President of the Republic.

To this end, as established in article 166, paragraph 1, item 1 of the Federal Constitution, it is the responsibility of the Committee on Planning, Public Budgets and Oversight of the National Congress (CMO) to examine and issue an opinion on the accounts submitted annually by the President of the Republic.

The preliminary opinion issued by the Federal Court of Accounts informs both the opinion of the CMO and the judgement by the National Congress.

1. Preliminary Opinion on the Consolidated year-end Government Report for fiscal year 2016 (period 01/01 to 05/11/2016)

The opinion of the Federal Court of Accounts is that the Accounts referring to the period of January 1 to May 11, 2016, under the responsibility of Her Excellency the President of the Republic, Dilma Vana Rousseff, present the conditions to be approved by the National Congress with some restrictions.

Opinion on the report of execution of the Union budgets

Based on the applied procedures and selected scope, in the analysis of the execution of the federal budget, the conclusion is that, save for the effects of detected exceptions, the relevant constitutional and legal principles that govern public federal administration were followed, as well as the constitutional, legal and regulatory norms applicable to the execution of the federal budgets and other operations carried out with federal funds, in particular, as pertains to the provisions of the annual budget law.

TCU, Minister Luciano Brandão Alves Session Room, on June 28, 2017.

Minister President Raimundo Carreiro

Minister Rapporteur Bruno Dantas

Minister Walton Alencar Rodrigues

Minister Benjamin Zymler

Minister Augusto Nardes

Minister Aroldo Cedraz

Minister José Múcio Monteiro

Minister Ana Arraes

Minister Vital do Rêgo

Basis for the Preliminary Opinion on the Consolidated year-end Government Report (1/1 to 5/11/2016)

Basis for the opinion on the report regarding the execution of the Union budgets

A complete description of the rationale for issuing the opinion on the report regarding execution of the Union budgets can be found in chapters 3 and 4 of the Report on the Accounts of the President of the Republic.

Based on report analysis, the following occurrences mentioned in the document should be emphasized:

1. Reduction of discretionary expenses of the Federal Government in an amount below the necessary to achieve the fiscal goal in effect on the date of publication of Decree 8.700/2016, of 03/30/2016, supported by the Primary Revenue and Expenses Evaluation Report for the First Two Months of 2016, contrary to the provisions of articles 1 and 9 of Complementary Law 101/2000 and 55 of Law 13.242/2015;
2. Absence of the legal requirements defined in article 14 of Complementary Law 101/2000 (Fiscal Responsibility Law), and in articles 113 and 114 of Law 13.242/2016, for concession or enhancement of tax benefits that reduce the revenue. These requirements are: projection of the budgetary-financial impact, accompanied by the corresponding proof of compliance with the provisions of the budget guidelines law; proof that the tax benefit was considered in the revenue estimative contained in the budget law and would not affect the fiscal goals or, alternatively, an indication of measures to compensate the loss of revenue; and establishment of a maximum validity period of five years, upon sanction of Laws 13.243/2016, of 01/11/2016 and 13.257, of 03/08/2016, as well as enactment of Provisional Measure 713, of 03/01/2016;
3. Existence of divergences in the presentation of information regarding the Plan Brazil without Misery in the scope of the reports disseminated by the Executive Power, thus compromising effective monitoring of the actions linked to the respective program. This does not in line with the principles of publicity (article 37 of the Federal Constitution), of transparency (article 1, paragraph 1 of the LRF) and of access to information (article 7 of Law 12.527/2011);
4. Flaws in reliability and in the quality of a significant part of the information on public policies performance presented in the 2016 Consolidated year-end Government Report regarding the goals foreseen in the 2016-2019 Pluriannual Plan.

2. Preliminary Opinion on the Consolidated year-end Government Report for fiscal year 2016 (period 05/12 to 12/31/2016)

The opinion of the Federal Court of Accounts is that the Accounts referring to the period of May 12 to December 31, 2016, under the responsibility of His Excellency the President of the Republic, Michel Miguel Elias Temer Lulia, present the conditions to be approved by the National Congress with some restrictions.

2.1 Opinion on the report of execution of the Union budgets

Based on the applied procedures and selected scope, in the analysis of the execution of the federal budget, the conclusion is that, save for the effects of detected exceptions, the relevant constitutional and legal principles that govern public federal administration were followed, as well as the constitutional, legal and regulatory norms applicable to the execution of the federal budgets and other operations carried out with federal funds, in particular, as pertains to the provisions of the annual budget law.

2.2 Opinion on the General Balance of the Union (the financial statement of the federal government)

The consolidated financial statements of the Federal Government, comprised by the Budgetary Balance, Cash Flow Statement, Balance Sheet, and by the Performance Statement, with the exception of the possible effects of the distortions contained in the report, are presented fairly, in all material respects, the situation on 12/31/2016. They also reflect the budgetary, financial and assets results related to the fiscal year ended on this date, according to the provisions of Law 4.320/1964, Complementary Law 101/2000 and all other norms applicable do federal accounting.

TCU, Minister Luciano Brandão Alves Sessions Room, on June 28, 2017.

Minister President Raimundo Carreiro

Minister Rapporteur Bruno Dantas

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Minister José Múcio Monteiro

Minister Ana Arraes

Minister Vital do Rêgo

Basis for the Preliminary Opinion on the Consolidated year-end Government Report (05/12 to 12/31/2016)

1.1 Basis for the opinion on the report regarding the execution of the Union budgets

A complete description of the basis for issuing the opinion on the report regarding execution of the Union budgets can be found in chapters 3 and 4 of the Report on the Accounts of the President of the Republic.

Based on report analysis, the following occurrences mentioned in the document should be emphasized:

1. In the Consolidated year-end Government Report, there was no proof regarding compliance with the minimum percentage of application of resources destined to irrigation in the Northeast and Midwest regions for fiscal year 2016. Neither was there proof of application of resources destined to irrigation projects that would benefit family agriculture, as established in article 42 of the Transitory Constitutional Provisions Act (ADCT) of the Federal Constitution. Furthermore, there was an absence of requirements in the Budget Law and in the Integrated Financial Administration System (Siafi) that would enable verification whether the mentioned constitutional rule was observed;
2. Existence of divergences in the presentation of information regarding tax benefits instituted in 2016 by the Finance Ministry, compromising transparency towards society related to these mechanisms. This is not in line with the principles of publicity (article 37 of the Federal Constitution), of transparency (article 1, paragraph 1 of the LRF) and of access to information (article 7 of Law 12.527/2011);
3. Absence of the legal requirements defined in article 14 of Complementary Law 101/2000 (Fiscal Responsibility Law), and in articles 113 and 114 of Law 13.242/2016, for concession or enhancement of tax expenditures. These requirements are: projection of the budgetary-financial impact, accompanied by the corresponding proof of compliance with the provisions of the budget guidelines law; proof that the tax expenditure was considered in the revenue estimative contained in the budget law and would not affect the fiscal goals or, alternatively, an indication of measures to compensate the lost of revenue; establishment of a maximum validity period of five years, upon sanction of Laws 13.315/2016, of 07/20/2016 and 13.353, of 11/03/2016, as well as enactment of Provisional Measure 762, of 12/22/2016;
4. Existence of divergences in the presentation of information regarding the Plan Brazil without Misery in the scope of the reports disseminated by the Executive Power, thus compromising effective monitoring of the actions linked to the respective program. This does not in line with the principles of publicity (article 37 of the Federal Constitution), of transparency (article 1, paragraph 1 of the LRF) and of access to information (article 7 of Law 12.527/2011);
5. Lack of publication and submission to the National Congress of the rendering of accounts related to the 2013 FIFA Confederations Cup and the FIFA 2014 World Cup, in breach of article 29 of Law 12.350/2010;

6. Flaws in reliability and in the quality of a significant part of the information on public policies performance presented in the 2016 Consolidated year-end Government Report regarding the goals foreseen in the 2016-2019 Pluriannual Plan.

1.2 Basis for the opinion on the General Balance of the Union (the financial statement of the federal government)

The complete description of the basis for issuing a modified opinion on the General Balance of the Union can be found in Chapter 5 of the Report. Listed below are the main distortions found when examining the consolidated statements:

1. Asset overvaluation of R\$ 131.8 billion, with records that do not meet the criteria of asset recognition (item 5.3.1, "i");
2. Distortions in assets resulting from receivable credits and recognition of property from the Legal Amazon program (item 5.3.1, "ii");
 - Asset undervaluation of R\$ 110.6 million resulting from receivable credits of titles issued but not accounted for. (item 5.3.1, "ii", "a");
 - Asset overvaluation of R\$ 3.2 billion resulting from tracts of land that were alienated but not written-off (item 5.3.1, "ii", "b");
3. Asset overvaluation of R\$ 14 billion resulting from classification per estimation of tax payments (item 5.3.1, "iii");
4. Asset undervaluation of R\$ 2.2 billion resulting from lack of monetary adjustments in several receivable credits accounts (item 5.3.1, "iv");
 - Lack of monetary adjustments of receivable credits related to land regularization in a total estimated at least R\$ 78 million (item 5.3.1, "iv", "a");
 - Lack of monetary adjustments of receivable credits resulting from lack/irregularity of proof - TCE, estimated total of at least R\$ 2.1 billion (item 5.3.1, "iv", "b");
5. Asset overvaluation of at least R\$ 26 billion resulting from lack of provisions for losses on in several receivable credit accounts (item 5.3.1, "v");
 - Lack of provisions for losses on receivable credits related to land regularization, whose total was not estimated (item 5.3.1, "v", "a");
 - Lack of provisions for losses related to receivable credits resulting from the lack/irregularity of proof - TCE, in a total estimated at R\$ 9 billion (item 5.3.1, "v", "b");
 - Lack of provisions for losses related to receivable credits in installments, totaling an estimated R\$ 17 billion (item 5.3.1, "v", "c");
 - Lack of provisions for losses related to credits suspended by judicial decision and registered in the Federal Government Active Debt, in an amount that was not estimated (item 5.3.1, "v", "d");
6. Asset overvaluation of R\$ 3.1 billion resulting from undue recognition of for Future Increase of Capital (item 5.3.1, "vi");

7. Estimated undervaluation of non-current assets in the amount of R\$ 227 billion due to lack of accounting property destined for agrarian reform or due to accounting for it using amounts below the market value (item 5.3.1, "vii");
8. Overvaluation of current assets and liabilities in an estimated amount of R\$ 5.1 billion, resulting from not recognition of the Christmas Bonus Salary. (item 5.3.1, "viii");
9. Liability undervaluation of approximately R\$ 11.4 billion resulting from error in the methodology used to calculate provision for vacation (item 5.3.1, "ix");
10. Liability overvaluation of R\$ 42.2 billion resulting from a recognition of compulsory deposits with no expectation of realization (item 5.3.1, "x");
11. Liability undervaluation resulting from not including in accounts a provision for judicial process, in an amount that was not estimated (item 5.3.1, "xi");
12. Distortions in the Net Assets and Social Capital Account of over R\$ 7 billion (item 5.3.1, "xii");
13. Expenses with salary allowances for fiscal year 2015 registered in fiscal year 2016 and lack of a budget to pay the allowance for base year 2016 (item 5.3.1, "xiii");
14. Overvaluation of tax income resulting from inadequate classification of R\$ 12.88 billion in the National Treasury Cash Account (item 5.3.1, "xiv");
15. Incorrect accounting of noncurrent assets as current assets, in the amount of R\$ 137 billion (item 5.3.2, "xv");
 - Non segregation in current and noncurrent of Credits originated from Emergency Capacity Charges (ECE) and Charges to Acquire Emergency Electric Energy (EAE), in the estimated amount of R\$ 159 million (item 5.3.2, "xv", "a");
 - Non segregation in current and noncurrent of receivable credits resulting from lack/irregularity of proof – TCE, in the estimated amount of R\$ 14 billion (item 5.3.2, "xv", "b");
 - Non segregation in current and noncurrent of receivable credits resulting from advancement of voluntary transfers, in the estimated amount of R\$ 120 billion (item 5.3.2, "xv", "c");
 - Classification error when recording capitalization of long term amounts in short term accounts in the amount of R\$ 2.5 billion (item 5.3.2, "xv", "d");
 - Inappropriate classification o. R\$ 15.38 billion of loans (item 5.3.2, "xv", "e");
16. Undue classification of public goods in special goods account, in the amount of R\$ 16.4 billion (item 5.3.2, "xvi");
17. Lack of reclassification of property contained in the National Annual Decommissioning Plan of the National Social Security Institute (item 5.3.2, "xvii");
18. Undue classification of R\$ 14.65 billion in the Net Asset (item 5.3.2, "xviii");
19. Non classification of R\$ 26.89 billion of revenue of special installments (item 5.3.2, "xix");
20. Irregular payment reassignment of R\$ 40 billion of public debt expenses (item 5.3.2, "xx");
21. Incorrect budgetary classification of payment of the negative result of Central Bank of Brazil (item 5.3.2, "xxi");
22. Divergence between the balance of the account destined to calculate the financial surplus and the amount presented in the Balance Sheet, in the amount of R\$ 2.2 billion (item 5.3.3, "xxiii").

3. Recommendations and alerts by the Federal Court of Accounts to the Federal Executive Power

3.1 Recommendations

- 3.1.1 To the Ministry of Planning, Development and Management, together with the sectorial agencies, that they revise the goals of PPA 2016-2019 during the revision process of the Plan, with the purpose of correcting distortions that still remain in the current format of the plan.
- 3.1.2 To the Ministry of Transparency and Office of the Comptroller General of the Union, together with the Ministry of Planning, Development and Management and sectorial agencies, that they present and consider the parameters expected for each goal in the fiscal year in the section related to performance of PPA goals in the Rendering of Accounts of the President of the Republic.
- 3.1.3 To the Ministry of Finance that they maintain updated the information published regarding establishment of tax benefits per fiscal year, complying with the principles of publicity (article 37 of the Federal Constitution), of transparency (article 1, paragraph 1 of the LRF) and of access to information (article 7 of Law 12.527/2011).
- 3.1.4 To the Ministries of Planning, Development and Management and of Social and Agrarian Development that they establish and disseminate objective and uniform criteria to identify the actions that are a part of the Plan Brazil without Misery. This will enable precise monitoring of the execution of the program and due rendering of accounts by the President of the Republic, according to the Law 12.527/2011 and to article 3 of the Law 13.242/2015 combined with the article 3 of Law 13.249/2016.
- 3.1.5 To the Ministries of Planning, Development and Management and of Ministry of Education that they establish and disseminate objective criteria that enable identification of budgetary expenses which comprise the National Education Plan. This will enable precise monitoring of the execution of the program and due rendering of accounts by the President of the Republic, according to the Law 12.527/2011 and to article 3 of the Law 13.242/2015 combined with article 3 of Law 13.249/2016.
- 3.1.6 To the Executive Power that they demonstrate, in the next editions of the Consolidated year-end Government Report, that the rationale presented for execution (when it is inferior to the mandatory execution percentage) of the programs that were included or added through amendments by the legislative constitute a technical impediment, based on the Law 12.527/2011 and on articles 3 and 59 of the Law 13.242/2015.
- 3.1.7 To the Ministry of Transparency and Office of the Comptroller General of the Union that include in the Rendering of Accounts of the President of the Republic an analysis of compliance with article 42 of the Transitory Constitutional Provisions Act of the Federal Constitution and adopt measures to improve production, consolidation and dissemination of information regarding regionalization of the expenses incurred with irrigation projects.
- 3.1.8 To the Ministries of Planning, Development and Management and of Finance that they adopt measures to improve the information in the budgetary process and in the Integrated Financial Management System (Siafi) related to regionalization of expenses linked to the government sub function irrigation, in order to enable verification of compliance with article 42 of the Transitory Constitutional Provisions Act of the Federal Constitution.

- 3.1.9 To the Chief of Staff of the Presidency of the Republic, together with the Ministry of Finance and the Office of the Attorney-General of the Union (AGU), that they present, within 90 days, an action plan with a set of measures to enhance collection of revenue related to receivable credits of the Federal Government, in line with the principle of efficiency of the public administration set forth in the heading of article 37 of the 1988 Federal Constitution.
- 3.1.10 To the National Treasury that they analyze the nature of the items registered as advancement of voluntary transfers and adopt the necessary measures for their appropriate registration according to the accounting norms (item 5.3.1, i).
- 3.1.11 To the Special Secretariat for Family Agriculture and Agrarian Development that they take the necessary measures to enable appropriate registration of the Federal Government assets related to receivable credits resulting from the property titles issued for land regularization under the Legal Amazon Program, in compliance with items 2.2.1 and 2.2.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, ii, a).
- 3.1.12 To the National Treasury, The Federal Property Secretariat and the Special Secretariat for Family Agriculture and Agrarian Development that together adopt the necessary for the properties already titled to be transferred from the Federal Government assets, in line with the concept of assets set forth in items 2.2.1 and 2.2.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, ii, b).
- 3.1.13 To the National Treasury, The Federal Property Secretariat and the Special Secretariat for Family Agriculture and Agrarian Development of the Chief of Staff of the Presidency of the Republic, and to the National Institute for Colonization and Agrarian Reform, that together they adopt the measures needed to develop a methodology and acknowledge the charges that are incident on credits resulting from land regularization, in compliance with applicable legislation and to item 4.3.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, iv, a).
- 3.1.14 To the National Treasury, in the exercise of its mandate as the central body of the Federal Accounting System, that they guide and adopt the necessary measures for charges incident on receivable credits of the Federal Government to be duly appropriated by the agencies and entities, according to item 4.3.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, iv, b).
- 3.1.15 To the Special Secretariat for Family Agriculture and Agrarian Development and National Institute for Colonization and Agrarian Reform that they adopt the necessary measures so that the adjustments of losses regarding receivable credits of land regularization are duly calculated and acknowledged, in compliance with item 4.3.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, v, a).
- 3.1.16 To the National Treasury, in the exercise of its mandate as the central body of the Federal Accounting System, that it alert and guide the agencies and entities about the need to analyze, control and register the adjustment regarding estimated losses, according to item 4.3.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, v, b).
- 3.1.17 To INCRA, together with the Assets Secretariat of the Federal Government and the National Treasury Secretariat, that it assess the appropriate way to establish the asset value and realize accounting of properties designed for agrarian reform, according to the provisions of item 5.3.2 of the Accounting Manual Applied to the Public Sector (item 5.3.1, vii).
- 3.1.18 To INCRA that it correct the divergence of data regarding the size of the area destined for agrarian reform listed in SIPRA and in its land archive made available on the internet, promoting the adjustments deemed necessary to attain exactness of the information on the area of its real estate (item 5.3.1, vii).

- 3.1.19 To the National Treasury, in the exercise of their mandate as the central body of the Federal Accounting System, that they alert and guide the agencies and entities on the need to observe and adopt accounting routines provided for in the SIAFI Macro function 021142 – Payroll (item 5.3.1, viii).
- 3.1.20 To the National Treasury that they include in the SIAFI Manual, Macro function 021142 – Payroll, specific guidelines for registering the provision for payment of vacation period salaries, as well as disseminate these guidelines to sectorial accounting offices of the agencies and entities of the Federal Government (item 5.3.1, ix).
- 3.1.21 To the People Management and Work Relations Secretariat of the Ministry of Planning, Development, and Management, that they implement the necessary adjustments for regularization of accounting records resulting from the inclusion of provision for payment of vacation period salaries (item 5.3.1, ix).
- 3.1.22 To the National Treasury together with the Office of the General Prosecutor of the National Treasury that they adopt measures to regularize the balance of the compulsory deposits account, in view of the lack of expectation of realization (item 5.3.1, x).
- 3.1.23 To the National Treasury that they take steps with dependent public companies to correct distortions in the social capital account, as well as institute control routines to ensure correct classification of records in the consolidation accounts (item 5.3.1, xii).
- 3.1.24 To the National Treasury that they:
 - (a) monitor the flow of realization of charges registered in the accounts 1.1.3.8.1.2.2.00 and 1.1.3.8.1.23.00, and, considering that their total and schedule are uncertain and unpredictable, due to non-payment, litigation and, in most cases of a fragmented nature, carry out studies regarding appropriateness of acknowledging these values as assets, in compliance with items 2.2.1 e 2.2.2 of the Accounting Manual Applied to the Public Sector; and
 - (b) once the relevance of recording the mentioned charges as assets is considered, carry out the appropriate segregation of balances into current and non-current, in compliance with item 2.2.3 of the Accounting Manual Applied to the Public Sector (item 5.3.2, xv, a).
- 3.1.25 To the National Treasury, in the exercise of their mandate as the central body of the Federal Accounting System, that they promote the updating of the pertinent accounting norms, as well as guide the agencies and entities that have balances recorded in accounts 1.1.3.4.1.02.08 so they may promote the appropriate segregation of the balances into current and non-current, according to item 2.2.3 of the Accounting Manual Applied to the Public Sector (item 5.3.2, xv, b).
- 3.1.26 To the National Treasury, on the occasion of publication of the consolidated accounting statements of the Federal Government for fiscal year 2017, that they prove in the statements the adjustment made to correct the distortion generated in 2016 because of the undue classification of property assets destined for agrarian reform as if they were destined for special use by the National Institute of Colonization and Agrarian Reform (item 5.3.2, xvi).
- 3.1.27 To the Ministry of Defense, under the coordination of the Chief of Staff of the Presidency of the Republic, that they adopt the necessary measures for acknowledgement, measurement and accounting disclosure of liabilities related to military pensions foreseen in Law 765/1960 (item 5.3.3, xxii, a).
- 3.1.28 the Chief of Staff of the Presidency of the Republic and to the Ministry of Defense that every year they elaborate the projections of budgetary expenses with retired military (in the reserve and reformed), for the next seventy-five years, to ensure transparency and the necessary predictability of expenses, including in the explanatory notes in the consolidated financial statements of the Federal Government (item 5.3.3, xxii, b).

- 3.1.29 To the Ministries of Science, Technology, Innovation, and Communications, of Culture, of Sports and to the Special Secretariat for Family Agriculture and Agrarian Development that they adopt the necessary measures to acknowledge the depreciation of their movable assets, according to item 7.3 Part II of the Accounting Manual Applied to the Public Sector (Assets Accounting Procedures) (item 5.4.2).
- 3.1.30 To the Aeronautics Command that they guide their units regarding the need for timely recording of the totality of their movable assets that are undergoing maintenance process in the account 1.2.3.1.1.08.04, so their financial statements can accurately reflect the equity position of their management units, according to item 3.10 of NBC TSP – Conceptual Structure (item 5.4.5).
- 3.1.31 To the Ministry of Planning, Chief of Staff and Presidency of the Republic that they consolidate in only one norm all the provisions issued regarding governmental strategy and its monitoring and evaluation, clearly identifying the form of organization of the long, medium and short-term plans, with their objectives and goals. In addition, state the role of center of government, sectorial ministries, possible councils and committees and the CGU in formulating, monitoring and evaluating such plans and the public policies contained in them, and, if deemed feasible, using the conclusions of the TCU working group forwarded to the heads of those bodies.

3.2 Alerts

- 3.2.1 Based on article 59, paragraph 1, item V, of Complementary Law 101/2000 (Fiscal Responsibility Law - FRL), to alert the Executive Power about the lack of compliance with provisions of articles 1 and 9 of Complementary Law 101/2000 and 55 of Law 13.242/2015, due to reduction of discretionary expenses of the Federal Government in an amount below what was necessary to achieve the fiscal goal in effect on the date of publication of Decree 8.700/2016, of 3/30/2016.
- 3.2.2 Based on article 59, paragraph 1, item V, of Complementary Law 101/2000, to alert the Executive Power about the lack of compliance with the legal requirements of article 14 of the FRL and of articles 113 and 114 of Law 13.242/2016, when proposing a norm or sanction of a draft bill originating in the Legislative Power, aiming at granting or enhancing tax benefits that result in lost of revenue, as found in the acts that sanctioned Laws 13.243/2016, 13.257/2016, 13.315/2016 and 13.353/2016, and publication of Provisional Measures 713/2016 and 762/2016. These requirements are: projection of the budgetary-financial impact, accompanied by the corresponding proof of compliance with the provisions of the budget guidelines law; proof that the tax benefit was considered in the revenue estimative contained in the budget law and would not affect the fiscal goals or, alternatively, an indication of measures to compensate the lost of revenue; and establishment of a maximum validity period of five years.
- 3.2.3 To alert the Executive Power about the omission in the publication and submission of the rendering of accounts to the National Congress regarding the 2013 FIFA Confederations Cup and the FIFA 2014 World Cup, in violation of article 29 of Law 12.350/2010.
- 3.3.4 Based on articles 14 and 15 of Law 10.180/2001, to alert the Executive Power about the possibility of the Federal Court of Accounts issuing an adverse opinion on the financial statements of the Federal Government, if the necessary measures are not adopted to correct the misstatements found on the consolidated financial statements of the Federal Government.

TCU, Minister Luciano Brandão Alves de Souza Session Room, on 28 de June 2017.

Minister BRUNO DANTAS
Rapporteur

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FEDERAL COURT OF ACCOUNTS

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SAFS Quadra 4 Lote 1

Edifício Anexo III Sala 352

70.042-900 Brasília - DF

Phone: + 55 61 3316 7766/7126

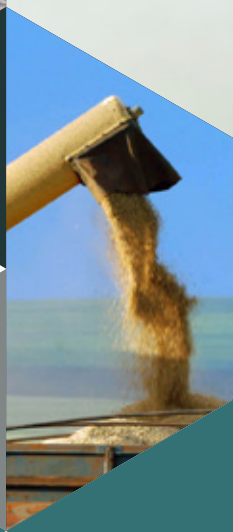
Fax: + 55 61 3316 7536

Office of the Ombudsman

0800 644 1500

ouvidoria@tcu.gov.br

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Vision

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