



TCU Annual Report

Fiscal Year 2002





BRAZILIAN COURT OF AUDIT
External Control Secretariat
Planning and Management Secretariat

TCU ANNUAL REPORT

Fiscal year 2002

Brasília
2003

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Impresso no Brasil / Printed in Brazil

www.tcu.gov.br

336.126.55(81) Brazil. Brazilian Court of Audit.
B823r2002 TCU Annual Activity Report: 2002/Brazilian Court of
Audit. – Brasília: TCU, Planning and Management
Secretariat, 2003.

44 p.

1. Brazilian Court of Audit – Report (2002). I. Title.

Catalogued by Biblioteca Ministro Ruben Rosa



Brazilian Court of Audit

Ministers

Valmir Campelo, President
Adylson Motta, Vice President
Marcos Vilaça
Iram Saraiva
Humberto Guimarães Souto
Walton Alencar Rodrigues
Guilherme Palmeira
Ubiratan Aguiar
Benjamin Zymler

Substitute Ministers

Lincoln Magalhães da Rocha
Augusto Sherman Cavalcanti
Marcos Bemquerer Costa

TCU Public Prosecutor's Office

Lucas Rocha Furtado, Prosecutor General
Jatir Batista da Cunha, Under Prosecutor General
Paulo Soares Bugarin, Under Prosecutor General
Ubaldo Alves Caldas, Under Prosecutor General
Maria Alzira Ferreira, Prosecutor
Marinus Eduardo de Vries Marsico, Prosecutor
Cristina Machado da Costa e Silva, Prosecutor

TRIBUNAL DE CONTAS DA UNIÃO (BRAZILIAN COURT OF AUDIT)

Setor de Administração Federal Sul

Quadra 4 Lote 1

70.420-900 – Brasília-DF BRAZIL

EDITORIAL RESPONSIBILITY

Planning and Management Secretariat - SEPLAN

Mauro Giacobbo

Director of the 1st Technical Unit of SEPLAN

Alessandro Giuberti Laranja

Staff

Débora Dourado Rodrigues

Domarques Borges Santos

José Ronaldo Carvalho Vasconcelos

ENGLISH VERSION

Office of International Relations - ARINT

Sergio Freitas de Almeida

Translation

Liana Mattos de Mello

Proofreading

Sylvia Regina Caldas Ferreira Pinto

EDITING

General Director of the Serzedello Corrêa Institute

Paulo Roberto Wiechers Martins

Technical Director of the Documentation Center

Evelise Quadrado de Moraes

Head of the Editing and Publications Service - Sedip/ISC

Marcello Augusto Cardoso dos Santos

Layout and Electronic Editing

Ismael Soares Miguel

A Message from the President

Congressmen,

Administration manuals state that administration consists of planning, organizing, directing and controlling. Thus, control is essential to administration; without it we cannot avoid straying from the planned results.

To control is not only to punish. It is, above all, to prevent, detect, correct, to guide. Most of the public administrators have good intentions and many make mistakes in their daily performance due to a lack of proper guidance.

With regard to these administrators and the agencies and institutions they manage the Court will act not only as a severe guardian, but also as a partner who wishes to reach the supreme goal of every public administrator: promote common good.

Another concern is to strengthen partnership with other control institutions in order to create an information exchange network that will lead to increased efficiency in allocating resources and increased effectiveness of the results of control.

With this in mind the Court will keep a continuous and up-to-date flow of information regarding its work, among other initiatives. This information will serve as a basis for the legislative decisions regarding continuity of public policies and allocation of resources for public works, government programs and other administrative activities.

The report that I have the pleasure of presenting to you is one more tool for disseminating TCU's activities.

In this report we have summarized the main results achieved by the Court in the year 2002. More than the fulfillment of its constitutional responsibilities, this report is a way to make performance of public administrators more transparent and accountable to the people.

Valmir Campelo
President

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TCU: Organization and Operation

The Brazilian Court of Audit has jurisdiction over more than 2,500 direct and indirect public administration units. Furthermore, the 26 states, 5,561 municipalities and the Federal District are subject to TCU's control with regard to the use of federal resources decentralized by means of agreements, covenants and other similar instruments.

Competence

According to the 1988 Constitution TCU's role is to support Congress in meeting its external control functions. The Court also has exclusive constitutional duties, which are listed below.

- Examine the annual Accounts of the President of the Republic (article 71, I)
- Judge the Accounts of administrators and all others in charge of public money, assets and values (article 33, paragraph 2 and article 71, II).
- Examine the legality of acts of admission of personnel and granting of civilian and military retirement and pensions (article. 71, III).
- Carry out inspections and audits of its own initiative or upon request made by the National Congress (article 71, IV).
- Control the national Accounts of supranational companies (article 71, V).
- Oversee the use of federal funds transferred to states, to the Federal District, and to municipalities (article. 71, VI).

- Provide information to the National Congress regarding inspections carried out (article 71, VII).
- Apply sanctions and order correction of illegalities and irregularities of acts and contracts (article 71, VIII to XI).
- If not heeded, suspend execution of an act that was contested and inform the Chamber of Deputies and the Federal Senate of its decision (article 71, X).
- Upon request by the Standing Mixed Committee of Senators and Deputies, issue a conclusive statement on the unauthorized expenses (article 72, paragraph 1).
- Investigate denunciations made by any citizen, political party, association or union regarding irregular or illegal use of federal resources (article. 74, paragraph 2).
- Establish the quotas of the participation funds of the states, the Federal District, and the municipalities as well as control delivery of the resources to the state governments and municipal city halls (article 161, sole paragraph).

TCU has other duties that have been conferred to it by means of specific laws. In addition, the National Congress issues legislative decrees with specific oversight requirements for TCU, especially with regard to public works financed by public federal resources. In 2002, 45 of these decrees were issued. The main legal duties are summarized below.

- Issue decision regarding complaints about irregular acts in public tenders (Law nº 8.666/93).
- Issue decision regarding formal complaints denouncing non-compliance with the requirement of notifying municipal councils of the transference of federal resources sent to the respective municipalities (Law nº 9.452/97).

- Monitor and oversee the privatization processes (Law nº 9.491/97).
- Create and maintain a homepage to disseminate data and information regarding public accounts - www.contaspublicas.gov.br (Law nº 9.755/98).
- Oversee enforcement of the public finance norms related to fiscal management responsibility, emphasizing compliance by the Federal Government with the limits established for expenditures with personnel (Complementary Law nº 101/2000).
- Draft preliminary opinions on the Accounts rendered by the President of the Republic, by the presidents of the Legislative Branch agencies, by the president of the Federal Supreme Court, by the presidents of the Superior Courts and by the head of Public Prosecutor's Office (Complementary Law nº 101/2000).
- Sue and judge administrative violations of public finance laws (Law nº 10.028/2000).
- Control use of resources transferred to the Brazilian Olympic and Paraolympic Committees (Law nº 10.264/2001).
- In the year 2003, send to the National Congress information regarding any indication of serious irregularities found during inspections in public works and services listed in the budget law as well as information regarding measures adopted to fix previously identified irregularities. This information must be sent to Congress within 15 days of identification of the irregularity and must be supported by documents that allow Congress to analyze whether to continue or interrupt the work or service (Law nº 10.524/2002, article 87, paragraph 5).
- Send to the Mixed Committee of Plans, Public Budgets and Oversight, of the National Congress, an analysis and evaluation of the fiscal management reports required in article 54 of Complementary Law nº 101/2000 (Law nº 10.524/2002, article 101, II), within 45 days of receipt of the reports.

Structure

The Brazilian Court of Audit has its headquarters in the Federal District and has jurisdiction over the whole national territory. Nine ministers that are nominated by the President of the Republic constitute the Court. Their nomination has to be previously approved by the Federal Senate. Six of the ministers are chosen by the National Congress, two are chosen from the Court's staff – one from the team of substitute ministers and one from the TCU Public Prosecutor's Office – and the last minister is nominated freely by the President of the Republic.

TCU is a collegiate institution. The Court's decisions are taken by the Full Court and by the 1st and 2nd Chambers. The Full Court is constituted by all the ministers and is presided by the President of the Court. The Chambers are made up of four ministers and one or two substitute ministers, as the case may be. The substitute ministers are three and they replace the ministers when these take leave or have legal impediments or when one of the ministers leaves office.

There is within the Court a specialized Public Prosecutor's Office that is an autonomous and independent body. It is composed of one prosecutor general, three under prosecutors general and four prosecutors. In the Court sessions where Accounts are judged and audits, complaints and denunciations are examined, a representative from the Public Prosecutor's Office must be present. The activity report of the Public Prosecutor's Office in 2002 is contained in a specific chapter of this annual report.

The Court Secretariat, linked to the Presidency, gives technical and administrative support to the Institution assisting in the performance of its constitutional and legal duties. Several units, among them the General Secretariat for Sessions, the General Secretariat for Administration and the General Secretariat for External Control – Segecex, compose the Court Secretariat.

The technical units in charge of the activities related to external control, located in Brasilia and in the 26 states of the federation, are subordinated to Segecex.

External Control Actions

Rulings

The rulings of the Full Court and of the Chambers can be of several types: normative instructions, resolutions, normative rulings, legal opinions, general decisions or decisions involving fines. The rulings are published in the Court Bulletin – some also in the Official Gazette – and can be seen on TCU's homepage on the INTERNET: <http://www.tcu.gov.br>.

In 2002, TCU approved 6 normative instructions, 7 resolutions and 6 normative rulings. Procedures examined included, among others, those related to inclusion in and exclusion from the CADIN (Registry of Unpaid Credits of the Federal Public Service) of names of managers sentenced by TCU; presentation of Accounts in a consolidated format; monitoring of privatization procedures in which included a large amount of concession rights of a specific service; monitoring of the periodical tariff revisions of the contracts related to concession of services for electricity distribution. In addition, the new Internal Rule of TCU was approved (Resolution nº 155/2002).

Eleven legal opinions were also issued regarding Accounts of fiscal year 2001, of the Executive Branch, the Chamber of Deputies, the Federal Senate, the Federal Supreme Court, the Superior Justice Court, the Federal Justice, the Labor Justice, the Electoral Justice, the Military Justice, the Justice Court of the Federal District and Territories, and the TCU Public Prosecutor's Office.

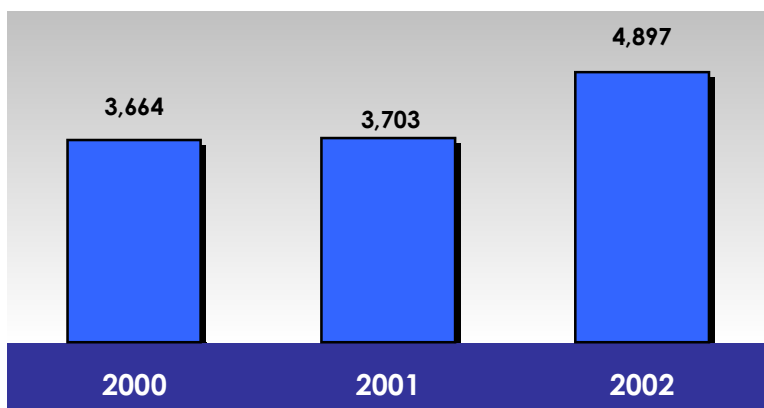
The total number of general decisions and decisions involving fines is listed in the table below.

Decisions Involving Fines and General Decisions Issued

Collegiate Body	2000		2001		2002	
	Decisions Involving Fines	General Decisions	Decisions Involving Fines	General Decisions	Decisions Involving Fines	General Decisions
Full Court	316	1,117	318	1,103	478	1,736
1 st Chamber	618	435	747	431	854	561
2 nd Chamber	701	477	712	392	616	652
Total	1,635	2,029	1,777	1,926	1,948	2,949

The increase in the total number of decisions issued by TCU in recent years (32% in 2002) is shown in the following graph.

Increase in TCU rulings in the last years (general decisions and those involving fines)



As an institution that has the power to judge, TCU delivers judgement in external control cases. In certain cases, where there is no objective regulation regarding the matter to be examined, TCU tries to systematize the exegesis process. Thus, the Court can issue a norm that will guide decisions regarding related issues.

Cases Filed

In 2002, 10,508 external control cases were filed. The table below shows details of the increase in the number of such cases filed since 2000.

Cases Filed

Type	2000	2001	2002
Monitoring	99	79	85
Hiring of Personnel	195	679	1,413
Civilian and Military Retirement	254	644	700
Inquiry	52	41	25
Assets and Income Statement	445	215	201
Denunciation	177	161	148
Rendering of Accounts ¹	1,291	618	1,425
Civilian Pension	81	269	181
Military Pension	96	69	132
Audit, Inspection and Survey	588	658	842
Complaint	869	886	896
Request by National Congress	57	108	32
Request	1,178	781	531
Examination of Accounts ¹	1,435	1,393	1,397
Special Examination of Accounts ²	727	611	911
Judicial Collection	273	1,363	1,551
Other Cases ³	12	21	38
Total	7,829	8,596	10,508

In 2002 there was a 22% increase in cases filed compared to 2001 and a 34% increase compared to 2000. The reason for this was the increase in cases related to personnel admission acts (twice the number of cases in 2001) and in cases involving control (28% more). The increase of around 50% in the number of special examination of

¹ Cases submitted to TCU for judgement of the accounts of public managers in charge of moneys, assets and values. The units belonging to the direct administration of the legislative, judiciary, and executive branches present their annual accounts in cases called "Rendering of Accounts" while those belonging to the indirect administration of the executive branch present their accounts in cases called "Examination of Accounts".

² Case organized and presented to the Court by the competent administrative authority when the agent responsible for public accounts does not perform his/her duty of rendering accounts; when there is embezzlement or misuse of public monies, assets or values; or when any other illegal, illegitimate or anti-economic act is practiced resulting in loss to the treasury.

³ Communications, contracts and agreements, and privatization.

Accounts filed in comparison to 2001 should also be highlighted. This is a reflection of the Court's growing demands, as described in the topic that deals with TCU's duties.

Out of 4 Accounts presented to the Court, three were organized in a simplified form; that is, they originated in agencies that had expenses of up to R\$100 million in the respective fiscal year.

Federal Government Accounts

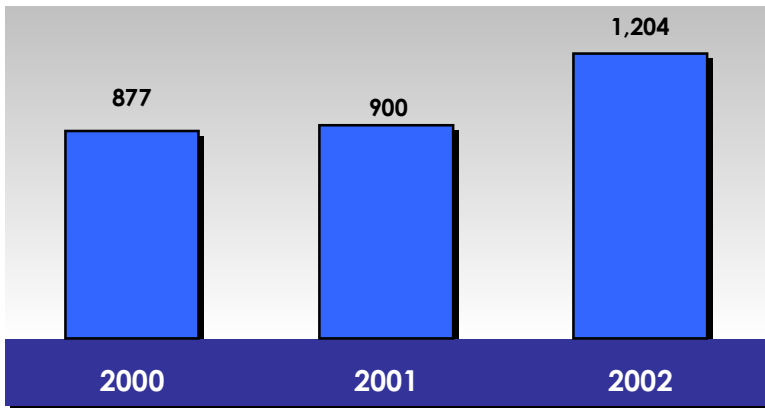
On June 11, 2002, TCU approved the report and preliminary opinions related to the Accounts of the Government of the Republic for fiscal year 2001. The rapporteur was Minister Walton Alencar Rodrigues. The 11 legal opinions issued revealed that Congress could approve the Accounts. However, the Accounts of the President of the Republic had restrictions.

Audits and Inspections

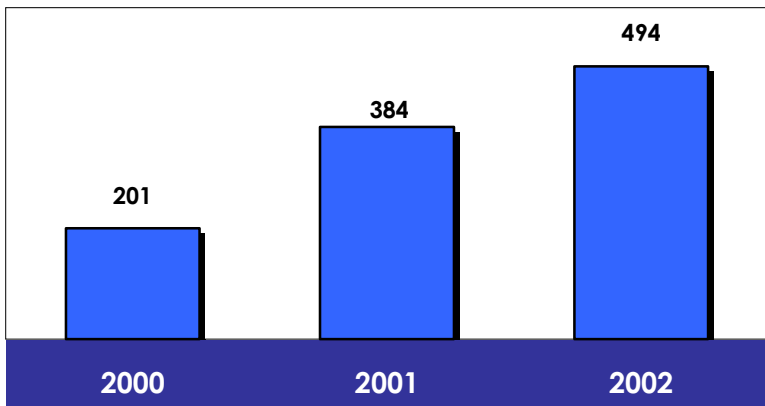
In 2002, 1,204 audits were carried out – a number higher than the 900 audits of 2001 (33%) and the 877 concluded in 2000 (37%). Out of the total of audits performed in the year, 494 (41%) originated from requests by the National Congress. In terms of percentage, the participation of the Parliament in defining the institutions and agencies that should be audited was constant in the last two years (42% and 41%). In absolute terms, there was an increase of 28%.

The graph below shows the increase in the number of oversight actions carried out in 2002, comparing to former fiscal years.

Evolution of Oversight Actions



Inspections Requested by Congress

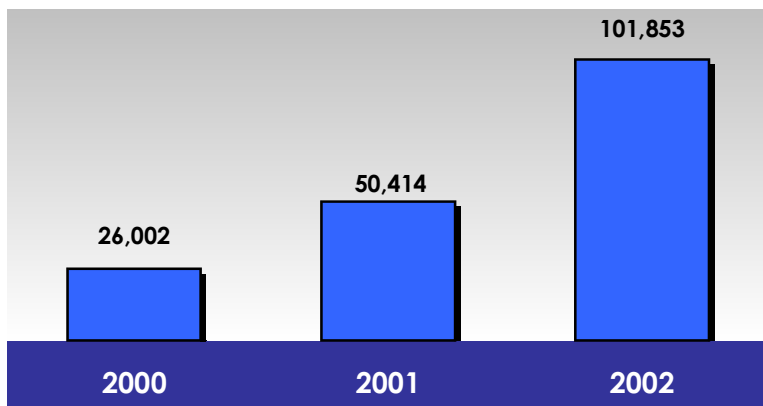


Acts Subject to Registration

For the purpose of registration TCU examines the legality of the acts related to personnel admission, civilian and military retirement and pensions of civil servants. The Court also checks the legality of the expenses related to payment of personnel, including examining whether payment fulfilled the requirements of the Fiscal Responsibility Law.

The acts related to personnel can be consulted in TCU's site on the INTERNET: <http://www.tcu.gov.br>.

Acts of Admission and Concession Examined



The increase in the number of admission and concession acts examined is due to the adoption of a computerized methodology for analysis which allowed automatic verification of the main criteria used in examining the personnel acts. This, in turn, reduced the time it normally takes to examine personnel acts.

National Privatization Program (PND)

The oversight performed by TCU comprehends monitoring the inclusion of companies in the privatization program, assets evaluation, establishment of a minimum sale price, auction and evaluation of the control carried out to check if the commitments assumed by the buyer are being kept.

The procedures for granting concessions and permissions for public services are also controlled. These procedures include analysis of the technical and economic feasibility studies of the enterprise, environmental impacts, public tender document, draft of the contract, granting act, concession or permission contract, among other aspects.

One of the main benefits of the Court's performance in overseeing the PND is the correction of occasional errors in the economic-financial evaluation of the companies. This has resulted in financial returns of billions of reais for the Country and it has also affected the price and quality of services on the part of the public services concessionaires.

In 2002, 45 privatization cases were examined.

Worthy of note is case n° TC n° 014.824/2000-8, in which TCU ordered the National Land Transportation Agency -- ANTT to review toll fees charged on federal highways when the time comes for the annual price adjustments, with the purpose of investing the Tax on Services of Any Nature in favor of users. This tax was being charged unduly by the concessionaires. With this measure thousands of users of federal highways started paying lower tolls for one year. ANTT has already revised and reduced the price of its toll for the Nova Dutra highway, the Rio-Niterói Bridge, and the Rio-Teresópolis and Juiz de Fora-Rio highways.

It is also worth noting that TCU ordered the Central Bank of Brazil to update the evaluation of the State Bank of Maranhão and of the other banks that became federal and that are going through a privatization process. The Court discovered that there was a gap of over a year between the base date for evaluation and the date planned for the auction of that bank and that this could result in losses for the Federal coffers.

Legal and Constitutional Transfer of Resources

TCU calculates the quotas for the constitutional funds and oversees delivery of the money to the states, the Federal District and the municipalities.

The participation coefficients of the FPE (Participation Fund of the States and Federal District) and of the IPI-Exports (Tax on Industrialized Products) for the year 2003, are available in TCU's site on the INTERNET. The amounts of the constitutional funds distributed in the same periods of the years 2000, 2001 and 2002 are shown below:

⁴ Source: National Treasury Secretariat.

Resources Transferred from the Participation Funds (in R\$ 1,00)⁴

Fund	2000	2001	2002
<i>FPM (Municipalities Participation Fund)</i>	12,816,400,875	15,595,397,353	18,594,706,354
<i>FPE (States Participation Fund)</i>	12,182,458,536	13,842,687,521	17,742,619,525
<i>IPI – Exports</i>	1,499,535,562	1,648,803,905	1,596,402,201
Total	26,498,396,973	31,086,890,780	37,933,728,080

External Control Results

Cases Judged and Examined

The following chart shows the amount of cases judged or examined by the Court in 2002, compared to fiscal years 2000 and 2001. They are classified by subject.

Cases Judged or Examined

Subject	2000	2001	2002
Audit, Inspection and Audit Survey	559	665	949
Examination and Rendering of Accounts	3,008	1,551	2,413
Special Examination of Accounts	3,016	1,794	1,628
Hiring of Personnel	1,523	1,301	2,881
Civilian Retirement	1,529	4,061	3,166
Civilian Pension	612	902	920
Military Pension	153	106	109
Military Retirement	29	35	28
Consultation	16	21	19
Denunciation	138	98	138
Appeal	517	854	1,142
Complaint	560	510	695
Administrative	67	54	85
Request by the National Congress	47	67	52
Other subjects	166	153	149
Total	11,940	12,172	14,374

The total number of cases judged or examined by TCU in 2002 was 18% higher than the total of 2001 and 20% higher than 2000. Examination of audits, Accounts personnel hiring cases as well as judgement of appeals contributed to the increase.

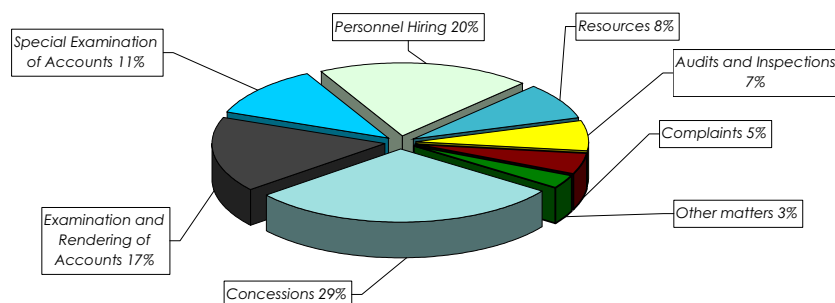
The implementation of guidelines aiming at improving timeliness allowed for the increase in the number of audit cases examined in 2002 (43% in relation to 2001 and 70% in relation to 2000) as well as

an increase of resources (34% in relation to 2001 and twice the resources in relation to 2000).

Other guidelines related to the improvement of the work procedures resulted in an increase in the number of examinations of personnel hiring and concessions compared to 2001 (10%) and 2000 (84%). The implementation of the Accounts deferring system⁵ resulted in an increase in judgements of Accounts cases (an increase of 56% compared to 2001).

The complaints and denunciations sent to the Court were investigated in the period and showed an increase of 37% compared to 2001 and 19% compared to 2000.

Distribution of Cases that Were Judged and Examined



Convictions in Debit or Fine

In 2002, TCU held 3,461 hearings to give agents that were accountable for public monies the opportunity to present their justification for the irregularities verified, as long as there was no debit or financial damage to the treasury.

⁵ The concept of Accounts deferring regards a simplified flow of procedures, in which the Accounts are not examined in detail. The Internal Control issues a legal opinion considering the Accounts regular, regular with restrictions or issues a statement suggesting approval or approval with restrictions. These Accounts are segregated from the others, deferred and examined jointly by the end of the legal deadline for judgement.

For cases in which there was financial damage to the treasury, embezzlement or in which money was misused, 3,756 summons were issued ordering the agents that were accountable to pay the debit or present their defense.

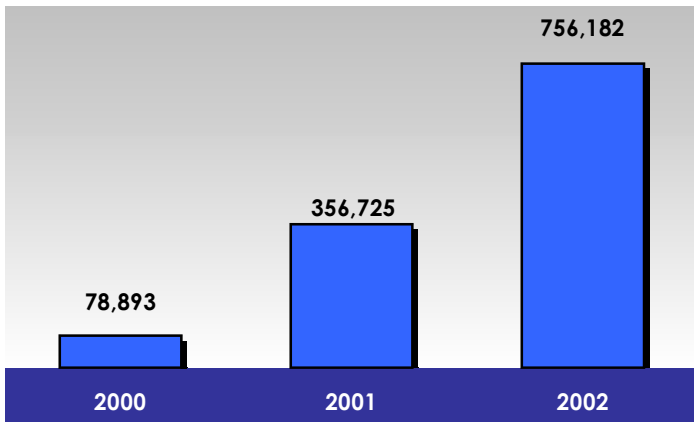
5,160 notifications were also issued to communicate decisions by the Court, in which the Accounts were judged irregular.

The convictions in the period are shown in the chart below and are classified according to the type of case. The graphs show a history of convictions for the last two years, with monetary adjustment up to 12/31/2002.

Conviction of Agents Held Accountable for Public Monies (in R\$)

Nature	Cases	Agents Held Accountable	Debit	Fine	Total
Special examination of Accounts	897	1,235	699,013,770.33	9,282,306.12	708,296,076.45
Examination of Accounts	19	23	2,757,941.65	97,278.81	2,855,220.47
Rendering of Accounts	69	160	42,354,223.87	597,419.25	42,951,643.12
Irregular Accounts	985	1,418	744,125,935.84	9,977,004.18	754,102,940.03
Other cases	124	265	-	2,079,139.21	2,079,139.21
Total number of convictions	1,109	1,683	744,125,935.84	12,056,143.40	756,182,079.26

Debits and Fines in fiscal years 200 to 2002 (in R\$ 1,000,00)



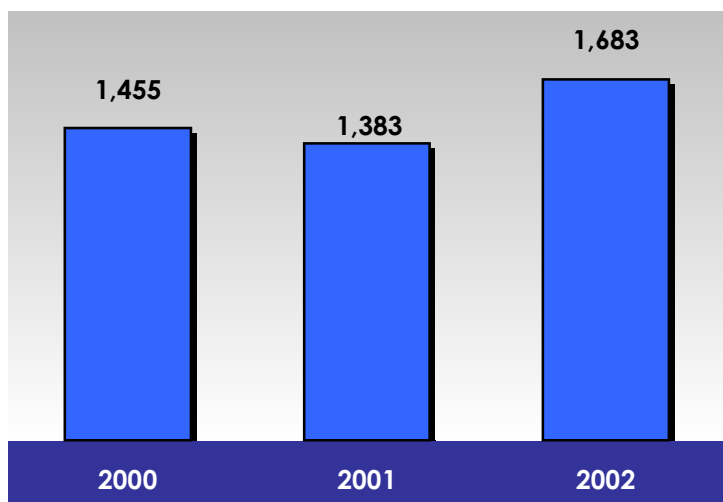
The reason for such a large amount of debits and fines applied by TCU in 2002 (when compared to 2001 and 2000) was judgment of the following Special Examination of Accounts whose administrators were convicted to pay a debit over R\$ 235 million:

Agency: National Institute of Social Security – INSS and 53 banking institutions

Fact: the INSS authorized, with no legal or contractual basis, a payment in favor of the banking institutions in charge of collecting monetary correction from occasional differences between the total amount of social security benefits paid and the total of the contributions collected, registered in the daily financial transactions.

Sentence: Accounts judged irregular and establishment of a deadline so the banking institutions could return to the INSS coffers the amount due (Case nº 011,034/97).

Conviction of Agents Held Accountable



To access the registry of agents in charge of Accounts that were judged irregular go to TCU's site on the INTERNET.

Decisions that resulted in Potential Savings for the Treasury

Aside from the convictions in form of debit and fine, many of TCU's decisions resulted in potential budget savings. We say potential because the savings will depend on actions that must be taken by the agency or institution in compliance with the TCU recommendations.

The following decisions will result in potential savings for the treasury of more than R\$ 3.2 billion.

Federal Patrimony Secretariat (SPU) – audit of the real estate property belonging to the Federal Republic and collection of due taxes.

Result: several decisions addressed to the agency aiming at reducing structural deficiencies that could be causing lack of payment of over **R\$ 1.5 billion** and annual financial damage to the Federal Republic of **R\$ 168 million**, regarding flight of income from real estate taxes.

Granting of Concession of Cellular Phone Service (SMC) – B Band.

Result: evidence of damage to the Treasury due to undue alterations made by the Ministry of Communications in the concession contracts. Four companies (BCP, Americel, Maxitel and BSE) paid in advance the installments due related to the grants, thus taking advantage of the undue contract alteration and avoiding payment of the interest and monetary corrections originally due. Opening of a TCE (Special Examination of Accounts) case to recover the debit of **R\$ 803 million**.

Automotive Regime

Result: according to Note/Coana/COFIN/DIFIA nº 162, of 5/14/2002, the Internal Revenue Secretariat, in compliance with TCU Decision 147/2002, carried out 34 fiscal actions in companies that benefited from the General Automotive Regime and from the Automotive Regime

for Regional Development. These companies had not paid their debts and this resulted in a tax credit of **R\$ 587,377,755.43**.

Brazilian Urban Trains Company (CBTU) – Public works for the implementation of the Urban Train System in Belo Horizonte/MG.

Result: integration of the bus routes between municipalities to the metro terminal, that has not yet been implemented by the State Government of Minas Gerais, will allow a significant reduction in the number of buses that run downtown in the capital of Minas. The consequence of this, from the financial point of view, are savings of approximately **U\$ 24.5 million** per year (R\$ 86.4 million) considering only direct costs with transportation. This will be added to the savings obtained with the reduction of traffic in the central area and to the environmental gains. In view of the existing plan for integration of the transportation system created by DER/MG, TCU decided to notify the state government that implementation of the mentioned plan in its entirety is an essential measure in order to take full advantage of the investments already made by the Federal Government in the enterprise, and to optimize the local metropolitan system for transportation of passengers.

National Department for Transportation Infrastructure (DNIT) – audit carried out in the public works of federal highway BR-282/SC.

Result: several recommendations were made to DNIT to correct irregularities. If adopted, they will avoid losses of approximately **R\$ 46 million** for the public coffers.

Sergiportos – Public Works to Stabilize the Breakwater of Atalaia Nova Beach and Frontal Protection of Coroa do Meio Beach, in Aracaju/SE.

Result: monitoring by TCU enabled savings of **R\$ 43.5 million** – considering prices of 11/28/97.

Santa Catarina Highway Department (DER/SC) - complaint regarding irregularity in the public bidding process for creation and execution of a project for the Tavares River elevated structures.

Result: TCU decided that the agencies and entities of the public federal administration couldn't transfer resources to the project. The irregularities found allowed for a price difference between the winning competitor and the two companies that were considered ineligible. The difference was in the amount of **R\$ 14,119,667.64** and **R\$ 8,718,485**.

National Department for Transportation Infrastructure (DNIT) – audit of the public works for duplication of highway BR-030 (between João Pessoa and Campina Grande/PB).

Result: savings derived from the TCU recommendations to the DNIT, related to review of the unit prices of the ground leveling services, was in the amount of **R\$ 10.5 million**.

Piauí Development Company (Comdepi) – audit of the dams of Salinas, Rangel and Algodões I.

Result: the company was ordered to guarantee a discount for payment of the next installments in the amount of **R\$ 5,334,242.75**, as a compensation for overpayments made, and to adjust the unit prices in Contract nº 12/92 to reflect the reference price list of Dnocs (National Agency of Works to Combat Droughts).

Irrigation and Drainage Program of the National Integration Ministry – performance audit of irrigation perimeters.

Result: implementation of the TCU recommendations by the appropriate agencies will contribute to: savings of up to **R\$ 4.8 million** per year, resulting from the difference between the amount of the water tariff - K2 collected and the maintenance and operation costs of the irrigation perimeters; reduction of the idle area in the irrigation perimeters of Dnocs and Codevasf (São Francisco River Valley Development Company) - currently an area of approximately 52 thousand hectares - which will result in more than 150,000 new jobs; better use of the **R\$ 75 million** needed to recover the perimeters implemented by Dnocs; utilization of Dnocs equipment worth over **R\$ 200 thousand** that is currently inactive and risking deterioration in.

Federal District Metro

Result: in view of the monthly loss of **R\$ 4.5 million** that was found, TCU ordered suspension of the allocation of federal resources to pay for maintenance and operation of the metro. This suspension will last while the selection of companies to provide services is done by means of direct contract.

National Fund for the Development of Education (FNDE)

– enforcement of Decision nº 244/99 – Plenary.

Result: monitoring of the fund revealed that most of the recommendations made by the Court were implemented. Restructuring of the computer services that was suggested by TCU enabled a reduction of expenses of **R\$ 4.4 million**.

Transit and Public Works Department of Rondônia (Devop/RO) – TCE regarding covenants signed with the extinct DNER (National Agency of Highways).

Result: TCU ordered the government of the state of Rondônia to reimburse approximately **R\$ 2.3 million** related to withdrawals from accounts of covenants signed with DNER. It also ordered that Devop/RO deposit in the account of the covenant close to **R\$ 125,000.00** for asphaltting of highway BR-429. This amount was unjustly paid to the companies EMSA and PLANURB.

National Department of Transportation Infrastructure– DNIT and regional office in the state of Ceará – audit of the public works of Anel Expresso de Fortaleza – CE.

Result: DNIT was ordered to discount the amount of **R\$ 769,248.03** in the next rendering of Accounts of the City Hall of Fortaleza. This discount refers to the difference in the rendering of Accounts presented and the services that were actually provided. They were also ordered to discount the amount of **R\$ 971,736.47** which refers to expropriation expenses included in the rendering of Accounts of Covenant nº 108/98, since it is a expense that is not covered in the mentioned agreement.

São Francisco River Water Supply System, in Aracaju/SE

– Indication of irregularities led to preventive paralyzation of the works.

Result: audit of the works led the responsible parties to adopt corrective measures that enabled savings of **R\$ 1.5** million, considering prices in September 2000. In view of that, the Court decided to cancel the preventive measure that had suspended execution of the works.

National Social Security Institute – payment of labor debts related to the extinct Inps, Inamps and Iapas social security agencies.

Result: the institution was ordered to pay **R\$ 1,278,624.84** to the State Superintendence of the INSS/RO related to social security contributions. The payments to INSS were higher than what they should have been as a result of a mistaken system at the time the petition was updated and the amount converted to UFIR (a monetary reference).

Works to renovate, adjust, and extend the South Breakwater of Barra do Porto de Laguna/SC – enforcement of Decision nº 604/2001 – TCU.

Result: The Transportation Ministry signed an additional clause in contract nº 24/2000-MT, altering the amount of R\$ 19,316,724.24 to R\$ 18,299,088.24, resulting in a reduction of **R\$ 1,017,636.00**.

Federal University of Amapá Foundation – complaint to verify participation of the Federal University of Amapá in creating a support foundation.

Result: the institution was ordered to get a refund of the federal resources meant for its participation in the patrimony of the Foundation for the Support of Research and Culture of the Federal University of Amapá – FUNDAP, considering the lack of legislative authorization. The resources are approximately **R\$ 740,000.00**.

Hematology and Hemotherapy Foundation of Rondônia – complaint to investigate undue use of resources belonging to the SUS (Sole Health System).

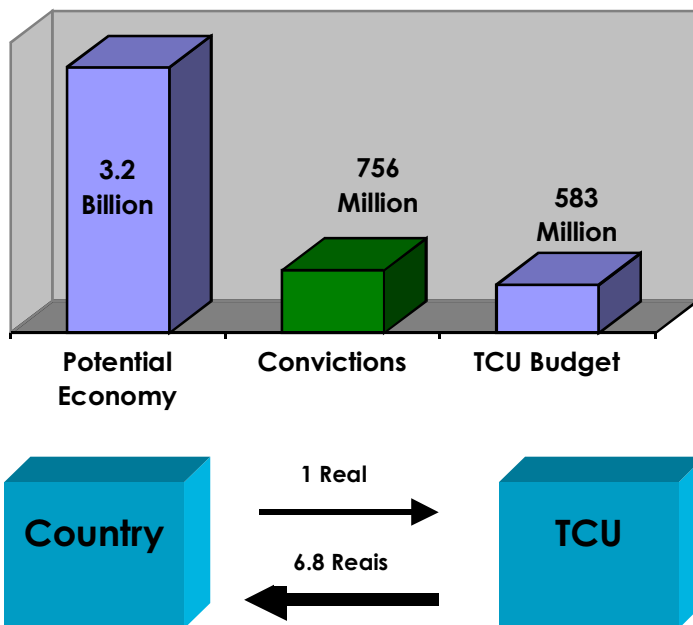
Result: the state government of Rondônia was ordered to return to the coffers of the National Health Foundation the amount of

R\$ 245,608.76, referring to resources of the Sole Health System that were unduly used to pay for serologic kits for the Hemeron Foundation.

If we take into consideration only the above decisions, potential savings resulting directly from the control measures total R\$ 3.2 billion.

TCU's budget for 2002 totaled R\$ 583 million. Thus, considering only the main tangible financial outcome deriving from the Court's action - R\$ 756 million in convictions of debits and fines plus the above-mentioned R\$ 3.2 billion in potential savings due to implementation of TCU's decisions - we can conclude that for every 1 real invested in TCU there is a return of approximately seven reais for Brazilian society.

External Control Cost-Benefit Ratio



However, the main benefits derived from oversight measures cannot be represented in this equation because they cannot be measured nor quantified. Some examples are: waste or deviations prevented in view of the knowledge that there would be oversight,

especially in the case of public works; improvements in allocation of resources; improvement in delivery of public services due to decisions and recommendations; suggestions for improving laws and rules; reduction of environmental damages; improvement of public policies due to evaluation and recommendations made in performance audits.

Other decisions by the Court, also of a pecuniary nature, generated potential savings to the Treasury, such as the decisions regarding nonpayment of bonuses and reimbursement amounts that were unduly received.

Regional Labor Court of the 14th Region – Rondônia and Acre – audit of the administrative area.

Result: the institution was ordered to return the money used to pay bonuses to employees who were not on the staff or who did not occupy permanent positions, including those that held special management positions as of 8/22/94.

Federal Public Prosecutor's Office– verification of payments made to retired government employees.

Result: the agency was ordered to suspend payment of the bonus provided for in article 193 of Act n° 8.112/90 together with the bonus in article 192 of the same law lei or article 184 of Act n° 1.711/52. It was also ordered to suspend payment of bonus for appointed positions granted with basis on Act n° 8.911/94.

Regional Federal Court of the 5th Region – undue payments to employees.

Result: the agency was ordered to stop payment of salary adjustments deriving from bonuses for special management positions and to set straight payment of the bonuses to its employees in strict compliance with articles 14 and 15 of Act n° 9.421.

Regional Labor Court of the 8th Region – audit of personnel issues, contracts and public bidding.

Result: the institution was ordered to stop cumulative payment of several bonuses. The institution was also ordered to return to the Federal coffers the amounts paid to the labor justices as a food allowance, as of 12/22/1995.

Brazilian Institute of Environment and Renewable Natural Resources (Ibama) – audit of personnel area.

Result: the internal rule that allowed hiring employees without public examination was annulled and thus, payments resulting from this rule stopped. The Institute was also ordered to stop payment of the bonus provided for in Act nº 7.706/88 and of the bonuses granted based on Act nº 6.732/79, to working and retired employees.

BR-319 highway –construction of bridges in the West-North Corridor (Rondônia).

Result: temporary suspension of any money transfers to public works until the unit cost established has been fully explained and until a license and authorization are obtained from the Brazilian Navy.

Improvement in Public Management

In 2002, audits of national importance were carried out. As a result of these audits in which management irregularities were verified, the Court ordered or proposed several measures that will contribute to the improvement of the federal public administration.

Administration of Water Resources by the Federal Government

Agencies involved Brazilian Institute of Environment and Renewable Natural Resources – Ibama, National Water Agency, and Environment Ministry.

Findings: bad management of the water resources that has direct impact on the public sector budget, such as loss of collection and an increase in hospital expenses; water is not treated as a strategic economic asset and there is no integration between the water resources policy and other public policies.

Causes of the Energy Sector Crisis

Agencies involved Mines and Energy Ministry (MME), National Electricity Agency – Aneel, Brazilian Electricity Central S.A. (Eletrobrás) and Electricity Crisis Management Chamber.

Findings: delays in payment and lack of implementation of the works foreseen in the plan for expansion of the electricity sector; progressive decrease of investments in the period of 1990/2000; failure of the attempts to implement the thermo-electric power plants foreseen in the Ten-year Expansion Plan 1998/2007; lack of government action in face of the growing risks of a deficit of the system and of unbalance between electricity demand and supply.

Brazilian External Debt

Agencies involved National Treasury Secretariat, Central Bank of Brazil, International Affairs Office of the Ministry of Finance, Federal Control Secretariat, and National Treasury Attorney General.

Findings: expenses with contractual external debt in 2001 (Jan/Oct) in the amount of R\$ 159.6 billion (R\$ 103.3 billion of which were interest rate); inventory of the Federal Government bonds (situation on 12/14/2001) totaled US\$ 118.1 billion; the Federal Government acting as guarantor of debts of state-owned companies in the amount of US\$ 15 billion; bad project management resulting in unnecessary expenses with payment of interest rate and commitment fee.

Social Security

Agencies: National Social Security Institute - INSS and Social Security Data Processing Company – Dataprev.

a) Information Technology Systems

Findings: low level of reliability of data; IT systems vulnerable to attacks from several origins; ineffectiveness of the INSS audit in the area of systems; deficient organizational structure which compromises development of new systems and maintenance of the old ones.

b) Public bidding and contracts

Findings: overpricing, payments not covered in the contracts, undue waiver of public bidding, errors in public bidding announcements for purchase of movables within the scope of the Program to Improve Social Security Services – PAM.

c) Social security and INSS income and expenses

Findings: no separation of the fiscal and social security budgets; problems with budget classification of income and expenses; pending social security credits (administrative and judicial) of over R\$ 115 billion; expenses with actions not included in the constitutional principles of social security.

d) Monitoring of the list of debtors of the Social Security in 2000

Findings: outstanding debts with the INSS in the amount of R\$ 73 billion (an increase of 26% compared to 1999). This is equivalent to 95% of the institution's income in 2000 (R\$ 77 billion). 56% decrease in the amount recovered by the INSS legal department (from R\$ 1,076 million in 1999 to R\$ 473 million in 2000) representing only 0,65% of the total debt; 28% of the backlog of collection cases (of a total of 138,685) have been in the same stage for five years.

e) Control of real estate management

Findings: diverging information regarding record of amounts related to the sales of real estate; lack of review of real estate occupation

rates; execution of undue expenses with administration fee related to occupied residential units.

Caixa Econômica Federal (Brazilian Federal Savings Bank)

Findings: weak procedures and control in the housing department. This reflects on the institution's computerized data banks, which are inconsistent, and on housing projects that are paralyzed, unfinished, depredated, that have been invaded or that are going through difficulties in terms of commercialization. There is also a high rate of lack of payment of the contracts.

Other Convictions and penalties

In addition to fines, TCU can prohibit employees from occupying appointed positions within the Federal Public Administration scope, for a period that may vary from five to eight years, whenever the Court considers that the responsible party committed a serious infraction. In 2002, 21 persons that occupied management positions were sentenced in this way. They worked in the following agencies/institutions:

- Vivili Foundation (Capitão de Campos/PI): former president and former administrative and financial director;
- Foreign Affairs Ministry – Brazilian Embassy in Canberra/Australia: former employee;
- National Health Foundation in Amapá (Funasa/AP): regional coordinator and nine other employees;
- National Sports Development Institute (INDESP): head of the personnel division, advisor and substitute chief of division, head of section, employee that substituted for head of section and a former employee;
- Piauí Electricity Company (Cepisa): president;

- Industrial Learning National Service (Regional Department in Amazonas - Senai/AM): regional director.

The Court can also freeze assets of a person responsible for irregularities for a period of up to one year. The amount of assets frozen will be the amount considered sufficient to guarantee reimbursement of the damages being investigated. In 2002, the Court made such decisions that affected 51 responsible parties. The parties affected were:

- two former presidents of the Brasília Real Estate Company – TERRACAP, ten former directors of that company, thirteen private citizens and six companies;
- the company Film and Video Production House and two partners;
- attorney of the National Highway Department. TCU also requested that the Advocacy-General of the Union confiscate assets if it deems necessary;
- former director-general of DER/RR and six directors of the institution;
- former governor of the state of Mato Grosso, two former directors of the extinct DOP/MT, three partners of the company Aquário Construções e Comércio Ltda. and the former health secretary;
- company NB Produções Ltda. and two partners.

Government Program Evaluation

Performance audit is the modality of control that has been most developed in the past decades and it had an important role in modernization of public institutions in several countries. The purpose of program evaluation is to examine the effectiveness of government programs and projects. This modality of audit aims at verifying to what

extent the actions implemented produced the effects intended by the administration.

TCU has carried out performance audits in several fields, such as: agriculture, education, social assistance, and health. They are considered priority programs and are listed in the Pluriannual Plan 2000/2003 of the Federal Government, aimed at combating poverty and promoting citizenship and social inclusion.

The government program evaluations conducted by the Court in 2002 verified how the Federal Government is investing R\$ 5.7 billion in a population of beneficiaries made up of over 80 million Brazilians.

Programs Examined

Audited program	Resources inspected (R\$)	Population affected by the program
National School Library Program	10.1 million	3 million students; 300 thousand inquiries expected
National Student Health I Program	15.1 million	30,718 schools; 8.5 million students.
Irrigation and Drainage Program	458 million	Data unavailable.
Child Labor Eradication Program	136.3 million	580,000 children assisted.
Family Health Program	970 million	36 million beneficiaries.
Senior Citizen Appreciation and Health Program	30.8 million	295 thousand senior citizens
Penitentiary Restructuring Program – Action: Professional Training of Interns.	3.3 million	114,593 openings
Unemployment Insurance Program	4.1 billion	36 million beneficiaries.

In 2002, the impacts of the implementation of TCU's recommendations resulting from audits carried out in past fiscal years were:

Impact of TCU audits on government programs that were evaluated

Audit carried out	Percentage of recommendations implemented	Main improvements
FNDE (National Fund for Educational Development)	76%	Restructuring of computer services for the fund. This enabled a reduction in expenses between 1999 and 2001 in the amount of R\$ 4.4 million.
Planning for purchase of tuberculosis medication	80%	Reduction in the time it takes to fill prescriptions from 32 days in 1998 to 7 days in 2001.
Aedes Aegypti Eradication Program	50%	A more equitable financial decentralization was achieved, considering epidemiological, demographic, and geographical criteria. Distortions in determining the amount of money to be transferred were also eliminated.
Ibama (Brazilian Institute of Environment and Renewable Natural Resources)	85%	Improvement in the registration system of people subject to payment of the environmental control and inspection tax.

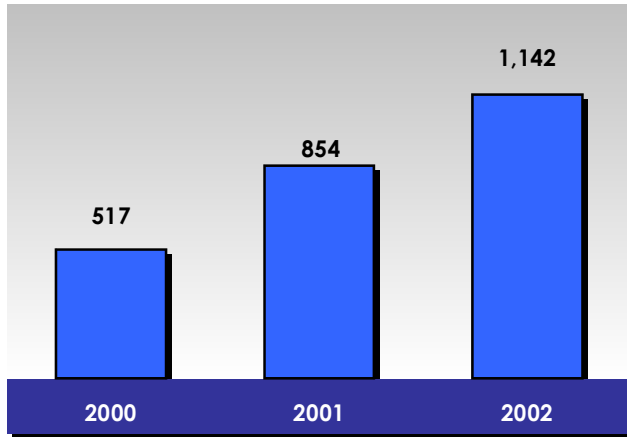
Cases Forwarded to the Public Prosecutor's Office

When the Court detects loss to the treasury due to illicit or anti-economic management acts, or embezzlement or misuse of public money or assets, it sends a copy of the documentation to the Union Public Prosecutor's Office so they can decide what are the appropriate civil and penal measures to be taken. This is provided for in article 16, paragraph 3, of Act nº 8.443/92. In 2002, 544 cases – involving 800 managers accountable for public money - were sent to MPU with this purpose.

Judgement of Appeals

In exercising full defense – a principle provided for in article 5, LV, of the Federal Constitution – the interested party can appeal the decision made by the Court. The types of appeal are provided for in articles 32 and 48 of TCU's Organic Law (Act nº 8.443/1992). Out of the 1,142 appeals examined in 2002, 30% were granted fully or partially.

Appeals Examined



Annulment or Suspension of Acts and Contracts

A deadline may be assigned for the agency or institution to take the measures needed to comply fully with the law if the Court finds an irregularity. This power is provided for in article 71, IX of the Federal Constitution.

In 2002 TCU issued 43 decisions related to this provision. Most of them resulted from irregularities found in bidding procedures and contracts. Out of this total, 11 TCU decisions ordered the annulment or suspension of bidding procedures followed by public institutions.

Still based on the above-mentioned constitutional provision, 239 cases related to retirement and pensions were examined. TCU assigned deadlines for several of these agencies or institutions to suspend, fully or partially, payment of retirement and pensions whose granting acts were considered illegal.

TCU and the National Congress

Support to the National Congress

TCU examines requests made by Congress, by its Houses or by its Technical Committees or Investigation Committees considering them urgent issues. In 2002 TCU filed 66 cases in the interest of the National Congress, involving inquiries on, complaints about, and requests for audits and information. At the same time, the Court examined 139 cases of interest to the National Congress.

Support to National Congress Committees

In 2002, in attention to requests by presidents of parliamentary inquiry committees of the legislative houses, 6 auditors were assigned to help with the work of those committees.

Oversight of Public Works

The most recent edition of the Budget Guidelines Law (LDO) makes a series of demands to TCU; especially regarding monitoring and oversight of works paid for with federal public resources. TCU systematically sends information on physical-financial execution of the public works foreseen in the fiscal, social security, and investment budgets with the purpose of providing the National Congress with data that will help in the allocation and delivery of budgetary resources.

The number of audits of public works carried out in 2002 was 36,4% higher than in 2001. The total amount of resources inspected by the 435 audits of public works conducted in the period was six times the amount of inspected in 1997 and almost twice the amount inspected in 2001.

The report of the public works audits carried out in 2002 was delivered to the Mixed Committee of Plans, Public Budgets, and Oversight, of the National Congress, on 9/26/2002.

Works Inspected

Year	Number of Audits	Annual Resources in Allotments (in R\$ billions)
1997	96	2.20
1998	110	1.97
1999	135	1.75
2000	197	4.29
2001	319	7.51
2002	435	14.30

Status of inspected works

Evidence Found ⁶	2001		2002	
	PTs ⁷	%	PTs	%
Serious irregularities	121	39.8	166	38.2
Other irregularities/faults, impropriety	89	29.3	107	24.6
Regular Accounts	94	30.9	162	37.2
Total	304	100	435	100

The status of the works inspected in 2002 is similar to that of 2001, except for the regular enterprises. These increased from 30% to 37,2%. The number of evidence of irregularities in the works inspected in 2002 almost doubled compared to 2001,

Number of Evidences of Serious Irregularities

Findings	2001	2002	Variation (%)
Evidences of serious irregularities	253	649	157.0
Evidences of other irregularities and faults/impropriety	456	899	97.0
Total number of evidences of irregularities	709	1,548	118.0

⁶ Evidences of serious irregularities are those that lead to a proposal for a hearing or notification of the person responsible. Evidences of other irregularities: findings that, although not serious enough to fit into the above situation, demand immediate corrective measures. Evidences of faults and impropriety cover all other findings of a formal nature.

⁷ Work Program.

The variation between the figures presented in the years of 2001 and 2002 can be explained, basically, by the increase in the number of public works inspected – around 36% – and by the inclusion in the inspection plan of 2002 of 127 works listed in Table VII of the Annual Budgeted Law (LOA) of 2002. These already had evidences of irregularities.

The evidences of serious irregularities that were most recurrent and constituted 83% of the total observed in this classification, refer to irregular signing/administration of contracts; irregularities in bidding procedures; overpricing; irregular signing/execution of agreements; undue changes in projects and specifications.

Internal Actions

Strategies and Plans

In recent years, the Court has given special emphasis to planning as a way of establishing priorities and meeting the expectations and demands of society and of Congress. Establishment of annual performance goals together with institutional strategies has contributed to administrative continuity and to rationality in the management of resources. It has also contributed to the progressive development of the organization.

The 2002 Guidelines Plan prioritized allotment of resources in four essential guidelines:

- increase the number of cases judged or examined conclusively;
- broaden inspection efforts;
- develop efforts to maintain the level of satisfaction of employees with the organizational and work environments;
- increase knowledge and recognition of TCU by society and the media.

In this sense, TCU achieved very good results in terms of institutional performance. This is reflected in the high rate of achievement of the goals set as well as in the results when compared to those of previous years. In 2001, there was an increase of 18% in the number of cases examined, of 34% in the total number of oversight actions carried out, and of 36% in the number of works inspected. The number of personnel acts examined more than doubled, among other indicators.

TCU's Major Results in 2002

Indicator	Goal	Achieved	%
Cases judged or examined conclusively	8,500	8,355	98.29
Works inspected	435	435	100.00
Personnel acts examined	100,000	101,853	101.85
Appeals examined	1,100	1,142	103.82
Oversight of audit plans	397	402	101.26

In the fiscal year 7 basic guidelines were set to guide TCU's actions in 2003:

- *examine conclusively 8,000 external control cases, not including those related to personnel;*
- *improve the quality of oversight actions, maintaining the control effort and prioritizing the areas of higher significance;*
- *examine conclusively, by the end of 2003, 75,000 personnel acts;*
- *improve timeliness, quality, and effectiveness of the external control actions;*
- *improve internal personnel management policy;*
- *perfect support and administrative services;*
- *strengthen relationship with society, public agencies, the National Congress and the media.*

Human Resources Management

The TCU Secretariat has 2,120 positions. By the end of 2002, 2,018 of the positions were filled. The following table shows the evolution of the staff:

TCU Staff

Position Classification	Foreseen	1/12/2001	31/12/2002
Auditor – external control area	961	999	987
Auditor – technical and administrative support area	67	68	67
Subtotal	1,028	1,067	1,054
External Control Technician – external control area	195	195	194
External Control Technician – technical and administrative support area	780	769	750
Subtotal	2,003	2,031	944
External Control Assistant – general services areas	20	20	20
Total	2,023	2,051	2,018

The Serzedello Corrêa Institute (ISC) is in charge of personnel training and improvement activities. In 2002, 314 events were carried out and 3,627 openings in training courses were offered totaling 6,378 hours.

Budget and Financial Resources Management

In fiscal year 2002 TCU received budgetary resources of R\$ 583,599,352.00, corresponding to 0.08% of the General Federal Budget⁸. The outlay up to 12/31/2002 was R\$ 579,312,245.62 (99.26% of the budgetary allotment). The allotment and distribution of the Court's expenses, according to the nature of the expense, are listed below.

⁸ Federal Budget for 2002: R\$ 650,409,607,960.00.

Budget Allotment (in R\$)

Nature of the Expense	Allotment	Spent
Current Expenses	568,465,352.00	566,424,197.29
Interest rate and financial charges	5,000.00	0.00
Personnel	516,690,337.00	516,690,337.00
In service	283,602,131.00	283,602,131.00
Retired	192,793,260.51	192,793,260.51
Pensions	40,294,945.49	40,294,945.49
Other Expenses	51,770,015.00	49,733,860.29
Expendable material	3,383,992.64	3,378,812.64
Outsourcing	48,386,022.36	46,355,047.65
Capital Expenses	15,134,000.00	12,888,048.33
Total	583,599,352.00	579,312,245.62

The difference between the amounts of allotment authorized and the credit spent (R\$ 4,287,106.38) refers to the unused credit available (R\$ 2,699,106.38) and to unavailable credit (R\$ 1,588,000.00), blocked according to the provisions of article 9 of the Fiscal Responsibility Act.

Rationalization of Administrative Expenses

The strategies for containment of expenditure adopted by TCU during fiscal year 2002 resulted in savings of R\$ 3,704,956.75. The main measures adopted were:

- rationalization of expenditure with airline tickets: obtained savings of R\$ 237,344.80 by using promotional tickets. In relative terms, 93% of the airline tickets were issued taking advantage of promotional fares.
- 53% reduction in electricity use. This exceeded the 17.5% goal established based on fiscal year 2000. In order to achieve this, procedures were adopted to optimize use of equipment and lighting.

- an average annual savings of 14.41% in services hired and purchase of material. The bidding procedures were improved by adopting the rule of comparing the estimated value of the market price to the contracted value. This reduced costs in a total of R\$ 3,467,611.95.

Institutional Relations

Institutional Publicity

TCU has used different tools and mechanisms to facilitate access to information related to its activities. The following should be highlighted: institutional reports, the TCU Journal, broadcasting of information regarding TCU's actions three times a week in the radio program Voice of Brazil, a homepage on the INTERNET, the publication "Audits of the Brazilian Court of Audit" and a weekly periodical called TCU Information Bulletin.

In 2002, issues 89 to 92 of the TCU Journal were published. This publication contains external control topics of substantial importance to Brazilian society and to technicians and officials who deal with the oversight of public expenditure.

In 2002 volume 15 of TCU Audits was published. The purpose of this publication is to disseminate the most important audit works produced by the Court as a means of enhancing the meaning of external control activities. This is achieved by presenting new audit methods and practices.

In 2002 the Court also published *Getting Acquainted with the Court*, to contribute to the dissemination of the importance of TCU's role in overseeing management of public federal resources.

TCU also published seven volumes of the series *s Executive Summaries* containing information on the results of social program audits conducted by the Court. The series was distributed to congressmen, cabinet ministers, universities, professional inspection councils, city halls, state secretariats, libraries, and public institutions and agencies.

The activity reports, the TCU Journal and the publication called TCU Audits are distributed to courts, public administration agencies,

universities, and public libraries among others. They are also available in TCU's page on the INTERNET: <http://www.tcu.gov.br>.

Agreements and Partnerships

TCU has signed several agreements with agencies and institutions to provide training of employees, information exchange, technical cooperation and mutual assistance, and inspection of federal public resources transferred to states and municipalities.

During fiscal year 2002, the Court signed or renewed technical agreements with:

- RADIOBRÁS;
- Federal District Justice Court – TJDF;
- Federal Public Prosecutor's Office;
- Regional Labor Court of the 8th Region.

Cooperation Agreements in Effect

Institution	Signed on	Term
Federal Savings Bank	5/29/2000	Indefinite
Chamber of Deputies	1/20/1998	Indefinite
National Confederation of Municipalities	5/31/2000	5/31/2005
Alexandre de Gusmão Foundation	6/12/2001	6/19/2003
Federal Public Prosecutor's Office	9/30/002	11/11/2004
Radiobrás	8/3/2002	8/3/2004
Internal Revenue Secretariat	7/4/2000	Indefinite
Federal Senate – Prodasen(Data Processing Services)	5/23/2001	5/23/2006
Court of Audit of the State of Goiás	7/2/2001	10/8/2003
Court of Audit of the State of Espírito Santo	4/2/2001	4/19/2003
Court of Audit of the State of Mato Grosso	11/20/2000	1/6/2003
Court of Audit of the State of Rio Grande do Norte	1/24/2001	2/5/2003
Court of Audit of the Municipalities of the State of de Goiás	7/2/2001	10/8/2003
Court of Justice of the Federal District – TJDF	11/5/2002	11/11/2004
Regional Labor Court of the 10 th Region	7/25/2001	7/25/2003
Regional Labor Court of the 8th Region/PA	11/5/2002	11/11/2004
Regional Electoral Court of the State of Piauí	1/31/2002	2/6/2004
Superior Labor Court	5/29/2002	6/5/2004

The Court also embarked on several initiatives of an educational nature as well as initiatives to straighten ties with agencies and institutions under its jurisdiction. For this purpose, TCU carried out the following events in 2002, among others:

- Workshop FNDE – Its Programs and Operation;
- Seminar Experiences in Management of Knowledge in Public Administration: Serpro and Federal Savings Bank cases;
- 7th National Symposium on Public Works Audit.

Activities Related to International Organizations and Agencies

TCU is a member of important international organizations of control: the International Organization of Supreme Audit Institutions (Intosai), the Latin American and Caribbean Organization of Supreme Audit Institutions (Olacefs), and the Organization of Supreme Audit Institutions of the Countries of Mercosur, Bolivia, and Chile. In addition, since 1998, TCU has a technical cooperation project with the United Kingdom to “Develop Performance Audit Techniques” in the fields of health, education and environment. This project is financed by the Department for International Development (DFID) of the United Kingdom. The court also participates in events within the scope of the Portuguese Speaking Countries Community (CPLP).

In 2002, the Court participated in the following events abroad:

- Seminar: The Court of Audit and Public Financial Management (Angola);
- 1st Meeting of the Governing Board of the Organization of the Supreme Audit Institutions of the CPLP and the Meeting of the Intosai Auditing Standards Committee, (Portugal);
- 1st Meeting of the Executive Committee of the Intosai Working Group on Environmental Audit (United Kingdom);
- 3rd Meeting of the Olacefs Special Technical Committee on Environment (Colombia);

- 1st Meeting of the Technical Group for Review of the Technical Terms Glossary of the Organization of the Supreme Audit Institutions of the CPLP (Portugal);
- 2nd Euro-American Seminar of Supreme Audit Institutions (Colombia);
- Seminar on Public Works Audits (Peru);
- Meeting of the Technical Coordination Group of the Organization of Supreme Audit Institutions of the Countries of Mercosur, Bolivia, and Chile (Paraguay);
- XII Olacefs General Assembly (Mexico);
- Meeting of the Intosai Auditing Standards Committee (Sweden);
- 50th Meeting of the INTOSAI Governing Board (Austria);
- General Assembly of the Organization of the Supreme Audit Institutions of the CPLP (Angola);
- Seminars on Public Control (Argentina);
- Meeting of the Intosai IT Auditing Committee (India).

As part of the TCU-United Kingdom project on program evaluation, in September a document was signed setting the terms of the 2nd phase of the project. The objective of the mentioned agreement is to evaluate government programs and regulatory models for public services, with a focus on reduction of social inequity in Brazil. This will contribute to a greater transparency in federal spending accountability and to strengthening social control.

Conclusions

Social control is evidenced when monitoring how the federal government budget is spent and can also be seen in the 37% increase of denunciation and complaint cases in relation to 2001. Democratization of information by making it accessible electronically and ample dissemination by the press of TCU's decisions have brought about greater transparency to the development of the cases.

The results achieved in past years by performance audits and public programs evaluation designed to reduce social inequality were very important. Thanks to the work carried out it was possible to make suggestions that led to substantial savings of resources, to an increase in the number of beneficiaries and to an improvement in the quality of the service delivery.

The same occurred with the evaluation of privatization and public service concession cases. It was possible to correct minimum sale prices; to improve the quality of the services offered and avoid undue collection of fees.

Examination of the accounts of the government included issues of national interest and enabled diagnosis of the actual management by the branches of government in the country's administration. Among such issues, increase of public debt and of taxes and reduction of the average performance of workers are noteworthy. The recommendations made to the appropriate agencies to adopt measures aiming at improving public administration should also be highlighted.

In 2002 there was an increase of more than 30% in the total number of audits conducted.

Examination of admission and concession acts doubled when compared to the previous period. It actually surpassed the goal set in the Court's planning. This success can be attributed to the computer

analysis methodology that allowed automatic verification of the main criteria used to examine personnel acts. This, consequently, reduced the time for examination.

The number of cases that were judged or examined in 2002 had an 18% increase. This rate can be explained by the increase in examinations of audits (43%), the increase of judgement of Accounts of public managers (56%), and the short time it took to judge the appeals presented to the Court – a total of 1,142 appeals judged. The number of appeals judged increased more than 34% if compared to fiscal year 2001 and more than twice the number of appeals judged in 2000.

The 435 public works audits carried out in 2002 – 36% more than in 2001 – represent oversight of 15 billion reais. The result of this comprehensive control, presented to Congress in a timely fashion, serves as reference when the legislature determines allocation of budget resources to public works in the annual budget for fiscal year 2003.

The increase of debits verified when judging the Accounts of public administrators should also be noted, as well as the total of fines that doubled in comparison to 2001 (R\$ 750 million). In addition, some of the Court's decisions in 2002 represent potential savings of R\$ 3,2 billion. This shows that TCU returned R\$7 for every R\$1 appropriated to it in fiscal year 2002.

Thus, the results listed in this report show the efforts undertaken by the Court in the past years to implement measures that will prioritize greater efficiency in the analysis of cases and, consequently, greater efficacy and timeliness in external control actions.

Activities of the TCU Public Prosecutor's Office

In 2002, 13,221 cases were filed at the TCU Public Prosecutor's Office (MP/TCU). In this same period, the MP/TCU issued legal opinions on 13,572 cases. Considering that in January 2002 there was a backlog of 1,958 cases, at the end of the fiscal year there were still be 1,607 cases to issue opinions on.

If compared to the prior fiscal year, there was an 11% increase in the amount of cases examined by the MP/TCU. In 2002 there were 13,572 cases, up from 12,185 in 2001.

With the purpose of promoting the defense of juridical order, the MP/TCU presented some complaints to the Court in 2002, requesting that evidences of irregularities in federal public institutions be investigated immediately and appropriate measures be taken. These irregularities were published by the media or brought to the attention of MPU/TCU by public administration officials. Among the complaints presented to the Court, three are noteworthy.

In the first one, based on an article published in the press, the MP/TCU requested that strong evidence of undue use of resources of the National Health Fund be investigated. These funds had been transferred to the Federal District for purchase of medicine and school supply and for maintenance of equipment in public hospitals.

In the second one, the request was that measures be taken aiming at investigating the legality of the transfer of property and/or title of urban real estate belonging to TERRACAP (Real Estate Company of Brasília) – a public company with capital divided between the Federal Government and the Federal District - within the scope of housing programs of the Federal District. Prosecutors that work in the Public Prosecutor's Office of the Federal District and Territories brought this

fact, which evidenced loss for the federal government, to the attention of the MP/TCU.

The third complaint arose from a piece of news stating that the federal government had been making overpayments as a commitment fee in face of the impossibility of using resources deriving from financing granted by multilateral credit organizations and foreign government agencies. This occurred because there was no national balancing item. The total of overpayments in the period of 1998 to 2001 was of R\$ 3,975,909.28. The Prosecutor General's Office requested that the news be investigated and the agents involved be held accountable.

Still in 2002, after intervening in two cases that were in progress in TCU, the MP/TCU petitioned the Federal Justice to cancel bank and fiscal secrecy of individuals and companies involved in irregularities found in the cases dockets and send the information to the MP/TCU and to the Court. The basis for this request was evidence of huge losses to the federal treasury and concern that reimbursement by the responsible parties of the losses caused would not come about.

Judicial Collection

Under Act nº 8.443/92, article 81, III, it is the responsibility of the Prosecutor General of MPU/TCU to send the judicial collection of debt cases resulting from TCU decisions to the Advocacy-General of the Union and to the agencies under the Court's jurisdiction for the necessary measures.

By the end of November 2002, 1,151 judicial collection cases had been opened. This total is similar to the number of cases filed in 2001 (1,165) but much higher than the total number of cases filed in 2000 (212).

There was also a significant increase in the total of monetary resources resulting from judicial collections in 2002 compared to previous fiscal years. While the amount updated until November 1st, 2002 – referring to the cases filed in 200 – was R\$ 56,250,461.70 and

in 2001 R\$ 292,439,343.14, debts related to cases filed in 2002 amounted to R\$ 560,801,940.03.

Another important factor regards reduction of the average time it takes to open a judicial collection case. This time was reduced from 486 days in 200 and 489 days in 2001 to 387 days in 2002. This represents a gain of over 20% in the time it takes to file a case.

There was also a significant reduction in the time cases remain at the MP/TCU before they are sent to the Advocacy-General of the Union and to the other agencies in charge of execution. This period of time decreased from 182 days in 2001 to 83 days in 2002.

Out of the R\$ 560,801,940.03 related to cases filed in the fiscal year in focus (amount updated until November 1st, 2002) R\$ 524,284,548.83 originated in debts, R\$ 34,911,801.30 in fines, and R\$ 1,605,589.90 in simultaneous application of both penalties.

Based on preliminary analyses one can infer that one of the main causes of difficulties in collection has been the impossibility of locating and surveying the assets of the responsible parties. Internal alternatives are being studied aiming at improving the survey of assets of those responsible parties sentenced by the Court in order to reduce the chance of failure of collection.

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3rd External Control Secretariat
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5th External Control Secretariat
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