

Unofficially translated Excerpts from
Report and Opinion on the General State Accounts for 2021
Relatório e Parecer sobre a Conta Geral do Estado – 2021

From the RDTL Court of Appeal Audit Chamber
Tribunal de Recurso Câmara de Contas

November 2022

The complete Portuguese-language report is at <https://www.laohamutuk.org/econ/OGE21/exec/RPCGE-2021.pdf>

10. CONCLUSIONS

Based on the results of the analysis carried out to the 2020 CGE, the following conclusions, which summarize the main aspects of the matters discussed throughout this document:

Budgetary Process

1. The State Budget for the year 2021 was approved by Law no. 14/2020, of December 29, having produced effects from January 1, 2021 and through Law No. 8/2021 of May 3, which approved the Rectifying Budget.
2. In 2021, the total initial budget approved for revenues (Central Administration, RAEOA and Social Security) was USD \$2,199.1 million and for expenses (Central Administration, RAEOA and Social Security) in the amount of \$2,029.8 million.
3. Through the rectifying budget of 2021 the total value of state revenues was changed from \$2,199.1 million to \$2,245.6 million which represented an increase of \$46.5 million (2.1%).
4. It was also amended the total value of expenditure from \$2,029.8 million to \$2,165 million, with an increase of \$135.3 million (6.7%).
5. In 2021, the Fiscal Deficit inherent to the State Budget presents a value of \$1,799 million. The Fiscal deficit is financed by Transfers from the Petroleum Fund (77%), management balances from the Treasury Account, RAEOA and SS (19%), loans (4%).
6. The changes / transfers of funds between categories during the year 2021 reached an overall amount of \$42.4 million (not including the amount of rectification) and came mainly from the Contingency Reserve included in the Goods and Services category.

Presentation of Accounts

7. The CGE for the year 2021, was prepared by the Ministry of Finance and submitted to the CdC by the Government, in the person of the Prime Minister, on July 29, 2022, i.e. within the legally established timeframe.
8. The Government's accounts were all published on the Ministry of Finance's website, in breach of the principle of publicity foreseen in article 11 of the LOGF.
9. The budget progress reports for the first, second and third quarters of 2021 were sent to the CdC within the deadlines established in article 44 of LOGF.
10. In terms of structure, the 2021 CGE presents for the first time a section on Expenses by Appropriation Program, of the whole Government and by each institution/entity of the Administrative Public Sector.
11. In general, the CGE 2021 contains the information foreseen in article 45 of the LOGF.

12. The CGE does not include asset accounting, which includes the patrimonial value of real estate and other assets and liabilities of the State, nor information about commitments undertaken as a result of pluriannual programs and contracts, namely the one foreseen in sub-paragraphs g) and h) of no. 3 of that article.
13. The financial statements were prepared in accordance with the International Accounting Standard applicable to the Public Sector for Financial Reporting on a Cash Basis (hereinafter referred to as “NICSP Cash Basis”), in accordance with the provisions of no. 1 of article 45 of LOGF.
14. The basis of preparation of the Statements of Cash Receipts and Payments refers the period from January 1st to December 31st (the “full cash basis” system), complying with the annuality principle foreseen in article 3 of the LOGF, since no payments were processed beyond the end of the calendar year.
15. The 2021 CGE reflects the budget execution (receipts and payments) of the ministries and ministries and services of direct state administration (without financial autonomy), the SFA, Municipalities SFA, Municipalities, Autonomous Organs and the FDCH.
16. As mentioned, since 2017, in the RPCGE, the State Budget and the CGE of 2021 continue not include the revenue and expenses of the IPG and ANPM, so the overall revenue and expenditure are underestimated.
17. However, the CGE for 2021 shows an improvement over the CGE of previous years, since it includes for the first time in the “Consolidated Financial Statements of Revenues and Cash Payments, information about the revenues and expenses of the RAEOA, thereby fulfilling the principles of budgetary unity and universality.
18. From a universe of 70 public entities (15% more than the previous year, whose universe was 61 entities) with administrative and financial autonomy, existing in 2021, it was verified that 52 public entities sent to the CdC the due annual accountability documents¹⁹⁰, thus registering a significant increase in the reported entities in relation to the previous year (206%)

Petroleum Fund Account

19. The Petroleum Fund (PF) was created through Law no. 9/2005 of 3 August, amended by Law no. 12/2011 of 28 September).
20. The Capital Revenue from the Petroleum Fund results from “the gross revenue, including Timor-Leste Tax Revenue derived from petroleum operations, including prospecting, exploration, development, exploitation, exploration, transportation, sale and export of petroleum and other activities related thereto” (cf.)
21. The total revenue collected from the Petroleum Fund was \$980 million and the execution rate of petroleum revenues was more than 100% i.e. it collected more than expected.
22. From the year 2015, transfers from the Petroleum Fund to the OGE have always been above the value of the Petroleum Fund revenues, and from the year 2013 the petroleum revenues showed a sharp drop while transfers to the OGE showed an upward trend. As stated in Book 1 of the State Budget 2022, if expenditures and withdrawals from the Petroleum Fund continue to grow at the current rate without significant new petroleum revenues being collected, the Fund will be exhausted in about 10 to 13 years.

¹⁹⁰ National Petroleum and Minerals Authority, TIMOR GAP, EP, RAEOA/ZEESM, National Parliament, Court of Appeal, National Social Security Institute, CAC, AMRT, Press Council, SAMES, EP, BNCTL, PCIC, AIFAESA, CNE, CLN, Presidency of the Republic, EDTL, EP, Covid-19 Fund (presented by GPM), TIC Timor, IGE, IP, 12 Municipalities, UNTL, ANAAA, CNR, GFM, CNEFP, CFP, AEI, BTL, EP, APORTIL, IP, Attorney General’s Office, IADE, FDCH, AANATL, INDMO, Becora National Vocational Training Center, IDN, Bamboo Institute, IP, State General Inspection, SERVE.

Budget Execution of Revenue

23. In 2021, the State Budget forecasts revenue of \$991 million, of which \$729.7 million is from “Petroleum Revenues” (including interest and dividends from Petroleum Fund investments and net of tax refunds), \$190.6 million from Domestic Revenues, and \$70.7 million from Loans.
24. The revenues collected in 2021 showed an increase of 37.5% compared to 2020 and an execution rate of 123%, compared to what was foreseen in the State Budget.
25. The revenue collected from the Petroleum Fund, in 2021, was \$980 million, lower than the execution value of the Petroleum Fund transfer for OGE funding of \$1,147.9 million.
26. Domestic Revenues were above the forecast, reaching \$217.3 million and an execution rate above 100%.

Petroleum Fund Raising and Expenditure Financing

27. The value of transfers from the Petroleum Fund, for financing the State Budget, was \$1,377.6 million, of which \$547.9 million corresponds to the Estimated Sustainable Income (ESI) and \$829.7 million above the ESI.
28. It should be noted that the value of approved transfers for 2021 (\$1,147.9 million) was more than the value of the ESI by \$600 million.
29. Since the Petroleum Fund’s creation in 2006, and until the end of the year 2021, transfers worth a total of \$14,797.1 million were authorized by the National Parliament, of which executed withdrawals were \$13,618.8 million (92% of the authorized amount) to finance the State Budget. The total value of the ESI for the period was \$8,244.6 million, with transfers above this amount reaching \$5,374.2 million, which means that 39.5% of the transfers made relate to excessive withdrawals from the petroleum fund.
30. The initial allocation of Capital Development expenditures for the year 2021 was \$474.1 million, of which \$403.4 million was funded through the State Budget and \$70.7 million funded through loans.
31. Of the above authorized transfer from the ESI in the amount of \$829.7 million, only \$403.4 million was for the purpose of infrastructure construction, while \$426.3 million was to meet Current (Salaries and Wages, Goods and Services and Public Transfers) and Minor Capital expenditures.
32. Petroleum revenues are particularly volatile and uncertain, and it is anticipated that the Petroleum Fund could run out if excessive withdrawals continue. The sustainability of public finances is at stake here, so there is an urgent need for prudent management of petroleum revenues for the benefit of current and future generations, and an assessment of the results and impacts achieved in recent years in the development of Timor-Leste with transfers from the Petroleum Fund above the Estimated Sustainable Income
33. The State Budget foresaw that the financing of the expenses for 2021, in the global amount of \$2,030.3 million, would be assured by transfers from the Petroleum Fund (67.9%), by Domestic Revenues (9.4%), Donations (0.4%), Treasury Account Balance (18.9%) and through Loans (3.5%).
34. The total value of expenditure in the different sources of financing reached \$1,659.1 million, which corresponds to 81.7% of the budgeted value, i.e. below the forecast. This situation resulted, essentially, from the fact that the loans had a low execution rate (31.8%) compared to what was foreseen in the OGE.

Domestic Revenues

35. In 2021, Domestic Revenues totaled \$217.3 million, \$35.4 million more than in 2020, as a result of the increase in Tax and Non-Tax Revenues, by \$3.4 million and \$32 million, respectively.
36. In 2021, the collection of Tax Revenue reached \$118.9 million, which corresponded to an execution rate of 93.7% of the estimated value.
37. In relation to the previous year, there was an increase in Tax Revenue of only 3%, being this growth explained by the increase in taxes on goods (6%).

38. In 2021, the Non-Tax Revenue of the Direct State Administration, Municipalities and Autonomous Regions amounted to \$98.3 million, registering an increase of \$32 million in relation to the previous year (48.2%).
39. Non-Tax Revenues registered, in the period 2016 to 2021, a positive evolution, growing from \$55 million, to \$98.3 million, which represented a total increase of \$43.3 million (78.7%). In the five-year period, revenues grew, on average, by \$8.66 million per year.
40. The services of the Direct State Administration collected non-tax revenues totaling \$78.8 million (80.1% of the total Non-Tax Revenue for the year), a 35.5% increase over the previous year.
41. The revenue from “Autonomous Entities”, increased 136%, representing 8.6% of the Domestic Revenue and 18.9% of Non-Tax Revenue, which reveals a great dependence of these entities on State Budget appropriations.
42. It was verified that, in 2021, there were SFA’s and Municipalities that generated revenue during the year without having been subject to forecasting and budgeting in the State Budget.
43. As in previous years, the State Budget did not present information about the estimated of uncollected revenues as a result of the attribution of fiscal and non-fiscal benefits, thus not complying with the provisions of lines m), n) and o) of article 22.3 of LOGF.
44. Customs import duties represent the largest uncollected amount and relate to the exemptions foreseen in the Petroleum Tax Law, which in the period under review totaled \$13.4 million (53.6% of the total).

Expenditure Budget Execution

45. The initial State Budget allocated to FCTL was \$1,882 million USD, which changed to \$2,017.3 million in the final budget, with expenditures totalling \$1,444.9 million, corresponding to a budget execution rate of 71.6%.
46. Compared with the amount spent in the previous year, the FCTL expenditure \$326.1 million (29.1%), with significant changes.¹⁹¹ There were significant changes in the values of expenditure on Public Transfers, which registered a 69.9% increase, and in expenses with Capital Development, which registered a decrease of 33.8%.
47. The largest part of the expense went to the category of Public Transfers with a value of \$660.6 million, representing 45.7% of the total expenditure executed and whose rate of execution reached 95.1%.
48. Expenses in the categories of Goods and Services and Salaries and Wages represented 28.5% and 15.6%, respectively, of total expenditure. It should be noted that, as in as in previous years, domestic revenues (\$217.3 million) collected in 2021 were not enough to cover the expenses with Salaries and Wages of FCTL civil servants (\$225.8 million).
49. The total amount paid to staff through the Salaries and Wages category and the Goods and Services category, amounted to \$312 million.
50. In 2021, the State had 55,374 civil servants in its service, different from the totals of casual and special regime employees are not correct. The Ministry of Education, Youth and Sports had the largest number of State employees 15,276, corresponding to 1/3 of the total 27%, followed by the Ministry of the Interior, which had 6,819 in its service 12%.
51. The final FCTL budget for Goods and Services (including contingency Goods and Services) amounted to \$601 million, with expenses of \$412.3 million having been executed, corresponding to 28.5% of the total expenses for the year and registering an execution rate of 68.6%. In comparison with the previous year, in 2021 expenses for Goods and Services increased by \$48.9 million, representing 13.5%.
52. The total number of employees hired by organic classification in 2020 and 2021 was 3,419, consisting of 2,123 employees of the Direct State Administration Services, 1,290 employees of Public Agencies, including Autonomous Agencies, and 6 employees of Municipalities. Compared to the previous year, in 2021 the contracted employees increased by 46.1%.

¹⁹¹ Including changes in contingency expenses.

53. According to the data provided by the Ministry of Finance, in 2021, of the 2,030 contracted employees, 1,630 were national employees and 400 were international advisors.
54. According to FreeBalance records, the expenses allocated in the subcategory of Other Miscellaneous Services, in 2021, registered \$83.1 million reaching an execution rate of 68%. Compared to 2020 (\$42.9 million), there was an increase of about \$40.2 million, i.e., almost doubled. The Secretary of State for Equality and Inclusion, SAMES and the National Logistics Center were those that presented the highest execution rate.
55. Since 2015 the Council of Ministers approved the government decree regarding the attribution of supplementary payment to workers assigned to the process of preparation of the General State Budget and closing of the General State Account. This competence was attributed to the Ministry of Finance.
56. In the year 2021 payments were made relating to the 2020 Supplement, attributed by Government Decree no. 17/2020 of November 25, being that the execution of this supplement was made operational by Memorandum no. 539/G-DGSC/MDF/VIII/2020 of the Directorate General of Cooperative Services and by Dispatch no. 05/GMF/MdF/VIII/2020 of the Minister of Finance.
57. From the analysis carried out, in 2021, a total of \$250,000, with the amounts paid varying between \$100 and \$6,000 per official benefited.
58. It was verified that the payments made, in several situations, clearly exceeded the limits of legal values, and it was not possible to ascertain the criteria used for their attribution. The highest value of supplement attributed, which was to managers of the Directorate General of Planning and Budget (DGPO), with the payment of \$6,000. This value is 332% higher than the salary of the Director General of the DGPO of the MoF. No supporting documents were presented to justify the reason for the disproportionality of the value attributed with the salary of the beneficiaries.
59. Also, the attendance list sent by the MoF does not include the hours of overtime work carried out, nor the amount paid relative to this. It should be added that supplements were paid to employees who were absent from work for various reasons such as illness, maternity and leave. Some employees performed functions that have no direct relation to the process of preparing the State Budget and closing the CGE, but were benefited with the attribution of the such as the car mechanics of the Directorate General of Management of State Patrimony.
60. The payments related to the 2020 Supplement, attributed by Government Decree no. 17/2020, violates the legal regime provided for the payment of overtime work, since a) it does not respect requirements for the authorization, performance and control of overtime work¹⁹², b) it does not comply with the legal a) does not respect requirements for the authorization, performance and control of overtime work¹⁹², b) does not consider the calculation methodology and payment of overtime¹⁹³, c) it violates the legal prohibition of non-payment of overtime work overtime work to management and supervisory personnel,
61. Memorandum no. 539/G-DGSC/MDF/VIII/2020 and Dispatch no. 05/GMF/MdF/VIII/20220 are violators of the legal regime for the same reasons as the Decree. The Decree, Memorandum and Order of the MoF do not provide the assumptions for calculating the supplement, by category or professional position, there are no limits on payments and no procedures are established for monitoring or control of the work carried out.
62. The State Budget for 2021 presented an estimate for expenses with Public Transfers in the total amount of \$700.2 million, a value that was reduced by \$5.8 million, through budget amendments, setting its final value at \$694.4 million, or \$5.8 million less than the initial budget.
63. The expenditure in the category of Public Transfers reached \$660.6 million, which corresponds to 45.7% of the realized expenditure. This figure represented an increase of \$271.8 million compared to the previous year, when Public Transfers totaled \$388.8 million.
64. In 2021, most of the realized expenditure of Public Transfers refers to Public Concessions, having executed \$502 million 76.6% more 127.8% compared to 2020.

¹⁹² According to Article 71 of the Civil Service Statute

¹⁹³ Pursuant to article 6 of the Civil Service Remuneratory Supplement Regime

65. In 2021, the expenditure allocated to Public Concessions amounted to \$502 million. Of the four most significant concessions, the one with the highest value concerns the payment of \$157.9 million to EDTL (45% of the total expenditure).
66. The budget allocations for Minor Capital expenditure are residual, representing only 3% of the total planned FCTL expenditure. The final budget for Minor Capital expenditures was \$72.2 million, with expenditures reaching \$43.6 million, which represented an execution rate of 60.3%. The largest amount of Minor Capital expenditures allocated to the acquisition of vehicles was \$28.7 million, which represented a budget execution rate of 66%.
67. The Capital Development investments amounted to \$102.6 million, representing 7.1% of the total executed expenditure, having registered an execution rate of 25.7%.
68. Contrary to what happened in previous years, the 2021 CGE does not present information about the details of contingency expenditures, non-complying with what is established in the LOGF.
69. The final State Budget foresaw a Contingency Reserve of \$48.2 million, budgeted under the Goods and Services category of the Whole-of-Government Appropriations.
70. It was found that through the Contingency Reserve, expenses were made that do not fit the concept of “unforeseeable and unpostponable expenses” in the total amount of \$729,000.
71. In 2021, the initial FCTL budget was \$1,882 million. After the amending budget it increased by \$135.3 million, and the final budget was \$2,017 million.
72. The total expenditure was \$1,446 million and the expenditure made by the Direct State Administration Services (services without administrative and financial autonomy) was \$979.3 million, representing 67.7% of the total FCTL expenditure and corresponding to an overall budget execution rate of 84%. Compared to the previous year, the realized expense increased 43.9% (\$298.7 million).
73. The initial budget for all Direct Government Services reached the amount of \$1,209 million, which after the amending budget and through budget changes, inherent in the use of the Contingency Reserve (budgeted in the Whole-of-Government Appropriations) by the SFA, the Autonomous Bodies and the Municipalities came to be reduced to a final budget of \$1,154.2 million.
74. The expenses made by the Simple Services totaled \$979.3 million, representing an execution rate of 84.8% of the available budget which corresponds to an increase of 43.9%, or an increase of \$298.7 million compared to 2020.
75. Of the Direct Administration Services, the MOP had the largest (final) budget allocated, corresponding to 21.5% of the total, followed by the Whole of Government Endowment and the Ministry of Education, Youth and Sports, with 13.9% and 10.4% respectively.
76. In terms of execution, in 2021, the highest budget execution rates were achieved by the Ministry of Petroleum and Mineral Resources (99.2%), the Ministry for National Liberation Fighters Affairs (97.3%) and the Ministry of Education, Youth and Sports (96.1%).
77. The total expenditure carried out by the Autonomous Public Agencies reached \$420.7 million, which represents an execution rate of 52%, compared to the final budget. The expenditure executed by the Autonomous Public Agencies registered an increase of 1.5% compared to 2020.
78. The vast majority of this expenditure refers to the Covid 19 Fund, whose expenditure reached \$205.8 million, representing 48.9% of the available appropriation, and executed a 71.6% execution rate.
79. The National Elections Commission and the Institute for Research Development, Training and Promotion of Bamboo, were the entities that registered the highest budget execution rates (98.1% and 98% respectively).
80. Budget appropriations, after the rectifying budget and budget amendments, for the Municipalities totaled \$54.5 million.
81. In 2021, the total expenditure incurred by the Municipalities totaled \$46.1 million, corresponding to an execution rate of 84.6% of the available budget and an increase of \$11.5 million compared to the previous year (33.3%).

82. In terms of execution rate, the Aileu Municipal Administration showed the highest rate, reaching 93.1% of its budget, followed by the Baucau Municipal Administration with 91.6%.

Infrastructure Fund

83. The initial IF budget approved by the 2021 OGE was \$339.6 million, of which \$70.7 million was to be financed through loans. After the budget amendment of amount of \$58.7 million, the final IF budget was \$280.8 million.

84. The loan-financed component amounted to \$22.5m, a 32% execution rate, while all other programmes together achieved an execution rate of 27.7%.

85. As in previous years, most of the IF budget was allocated to the Roads programme (\$75 million) and investment reached \$40.4 million (50.1% of total expenditure). Compared to the previous year, there was a 47% reduction in program expenditures.

86. The Tasi Mane program registered a 96% cut in 2020 (\$49.7 million to \$2 million), However, in 2021, there was an increase from \$1 to \$3 million, and the executed expense \$288,000 and which corresponds to an execution rate of 10%.

87. In comparison with the previous year, the Maintenance and Rehabilitation program registered a \$63.2 million with executed expenses of \$2.3 million and an execution rate of 4%.

88. As in previous years, the CGE does not present detailed information regarding the information regarding the execution of the component supported by the State (through the IF) in the programs co-financed by the loans. This information is included in the Annual Report of the IF for 2021.

89. The program with the highest IF execution rate was the Financial Sector Program and the Financial Sector Program and the CAFI Administration Program, reaching 88% and 87% respectively.

90. From the analysis carried out on the CAFI Administration Program, it was found that contributions were paid contributions for the death of family members of staff members of the Major Projects Secretariat (SGP) in the total amount of \$1,500, in non-compliance with Article 35.3 of the Budget Execution Decree.

91. Payments were also identified for the purchase of Christmas items and the holding of parties with the attribution of vouchers to SGP employees with a total value of \$11,400.

92. Since the creation of the Infrastructure Fund, first in the nature of a “special fund” and since 2016 as an “autonomous fund”, budgets have been approved for a total amount of \$5 094.2 million.

93. The expenditure between 2011 and 2021 (11 years) totaled \$3,214.8 million, which represents an execution rate of 63.1%. Compared to the previous year, the IF budget for 2021 increased by about 34%.

94. During 2021, a total of 358 projects were approved in the Infrastructure Program. The Roads program accounted for the largest number of projects, with 132 projects (36% of the total), followed by the Electricity program, with 86 projects (24% of the total).

95. A total of 287 procedures were carried out through direct award. Under the Roads program, 131 procurement procedures were carried out by direct award (45% of the total) and only 1 national public tender. In the program, 85 contracts were adjudicated by direct award and 1 through international public tender.

96. By the end of 2021 the contracts signed reached a total value of \$2,070 million. The largest part of this expense corresponded to contracts awarded through international public tender (\$1,561.3 million), followed by direct awards, which amounted to \$483.5 million.

Human Capital Development Fund

97. In 2021, the Human Capital Development Fund was allocated an overall budget of \$12,995, which remained unchanged in the final budget.

98. The amount of revenue executed, through transfers from the FCTL, was \$9,746 thousand, which USD, which represents about 75% of the respective forecast.

99. The execution of expenses reached \$8,651 thousand, which corresponds to 67% of the forecast. The execution of revenue thus exceeded the expenditure executed in the year. The cash balance at the end of the year was \$1,612 thousand.
100. The “Scholarships” program had the highest execution of expenditure with a value of \$4,520 thousand and an execution rate of 75%. It is followed by the “Technical Training, to the value of \$1,590 thousand with an execution rate of 57%.
101. The total number of beneficiaries of the FDCH programs was 10,7442, of which 4,232 were covered by the “Other Type of Training” program, 2,292 by the “Vocational Training” program and 2,003 by the “Technical Training” program.
102. By destination countries, the beneficiaries of the “Scholarships” program are mostly in Timor-Leste and Indonesia with 1,368 and 176 beneficiaries respectively. Although to a lesser extent they are in countries like Vietnam, Switzerland, Russia, Macau, India, Spain and China.
103. By degree level, it can be seen that the majority of beneficiaries attended degree level (1,447 grantees), followed by diploma III degree (217 grantees) and other types of Training (90 grantees).

State Treasury

104. According to the information in the financial statements presented in the CGE, at the end of 2021, the global amount of cash balances amounted to \$249.4 million, most of which relates to FCTL.
105. There is a difference of \$2 million, between the cash balances disaggregated in the table above (which amount to \$249.3 million) and the balances presented in the CGE, with the designation of “net worth” (amounting to \$251.4 million, this difference is explained by the value of advances to Municipalities and Autonomous Agencies.
106. From the data in the CGE 2021, it is noted that the FDCH did not specify the nature of the cash balances existing at the end of the year, namely, as to the value existing in bank account.
107. The cash balances, as in previous years, continue to be undervalued because they do not include the cash balances of ANPM and IPG, public entities that should be included in the consolidation perimeter of the CGE.
108. In 2021, there is an improvement in this area when compared to the previous year, since the cash balances in the cash balances in the CGE 2021 already include the balance of the treasury of RAEOA and the ANPM bank deposit related to the State’s investment in TL Cement, whose value as of December 31, 2021, was \$50 million.

Cash Advance

109. The cash advances outstanding at year-end 2021 amounted to an amount \$5 million, a decrease from the previous year when they were \$6.3 million.
110. The central departments that recorded the highest number of advances were the Ministry of Foreign Cooperation (\$10 million), the Ministry of Defense (\$7.6 million) and the Ministry of the Interior (\$6.15 million).
111. Most of the expenditure on advances relates to the category of goods and services for the Embassies and Districts, and the central departments that recorded the largest number of advances were the Ministry of Foreign Affairs and Cooperation (\$10 million), the Ministry of Defense (\$7.6 million) and the Ministry of Interior (\$6.15 million).
112. Regarding the advances from the autonomous agencies, in 2021 their value was \$4.5 million, having registered a decrease of \$2 million in relation to the previous year.

Financial Flows between Institutions

113. In 2021, the most significant movements in the State treasury, within the budgetary perimeter, resulted in the following flows, all to or from the FCTL account: Transfer from the Petroleum Fund to the FCTL account of \$1,147.8 million; Transfer from the FCTL account for the total amount of

\$452.7 million¹⁹⁴ to: Infrastructure Fund, \$85 million; Autonomous Public Agencies (except FI) \$119.6 million USD; FDCH, \$9.7 million; RAEOA, \$22 million; Municipalities, \$53 million; Covid-19 Fund, \$185 million

114. In 2021, the entire OGE allocation for RAEOA-ZEEMS was transferred in the amount of \$29.2 million. At the beginning of the year 2021, the total of the previous management balance was \$177.4 million.
115. The bodies with administrative and financial autonomy, even those with their own revenues (in 2021 only 17 agencies collected revenues), depend almost entirely on budget transfers to cover their expenses.

State Assets

116. As in previous years, the 2021 CGE Report does not present any information about the valuation of equity holdings, nor about the amount of credits granted to third parties.
117. Notwithstanding the fact that the State Budget has foreseen revenues from dividends, interest and rents in the total amount of \$8,628, it is observed that in Statement 1, it was excluded the revenue from “profits from *“profits, dividends and gains”* (code 5500) was excluded in Statement 1, without justification for its exclusion.
118. From the data on the real estate assets of the State, in the CGE of 2021, there is only information on the real estate assets of 8 entities: ANE, Coordinating Ministry for Economic Affairs, IPB, Ministry of State Administration, Ministries of Finance, IGT, ANAS, PNTL, INS and Ministry of Social Solidarity and Inclusion.
119. Regarding the State’s Movable Assets, the CGE 2021 contains information about the State’s Patrimony List (cit. note 30). However, detailed information is not presented for all entities.
120. As in the previous RPCGE, given the lack of an inventory of the State’s movable and immovable assets, it is not possible to know their composition, their financial value or the changes in assets that have occurred annually.

Debt and Other Direct State Liabilities

121. To date, the loan agreements entered into by the RDTL are exclusively for road construction, rehabilitation and maintenance, airport expansion, water supply and sanitation, and strengthening and transformation of basic education.
122. In 2021 three loan agreements were signed with ADB (agreements 4081, 4104 and 4105). Since 2012 and until the end of the year 2021, 20 loan contracts or financing agreements had been signed, but only the amortization of capital relating to seven ADB loan contracts, namely: (2857, 2858, 3020, 3021, 3181, 3341, 3342) and one World Bank contract (5303) have been started.
123. The State Budget for 2021 set the maximum borrowing limit at \$420 million, with a maximum term of 40 years, and the estimated revenue from public debt, during 2021, was \$70.7 million.
124. Total borrowing by the Government, during the period 2012-2021, amounted to \$692 million and the value of disbursements made, during the same period, reached \$248.7 million, corresponding to an execution rate of 36%.
125. As in previous years, this situation of low execution rates results from the fact that disbursements are directly dependent on the physical execution of the projects associated with the loans, and delays in the execution of these projects affect the execution of the loan contracts.
126. The 2021 CGE, as in previous years, presents information on project disbursements (\$22.6 million) but does not present information on the breakdown of disbursements made with interest and other capitalized charges in the year 2021.
127. Contrary to previous years, in the 2021 State Budget and CGE, in the Government-wide Appropriation budget, there is no specific budget where “the provision for loan repayment” and other

¹⁹⁴ Except the value of the Direct State Administration \$695.3 million.

payments are included, but only includes a sub-heading called “Mobilization and Management of External Resources”, with a total value of \$13 million.

128. In 2021, the total amount of interest and commitment charges paid to lenders was \$2.5 million. Of this amount \$1.6 million relates to interest and \$418 thousand relates to commitment charges.
129. In 2021 there was a principal repayment on 7 ADB loan contracts (2857, 2858, 3020, 3021, 3181, 3341, 3342) in the total amount of \$5,547 thousand and of one WB loan contract (5303) in the amount of \$825 thousand.
130. By the end of 2021, the total loans that had been repaid was \$6,372 thousand and the value of interest and charges amounted to \$1,065 thousand.
131. The actual value of the debt at the end of 2021 amounted to \$279.2 million, with an exchange gain of about \$1,089 thousand.
132. The total value of available funds at the end of 2021 was \$293.8 million, which increased by \$23.5 million compared to the previous year as a result of the three new loan agreements with ADB.
133. The funds available in the loan accounts at the beginning of the year 2021 were \$270.2 million, and the amount of about \$22.6 million was used, which corresponds to an execution rate of only 8%.
134. Delays in the execution of loans result in financial charges for the State, insofar as most of these loans imply the payment of commitment fees on the amounts not drawn down according to the disbursement schedule foreseen in the respective contracts.
135. The non-financial debt up to the end of the year 2021 was \$11.1 million (does not include the value of the IF debt) of which \$5.4 million concerns the Autonomous Agencies, as mentioned in the CGE, note 17.
136. The non-financial debt related to Minor Capital reached a total of \$394.1 thousand in non-compliance with the provisions of paragraph 1 of Article 30 of Government Decree No. 14/2020, October 23, which states that “all payments related to the category of minor capital must conform to the Annual Plan and Procurement Plan”.

External Assistance

137. In the year 2021, the total amount donated by bilateral and multilateral agencies was \$158.6 million (\$136.6 million in 2020), thus evidencing an increase of \$21.9 million compared to the year 2020.
138. The largest donors in bilateral aid were Australia (\$75.9 million) and Japan (\$31.4 thousand), while in multilateral aid the European Union was the largest donor (\$9.3 million). In the last four years, Australia is the donor that has increased its aid to Timor-Leste the most.
139. The total amount received by the State of Timor-Leste between 2018 and 2020 was \$17.3 million, with the PFMO program accounting for \$10.8 million, PINTL for \$4.5 million, and SPDD-TL for \$1.9 million.
140. About the direct support by the EU, the CGE only reports the information, that in the year 2021, no money was received compared to the year 2020 where a total of \$10.5 million was received. However, it was verified that direct support amounting to \$15,196 was transferred to the Ministry of Health.

RAEOA

141. The total amount of expenses for the RAEOA foreseen in the State Budget for 2021 was \$127 million, to be financed through public transfers of \$29.2 million from the Central Government, from Tax Revenues \$0.8 million, from the Management Balance of \$97 million (balance expected to be used in 2021) and from the unused balance in 2021 of \$80.4 million
142. The revenue collected by the RAEOA in 2021 was \$1.4 million, with a significant decrease in revenue over the last two years. Compared to the year 2020, the collected revenue decreased by \$1.9 million (57.24%). The non-tax revenue of the RAEOA registered an increase (41.40%).

143. According to the annual accountability documents of the Region, of the total of these revenues amounting to \$1,473.9 thousand, \$938.8 thousand (7.53%) relate to revenues collected on behalf of the State and \$535.1 thousand (79.21%) to the Region's own revenues
144. Non-Tax Revenue for the year 2021 includes \$363.3 thousand in revenues collected by the RAEOA that have not been deposited in the State account. Similarly in 2020 (\$256.9 thousand), 2019 (\$470.8 thousand) and 2018 (\$761.7 thousand) it had not been possible to obtain evidence of the delivery to the State by the RAEOA of the collected non-tax revenues.
145. Of the final budget of \$127 million, expenditures made in 2021 amounted to \$25 million, which corresponds to an execution rate of 19.7% of the allocated budget, registering an increase of 5.7% compared to the previous year.
146. The expense in question was for Salaries and Wages (\$8.6 million), Goods and Services (\$9.5 million), Public Transfers (\$1.5 million), Minor Capital (\$0.4 million), Capital Development (\$5.0 million).
147. As in previous years, note 15, of the CGE 2021, only indicates that the cash balances of the RAEOA amounted at the end of the year to \$186.5 million, having decreased by \$7.8 million compared to 2020 (\$194.3 million) however, it does not provide any additional information on its breakdown.
148. It should be noted that the accumulated balance in the Region in the year 2020, was more than enough to finance its expenses for the year 2021, which amounted to \$25 million, thus not justifying the need to finance the budget of the RAEOA in 2021 through public transfers of the State Budget from the Central Government, amounting to \$29.2 million.

Social Security

149. In 2021, total revenues of \$177.6 million have been forecasted, which include the previous year's management balance of \$95.3 million and revenues of \$82.3 million.
150. Total revenue execution reached \$161.6 million, or 91% of the forecast, with an increase of \$29 million over the previous year.
151. Expenditure execution reached \$43.8 million with an execution rate of 24.7%. The effective forecast expenses were \$45.9 million and realized expenses were \$41.4 million, an execution rate of 85.84%.
152. Between revenues and expenses, it was estimated an effective balance of \$36.2 million, which together with the balance carried over from 2020, amounting to \$95.3 million, should revert to the FRSS.
153. In 2021, the effective beginning of the capitalization of the accumulated sums in the FRSS has not yet taken place.

Global Execution of the State Budget

154. In the overall execution of the State Budget (excluding Loans), it is noted that Domestic Revenues and Transfers from the Petroleum Fund totaled \$1,365.2 million, with execution below the budget (86.6.1%), due in part to the fact that the amount resulting from the collection of Capital Revenues from the Petroleum Fund was less than budgeted (83.3%).
155. The overall expenditure was \$1,455 million, corresponding to a budget execution rate of 71.7% of the available appropriation.
156. The Current Deficit was \$1,082 million, below the estimated deficit of \$1,156.6 million, as a result of the budget execution of Current Expenditure having been 84%.
157. The Fiscal Deficit was around \$1,237.7 million, with a 67.3% execution rate.
158. The forecast value of transfers from the Petroleum Fund of \$1,377.6 million was well above the real financing needs of the State Budget, since the amount of \$1,147.9 million was executed.
159. Current Expenses registered a value of \$1,308.6 million, representing 89.9% of total expenditure, with the respective execution rate reaching 83.9%.

160. Most of the Current Expenditure, concerns Public Transfers, which totaled \$660 million, that is, 45.5% of the total expenditure, having registered an execution rate of 95.1%.
161. Acquisition of Goods and Services constituted the second largest aggregate of Current Expenditure, totaling \$422.2 million, or 29% of total expenditure.
162. Capital Expenditure showed lower levels of execution, when compared to Current Expenditure, having reached an amount of \$146.4 million, which represents only 10.1% of total expenditure.
163. Similar to the previous year, in 2021, General Public Services represent the largest share of expenditure, reaching 42.6% of the total (\$616.3 million), with those resources mostly allocated to the category of Public Transfers (\$314.6 million), the acquisition of Goods and Services (\$138.5 million) and Salaries and Wages (\$95.4 million).
164. The Social Protection function that represents 14.1% of the total expenditure (\$204.3 million), is mainly composed by expenses with Public Transfer (\$133.7 million).
165. Then follows the expenditure on Health with \$142.5 million (mainly expenditure on Goods and Services) and with a weight of 9.9% in total expenditure.
166. The consolidated cash receipts total to \$1,215.2 million and the consolidated payments \$1,417.2 million. However, this financial statement does not include the receipts and payments of all public entities that, contrary to the law and the principles of budgetary unity and universality, should be included in the consolidation perimeter of the State accounts.
167. As in the previous year, in 2021, there are divergences between the values presented in the Consolidated Financial Statement (Table 33) and in the values presented in other maps and statements included in the CGE (Table 30), both at the level of revenues (\$6.3 million) and expenses (\$23.1 million).

Public Company Account

168. Until 2021 five public enterprises were created namely in the areas of petroleum, port, communication, electricity and water. The last two were recently created.
169. In 2021, transfers were made to these public companies in the total amount of \$262.758 million, in order to ensure their financial sustainability. It should be noted, that in three of these companies (ANATL EP, RTTL EP and BTL EP) their own revenues are not enough to finance their personnel costs.
170. The company that received the largest transfer in 2021 was EDTL at \$157,934 million and the second largest was Timor-Gap at \$65,740 million. The expenses by these two companies were \$149,073 million and \$64,172 million, respectively.

Public Private Partnerships (PPP)

Port of Tibar

171. The Tibar Port Concession Agreement was signed between RDTL and Timor Port, SA, on June 3, 2016, for a term of 30 years.
172. As a result of this concession agreement, the State of Timor-Leste allocated the amount of \$129.5 million, as a viability gap funding.
173. In 2016, RDTL and Timor Port SA opened an escrow account with UOB (United Overseas Bank); the amount of the grant, \$129.5 million, was deposited in the same year.
174. The first payment or disbursement made for the Port of Tibar occurred in 2019, although that the concession contract was signed in 2016.
175. Construction of the Port began on August 30, 2018 (two years after signing agreement) and was scheduled to be completed by August 30, 2021. However, due the Covid-19 pandemic, a first extension of its completion was made in May 2022 (for another 9 months) and in July a second extension, with completion by November 30, 2022.

176. Total disbursements up to 2021 amounted to \$84.1 million and there is still yet to be disbursed until the end of the project the amount of \$45.5 million.
177. As Tibar Port was granted the Investor Certificate, all payments made were exempt from the 2% withholding tax, and the revenue losses over the period 2019 to 2021, amounted to \$1.5 million.
178. The escrow account generated net interest (after deducting bank charges), until 2021, totaling \$8.6 million, of which only \$48,489 refers to the year 2021, Such interest constitutes revenues of RDTL, under the terms of the concluded Escrow Agreement.

State Investment in TL Cement

179. Was signed between RDTL and TL Cement, Lda., the AEI with a view to the construction of that cement production unit.
180. Through Government Resolution no. 41/2016 of 23 November, the participation of the State of Timor-Leste in the commercial company TL Cement, Lda. maximum limit of 40%, as well as the draft of the promissory contract for capital increase and of transformation of the company.
181. The State's entrance in the share capital of TL Cement, Lda. although the payment of the \$4.9 million in question was made.
182. The transfer of the \$50 million was authorized to the bank account opened by ANPM with the BCTL for this specific purpose.
183. Through Government Resolution No. 27/2018, cit. the draft of the New Articles of Association of TL Cement, SA, a company to be incorporated, and the Shareholders Agreement between the State and the Partners of TL Cement, Lda.
184. The Shareholders Agreement provided for the subscription and implementation of a new capital increase by the State in the additional amount of \$4,900,000, so that the State's stake in TL Cement, SA TL Cement, SA, will amount to a total of \$9,800,000.
185. Following the request from the Presidency of the Council of Ministers, regarding the understanding of the CdC on the subjection to prior supervision of the acts of granting the public deeds necessary for the purpose of subscription and payment of share capital increased share capital in TLC, approving the respective new Articles of Association, and the execution of the Parasocial Agreement, by the State, the Court confirmed to the Presidency of the Council of Ministers on January 18, 2019 to subject those acts to prior oversight by the CoC. To date, no acts relating to the constitution of TLC, SA have been sent to the CoC for prior oversight.
186. In September 2022, the CoC concluded the audit to the Public Transfers of TL Cement, which had as objectives: a) Verify the legality and regularity of public transfers made within the project; b) Conclude on the compliance of the parties with the signed agreements and their execution; c) Evaluate the sound financial management of the funds transferred to TL Cement, Lda.
187. The audit concluded that the partners of TL Cement, Lda. had not complied with the established promissory contract, as they never submitted the documents necessary for the transformation of the company, namely in what concerns the need to present the report justifying the transformation (including the balance sheet) duly audited and the presentation of the auditor's report on the contributions in kind for the increase of their participation in TL Cement's share capital. Already the State of Timor-Leste has fulfilled its obligation to transfer \$4,900,000 to the bank account of TL Cement, Lda., which occurred on 24 November 2016.
188. Since the State's contribution to the share capital of TL Cement, SA did not take place, there is no consideration for the expense of \$4,900,000, corresponding to the value of the value of the public transfer made to the account of TL Cement, Lda. The State spent \$4,900,000 and received nothing in return. This is a financial loss of in that amount because there is no consideration.
189. The report indicates the possible illegal and undue payment resulting from the movement of the amount of the transfer, \$4,900,000, intended for the subscription and realization of the State's participation in the share capital of TL Cement, SA, before the registration of the transformation of the company (which has not taken place to date – lack of consideration) and the diversion of public money for the alleged repayment of loans that were never made, in the amount of \$2,200,000.

190. The report makes recommendations regarding, namely: the amount of \$50,000,000 that has been deposited, since the end of 2018, in the account in the custody of ANPM opened with the BCTL, including the interest accrued and credited in the meantime in this same account; the accounting of this accrued interest as State revenue; the rights conferred by clause 6.3 of the promissory contract regarding the ownership of all rights held by TL Cement, Lda; and, the reassessment of the State's participation in the project, regarding, namely, the Special Investment Agreement, the promissory contract and the signed shareholders agreement.

Covid-19 Fund

191. The Covid-19 Fund was created in April 2020 under Law no. 2/2020, April 6, as amended by Law no. 5/2020, June 30, and Law no. 10/2020, October 19.

192. The purpose of the Fund is to finance expenses related to measures to prevent and combat the SARS-Cov-2 virus and the COVID-19 disease, including the purchase of medicines, medical supplies and equipment used to prevent and combat the SARS-Cov-2 virus and the COVID-19 disease, the installation and maintenance of quarantine and isolation facilities, the training and operationalization of professionals, the purchase and supply of essential goods and social protection for the victims of the SARS-Cov-2 virus and the COVID-19 disease, the mitigation of the economic and social effects of the COVID-19 pandemic and the measures of the consequent economic recovery.

193. The final budget for the Covid-19 Fund in 2021 was \$287.6 million and \$185 million (64%) was executed.

194. In 2021, the overall execution of the Covid-19 Fund expenditures was \$202.5 million which corresponds to an execution rate of 70%. The Covid-19 disease prevention and mitigation program with 8 subprograms was the only one that showed execution.

195. Most of the available funds were allocated to the sub-program "social support and economic rescue to population affected by Covid-19 activities", with a total expenditure of \$118.9 million (58.7% of total expenditure), and whose execution rate was 82.7%.

196. Currently, the analysis of the legality and regularity of transfers to the Covid-19 Fund, as well as the parties' compliance with the support for the prevention and mitigation of the fight against the Covid-19 pandemic is being verified within the scope of a CoC audit of the Covid-19 Fund years 2020 to 2021.

11. RECOMMENDATIONS

In the RPCGE, the CdC may make recommendations to the National Parliament or the with a view to eliminating the deficiencies identified¹⁹⁵.

Thus, considering the main conclusions and observations formulated in this Report it is recommended that the Government adopt the following measures:

1. The CGE should include, all information related to the forecasting of State revenue.
2. The consolidation of the General State Account should cover all entities that, under the law, should be considered Autonomous Funds and Services, in obedience to the provisions of Article 4 of the General State Accounts, as is the case, namely, of Public Institutes.
3. The entities subject to accountability, under the terms foreseen in the LOCC, must to the Chamber of Auditors the respective accounting documents, by May 31 of the year following the year to which they refer.
4. Diligence the publication of the 2021 Annual Report of the Petroleum Fund and inform the CoC.
5. That the balances of TL Cement and RAEOA be included in the Treasury Account Balance.
6. Proceed to the registration and budgeting of all revenues of the SFA and Municipalities in the Budget, in obedience to the budgetary principles of unity, universality and specification.

¹⁹⁵ See Article 29(3) of the LOCC.

7. The State Budget must present information on the estimated uncollected revenues as a result of result of the attribution of tax and non-fiscal benefits
8. That a strict control of rent arrears from the rental of state-owned properties.
9. The CGE should present correct information about the number of civil servants in the State employees.
10. No expenses should be made and paid without any relation to the activity of the services and that lack a legal basis.
11. That it cease immediately, as it contains indications contrary to the applicable legal regimes, regime of the Supplement to Government Decree no. 17/2020 and the application of Memorandum no. 539/G-DGSC/MDF/VIII/2020 and Order No. 05/GMF/MdF/VIII/20220.
12. Immediately cease the payment of supplements aimed at compensating the work that is performed by employees and agents during working hours at their normal place of work.
13. The MoF should establish criteria for the attribution of supplements in accordance with legal criteria.
14. Expenses that are part of the normal and recurrent activities of the Ministries and other public services, whose expenses must be foreseen in the respective appropriations included in the General State Budget.
15. The requests for use of the Contingency Reserve must be analyzed by the Ministry of Finance in light of the requirements prescribed by law for its use.
16. The CGE should present detailed information about the funds supported by the State in the programs co-financed by the loans.
17. No expenses are made and paid without any relation to the activity of the services and that lack a legal basis, namely those due with the purchase of Christmas items, attribution of and the payment of death gratuities to the families of employees.
18. The CGE must integrate in the financial statements the cash balances of all public entities.
19. Make sure that the food allowance can only be paid together with remuneration.
20. Control the creation of entities with administrative and financial autonomy without having their own have their own revenues to cover their expenses or without prior studies of their viability and financial sustainability.
21. The CGE Report should present information about the portfolio of financial assets held by the State, including shareholdings and credits granted to third granted to third parties, as well as on the inventory of all movable and immovable assets of the State, in of the state, in compliance with the provisions of article 45.3 g) of LOGF.
22. The CGE must include information about revenue from “profits, dividends and gains”.
23. That greater control be exercised in updating the inventory and assets situation reported at the end of the year.
24. The CGE should include information about the payment of interest and commitment charges to creditors (paid by FCTL) and the capitalized value of disbursements (deduction of the principal loan amount).
25. Make sure that the CGE includes the IF’s non-financial debts.
26. The CGE should include, all information about the direct support received by the state.
27. The RAEOA should deposit all its revenues in the State bank account, in compliance with the rules regarding the receipt of public monies and revenue collection contained in the LOGF and the Budget Execution Decrees.

28. That efforts be made so that the financing of the RAEOA budget be secured first with the available cash balance and only then through public transfers of the State Budget from the Central Administration.
29. That the INSS be diligent in obtaining extra-budgetary information and proceed with its relevance either in the CGE or in the Covid-19 Fund report.
30. The CGE should include all information about the remaining unused balances.

12. OPINION ON THE ACCOUNT

Considering the results of the analysis performed on the CGE, it is our opinion, except for the effects of the “reservations” expressed below, that the set of financial statements of the State represents, in all material respects, a true and fair view of the budget execution and cash flows for the year ending December 31, 2021 complying, in general, the applicable legal rules and principles, therefore the CdC of the Court of Appeal, under the terms and for the purposes of Article 29 of the LOCC, issues a globally favorable judgment on the General State Account for the economic year 2021.

Reservations:

- The consolidation of the General State Account shall cover all bodies that, under the law, must be considered Autonomous Services and Funds, in obedience to the provisions of Article 4 of the LOGF, as is the case, notably, of Public Institutes.
- The CGE does not include asset accounting, which includes information on the patrimonial value of real estate and other assets and liabilities of the State.

Emphasis:

Petroleum Fund

- Non-compliance with the provisions of Article 9(d) of Law No. 9/2005 (Petroleum Fund Law, amended by Law No. 12/2011 of 28 September), regarding the use of transfers above the ESI, which must be made in the long-term interest of Timor-Leste.

Budget Execution

- Failure to include in the CGE information related to the forecast of state revenue and commitments made by the State arising from multi-year programs and contracts, under the provisions of Article 45.3(h) of the LOGF.
- Failure to observe the budgetary principles of unity, universality and specification with regard to the inclusion and budgeting of all revenues of the SFA and Municipalities in the Budget law.
- Absence of information in the OGE on the estimated revenue not collected as a result of the award of tax and non-tax benefits.
- Realization and payment of expenses without any relation to the activity of the services and that lack a legal basis, namely those due with the purchase of Christmas items, attribution of vouchers and the payment of death allowance to the family of employees.
- Payment of supplements without a legal basis that are intended to compensate for work performed by employees and agents during working hours at their normal place of work.
- Payment with recourse to the contingency appropriation of expenses that are not part of the normal and recurrent activities of the Ministries and other public services, whose expenses should be foreseen in the respective appropriations included in the General State Budget.
- Occurrence of financial charges for the State resulting from loan contracts due to delays in the execution of projects.
- In the CGE financial statements do not integrate the cash balances of all public entities.

13. DECISION

- a) To send a copy of this Report and Opinion to the National Parliament, under the terms of article 42 of the LOGF and article 29.4 of the LOCC;
 - b) Forwarding a copy of this Report and Opinion to the Prosecutor-General of the Republic, in accordance with the provisions of paragraphs 1 and 2 of article 23 of the LOCC;
 - c) The publication of the Report and Opinion in the Jornal da República, in accordance with Article 7.1(a) of the LOCC
 - d) For sending a copy of the same to the Government for compliance with the recommendations;
 - e) For its publication on the Courts website, after the necessary notifications and communications,
- Court of Appeal, November 29, 2021.

The Plenary of Judges of the Court of Appeal

/s/

Deolindo dos Santos, President

Duarte Tilman Soares, reporter

Maria Natercia Gusmão

Jacinta Correia da Costa

14. FOLLOW-UP ON PREVIOUS RECOMMENDATIONS

The CoC followed up on 35 recommendations made in the RPCGE 2020, concluding that that only 9 were accepted (26%), 12 were accepted in full or in part (34%) and 15 were not accepted (40%).

Graph 2 - SITUATION OF THE RPCGE 2020 RECOMMENDATIONS



The list of RPCGE 2020 recommendations, the comments from the Ministry of Finance, and the Court's assessment are provided below.

	Recommendation	Ministry of Finance's Response	CdC's Appreciation - Recommendations -
1	The OGE should include, in Annex 1, all the information on the forecast of petroleum revenue collected.	(...) The Petroleum Fund is not part of the perimeter of the State Budget, so its revenues and expenses are not part of the tables of the OGE. (...) However, all data on petroleum revenues are presented for information in book 1 (...)	Accepted (Cf. Point 3)
2	Inform the CoC about the state of play of the publication of the 2020 Annual Report of the Petroleum Fund.	The 2020 Financial Statement of the Petroleum Fund has been finalized and submitted to the National Parliament and Chamber of Accounts (...).	Accepted (Cf. Point 3)
3	The withdrawals from the Petroleum Fund in excess of the ESI should only be used for expenditures for infrastructure construction.	In the case of a revenue withdrawal only for expenditure destined to infrastructure construction, only to revenue from borrowing and not to loan contracts and not the revenue from drawdowns from the from the Petroleum Fund in an amount above the ESI.	Not Accepted (Cf. Paragraph 5.2.2.1)
4	The CGE should present information on the commitments assumed by the State arising from multi-annual programs and pluri-annual contracts, in accordance with the provisions of article 45.3(h) of LOGF.	(...) The Ministry of Finance will try to collect information on commitments assumed by other entities (...) that are not financed by the Infrastructure Fund.	Partially Accepted (Cf. Point 3.1)
5	The consolidation of the General State Account should cover all the entities that, under the terms of the law should be considered Autonomous Funds and Services, in compliance with article 4 of LOGF, as is the case, namely, of Public Institutes.	(...) The Institute of Petroleum and Geology, I.P., was integrated in the General State Budget for 2022, so that the General State Account of the State of 2022 will present the accounts (...) RAEOA will be consolidated with the financial statements of the Public Sector in the General State Account of 2021. (...) the National Authority of Petróleo e Minerais, I.P., integrates the General State Budget for 2023, (...)	Partially Accepted Only the financial statements of the RAEOA which has already been consolidated in the CGE of 2021. (Cf. Point 3.2)

	Recommendation	Ministry of Finance's Response	CdC's Appreciation - Recommendations -
6	The entities subject to the rendering of accounts, under the terms foreseen in the LOCC, must annually send to the Chamber of Auditors the respective documents by 31 May of the year following the one to which to which they refer.	(...) The Ministry of Finance will continue to make efforts and provide assistance so that all entities subject to accountability will be able to present their Annual Financial Statement to the CdC	Partially Accepted (Cf. Point 3.4)
7	The concept of domestic revenues in the CGE be standardized.	The Ministry of Finance has taken note this recommendation and will make adjustments in the CGE of 2021 accordingly.	Not Accepted (Cf. Point 5.2.1.2)
8	The State Budget should present information on the estimated revenue not collected as a result of the attribution of tax and non-tax benefits.	(...) the Ministry of Finance will begin to present the estimate of revenue not collected as a result of tax and non-tax benefits in the State Budget proposal for 2023.	Not Accepted (Cf. Point 5.2.1.3)
9	The annual audit of investor's certificates and special investment agreements provided for in Article 49.2 of Law No. 15/2017 of August 23 (Private Investment Law).	(...) In 2019, in implementation of said standard, TITK organized and carried out monitoring and assessment activities of investor certificates and special investment agreements in force (...). In the years 2020 and 2021, given the limitations posed by the COVID-19 pandemic, it was not possible to carry out face-to-face audit activities. However, in 2022, it is already planned and scheduled the re-establishment of monitoring and evaluation activities here concerned, which TITL will ensure in coordination with the above-mentioned State entities, SERVE, ANLA, Autoridade Aduaneira and Autoridade Tributária (...).	Partially Accepted (Cf. Point 5.2.1.3)
10	The CGE should present information on the loss of revenue from the measures implemented concerning temporary exemptions from payment of rent on state-owned properties.	The Ministry of Finance has taken note of this observation by the CoC and will work with the Ministry of Justice to ensure the availability of this information for inclusion in the CGE.	Not accepted (Cf. Point 5.2.1.2.3)
11	The Ministry of Justice should endeavor to collect the amount of rent arrears.	The Ministry of Finance has taken note of this CoC comment and will coordinate closely with the Ministry of Justice to ensure collection of the rent arrears.	Not Accepted (Cf. Point 5.2.1.2.3)
12	Proceed to the registration and budgeting of all revenues of the SFA and Municipalities in the Budget law, in obedience to the budget principles of unity, universality and specification.	(...) The Ministry of Finance has made efforts to improve the capacity to estimate own revenues in order to improve their presentation in the draft OGE law.	Partially Accepted (Cf. Point 5.2.1.2.3)
13	Comply with the provisions of paragraph 5 of Article 13 of Government Decree 14/2020, of October 23.	(...) On December 22, 2021, the Treasury monitoring team conducted an on-site visit and confirmed that the HNGV was already depositing its revenues daily into an official bank account authorized by the government.	Accepted (Cf. Section 5.2.1.2.2)

	Recommendation	Ministry of Finance's Response	CdC's Appreciation - Recommendations -
14	Detailed information be included in the CGE about the number of Temporary employees and all employees governed by special statutes.	On page 288 and 290 of CGE 2020 information is presented on the number of permanent or temporary employees, as well as employees with special status. This information will be improved and included in the CGE 2021 to ensure compliance with this recommendation.	Partially Accepted The CGE 2021 continues to show divergence of numbers. (Cf. Point 5.2.1.2.1)
15	Greater rigour so that the expenses of each year are paid in the years in which they are incurred.	Since this recommendation is mainly related to the expenses of the Presidency of the Republic, the Treasury has forwarded the recommendation to the Presidency of the Republic, and it is up to the latter to provide clarification to the Chamber of Auditors through a separate answer.	Not Accepted S/I
16	The provisions of Articles 2 and 9 of Government Decree No. 6/2015 of November 18 be complied with.	The Ministry of Finance will coordinate with relevant institutions (...)	Not Accepted
17	Expenses that are unrelated to the services' activity and lack a legal basis, namely those due with the purchase of Christmas hampers, are not made and paid.	(...) the General Directorate of the Treasury of the Ministry of Finance issued a circular on June 8, 2022, to expenses that are unrelated to the services' activity and lack a legal basis, namely expenses related to the purchase of Christmas hampers. Any requests for payment in relation to the purchase of Christmas hampers will be returned by the Treasury and the process will be referred to the services	Accepted
18	Submit to the CGE the correct and detailed information about all beneficiaries of public concessions	(...) The Ministry of Finance will review the information presented and make the necessary adjustments to disclose the more detailed information required by the Chamber of Accounts at the CGE.	Accepted The CGE 2021 already includes all information on beneficiaries of public concessions. (Cf. Point 5.2.1.2.3)
19	Expenses that are part of the normal and recurrent activities of the Ministries and other public services, whose charges must be provided for in the respective appropriations included in the General State Budget, should not be subject to payment using the contingency appropriation.	(...) The Ministry of Finance, when reviewing requests for access to the contingency reserve, always verifies the urgency and impossibility of the expense in question, based on the justification presented by the requesting department	Partially accepted (Cf. Point 5.2.1.2.6)
20	Requests for use of the Contingency Reserve must be analyzed by the Ministry of Finance in light of the legal requirements for its use.	(...)	
21	That all information in the annual report of the Infrastructure Fund be standardized.	The Ministry of Finance is coordinating with the IF to standardize all information in the annual report of the Infrastructure Fund.	Accepted The IF report already standardizes all the information that appears in its annual report. (Cf. Point 5.2.2.4.1.1)

	Recommendation	Ministry of Finance's Response	CdC's Appreciation - Recommendations -
22	The Statements of Payments and Receipts of all accounting entities should include a breakdown of their cash balances at year end.	Since this recommendation is mainly related to the IPG, the ANPM and the RAEOA, the Ministry of Finance informs that from the year 2021 the General State Account will present the Financial Statements of the RAEOA, and the same will	Partially Accepted (Cf. Point 5.2.3.1)
23	The General State Account must consolidate the cash balances of all public entities that in obedience to the budgetary principles of unity and universality must integrate the consolidation perimeter of accounts.	happen in 2022 in relation to the IPG, since these entities have been integrated into the OGE as OSFA (RAEOA in 2021 and IPG in 2022). In addition, ANPM is in the process of integration into the OGE and as of 2023 will have the same treatment to ensure that its revenues and expenses, including assets/final balance are part of the consolidation in the 2023 CGE.	
24	See to it that the food allowance can only be paid together with remuneration.	(...) it is foreseen that from 2022 onwards the payment of the food allowance to the PNTL will be made together with the payment of remuneration, by bank transfer, and the cash advances system will no longer be used (except for UPF, UPM and UEP which are paid through advances because they are stationed at the integrated border post (where there is no bank) and need money to buy food (...).	Accepted (Cf. Point 5.2.3.2)
25	Establish the Legal Regime of Autonomous Funds and Services and clearly define the degree of their financial autonomy.	(...) Law no. 2/2022, of February 10, State Budget Framework and public financial management regulates the financial regime of the services and entities of the Public Administrative Sector, establishing that the services and entities that make up the Indirect Administration (where public institutes are included) enjoy extended financial autonomy and describes in detail the content of this autonomy.	Partially Accepted (Cf. Item 5.2.3.2)
26	That all information about the direct support by the European Union be included in the CGE.	(...). In 2020 direct support from the European Union and the International Labour Organization has already been included in the State Budget (...). Regarding direct support by the European Union, the Ministry of Finance will disclose information about its use in the 2021 CGE.	Not Accepted (Cf. Point 5.2.6.2)
27	The report on the CGE must present information on the portfolio of financial assets held by the state, namely holdings in companies and loans granted to third parties, as well as the inventory of all the state's movable and immovable property, in obedience to the provisions of article 45.3(g) of the LOGF.	(...) This year the Directorate General of State Patrimony, the Directorate General of the Treasury and the Office of the Integrated Financial Management Information System of the Ministry of Finance have made efforts to improve the existing assets module of the system to ensure that all assets, movable and immovable, including their value, are systematically registered.	Partially Accepted (Cf. Point 5.2.4)

	Recommendation	Ministry of Finance's Response	CdC's Appreciation - Recommendations -
28	That greater control be exercised in updating the inventory and asset situation reported at the end of the year.	The information presented in the CGE 2020 was collected manually from the respective institutions, which may result in potential errors in the tabulation of information (...) in 2020 and 2022, the Directorate General of the Treasury and the Directorate General of State Patrimony have promoted efforts to resolve this issue (...)	Not Accepted (Cf. Point 5.2.4)
29	The RAEOA should deposit all its revenue in the State bank account, in compliance with the rules regarding the receipt of public monies and collection of revenues contained in the LOGF and the Budget Execution Decrees.	-	Not Accepted Information presented by RAEOA not relevant (Cf. Point 5.3)
30	That the INSS be requested to obtain extra-budgetary information and include it both in the CGE and in the Covid-19 Fund report.	(...) Regarding the detailed execution by measures that was not included in the 2020 CGE, the Covid-19 Fund Management Board recognizes that this information was not included in the CGE (...) in 2021, in the COVID-19 Fund's monthly and quarterly report, this information was disclosed, it will also be included in the COVID-19 Fund's annual report and in the 2021 CGE.	Not Accepted (Cf. Point 5.4.1)
31	Revenues from interest on bank deposits must be accounted for in the year of their receipt.	(...). Under the terms of the escrow agreement, the interest on the account will only be transferred from the escrow account to the BCTL Infrastructure Fund account after the completion of the Port of Tibar project. This treatment is in accordance with the principles of cash basis accounting (...).	Accepted The CGE for the year 2021 presented the accounting for the interest in the escrow account. (Cf. Point 7.2)
32	The MSI and the MoF should articulate their services and ensure that all beneficiaries with monthly incomes above \$500 return the amounts unduly received.	The Covid-19 Fund Secretariat has taken note of this recommendation and is liaising with all the services involved so that all beneficiaries with monthly incomes above \$500 return the amounts unduly received.	Accepted (Cf. Point 9.2)
33	Reports on the implementation and impact on supported beneficiaries, foreseen in diplomas that created measures within the Covid-19 pandemic, should be elaborated.	The Government has taken note of this Chamber of Accounts recommendation and will try to include this information in the following CGE and Financial Statements of the COVID-19 Fund.	Not Accepted (Cf. Point 9.2)
34	Provide detailed information in the CGE and the Covid-19 Fund Reports about the actual expenditure incurred for pandemic measures, since the expenditure paid out may be less than what was actually spent.	The Ministry of Finance has taken note of this observation and will endeavor to have this recommendation implemented.	Not Accepted (Cf. Item 9.2)
35	Make sure that the CGE and the Covid-19 Fund Reports include detailed information on the revenue that the state has not collected as a result of the measures taken in the Covid-19 pandemic.	The Ministry of Finance has taken note of this recommendation and will coordinate with all services involved to calculate the revenue that will not be collected as a result of the measures taken in the Covid-19 pandemic.	Not Accepted (Cf. Point 9.2)

15. RESPONSE FROM THE RESPONSIBLE PARTIES TO THE CONTRADICTORY STATEMENT

ENTITIES TO WHICH THE DRAFT WAS SENT, CORRESPONDING POINT AND PRESENTATION OF ALLEGATIONS				
RPCGE/POINT	ENTITY	RESPONSE		COMMENTS
		YES	NO	
Full version RPCGE	Minister of Finance	X		Submitted reply one day after the deadline (November 26, 2022)
Item 5.2.2.2.2	Prime Minister's Office		X	Did not submit response by the time the final RPCGE was drafted (November 25, 2022)
Item 5.2.2.2.2	Minister of Justice	X		Submitted response after the deadline (November 16, 2022)
Item 5.2.1.2.2	Hospital Nacional Guido Valadares	X		
Item 5.2.2.4	Odete Genoveva Victor da Costa, Director of the Secretariat of Major Projects	X		
Item 5.2.2.2.2	Secretariat of State for Equality and Inclusion	X		
Item 5.2.2.2.2	Santana Martins, Executive Director of the Autonomous Service of Medicines and Health Equipment	X		
Item 5.2.2.2.2	National Logistics Center	X		Requested extension and replied on November 22, 2022
Item 5.3	Arsenio Bano, President of the RAEOA	X		