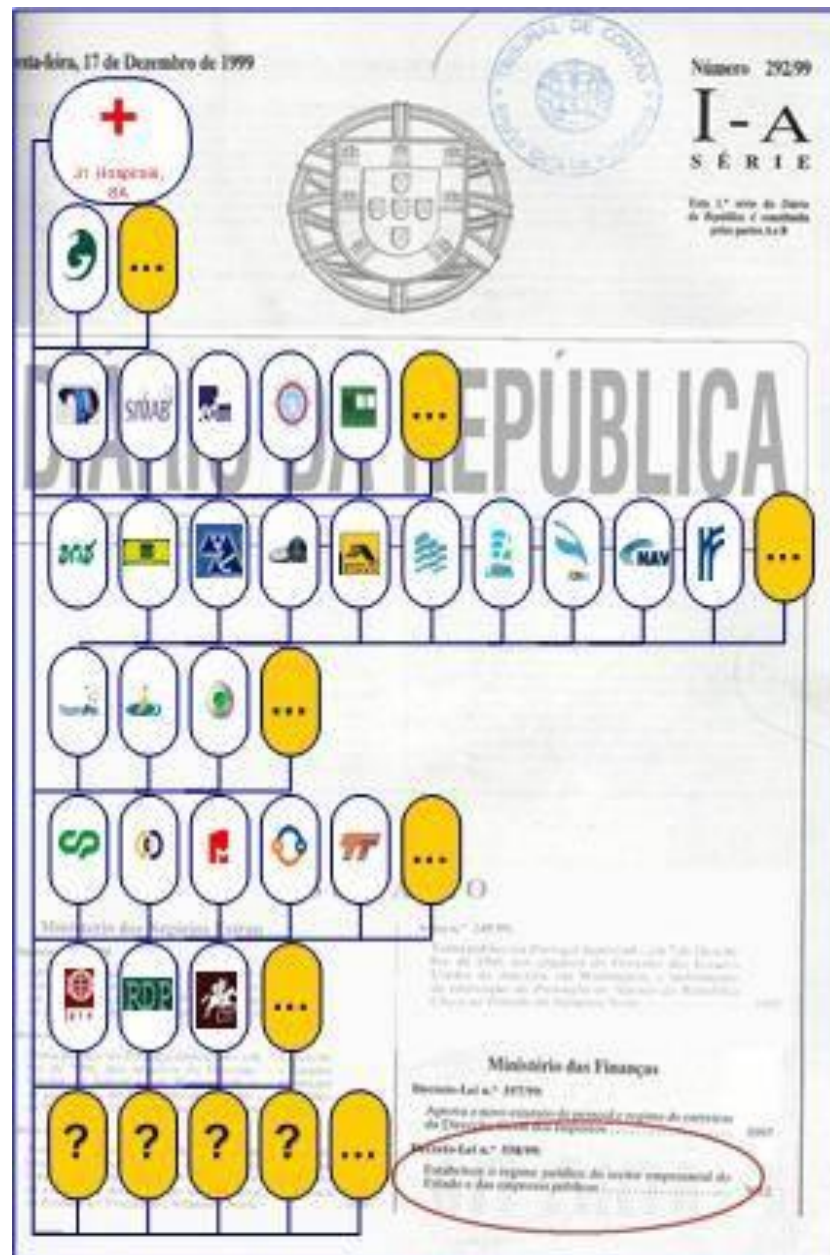




Tribunal de Contas-Portugal

- Auditing State Owned Enterprises (2004)
- Following up recommendations (2008)





MAIN ISSUES

- *How many SOE existed in the end of 2001?*
- *How financially healthy the SOE were?*
- *How much the State had been funding these SOE?*
- ***At what level did the SOE adopt corporate governance principles?***



Ethic-Related Issues

Corporate Governance Principles:

- Risk management (reputation risk)
- Conflicts of interest
- Codes of ethic
- Corporate Social Responsibility
- Transparency and accountability of management

... in order to ...

avoid misconduct of managers, ensure good reputation and confidence of stakeholders, shareholders (tax payers)

Ethic-Related Issues

Legal mandate of portuguese Tribunal de Contas to audit ethic related issues is not clearly specified, but according to article 5 it is allowed to:

“assess the legality, as well as the economy, efficiency and effectiveness according to technical criteria of the entities ... including the organisation, functioning and reliability of the systems of internal control.”

Ethic-Related Issues

The audit criteria were focused on the Corporate Governance Principles highlighting those dealing with ethic issues, such as:

- Conflicts of interest
- Managers ethical conduct
- Codes of ethics
- SOE's reputation
- Transparency and accountability

Methodology: **survey** covering a short set of SOE

Ethic-Related Issues

Main conclusions (2004):

- Very few companies followed corporate governance principles, but the most of them had Codes of Ethics, though very few performed risk management.

Main recommendations (2004)

- Boost implementation of Corporate Governance Principles within SOE

Follow up (2008):

- Publication of “Corporate Governance of State Owned Enterprises” in 2007 under law.
- SOE forced to adopt those Principles.
- Enforcement of ethical principles for managers’ conduct
- Strengthening of transparency within SOE

Ethic-Related Issues

Comments:

These 2 audits were very important:

- Emphasized the role of CG Principles for SOE's management
- Highlighted ethical conduct whilst managing public assets (and money) according to Codes of Ethics
- Enforcement of transparency and accountability
- Strengthening risk management and internal control systems within SOE.



Auditing State Owned Enterprises

The end

Thanks for your attention!

