

The approval of municipal accounts with very serious irregularities: when technical audit is not sufficient

Aprovação de contas municipais com irregularidades gravíssimas: quando a auditoria técnica não é suficiente

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Abstract

This study analyzes the dynamics of the votes of rapporteurs and counselors in the plenary of the Court of Accounts of Mato Grosso. Eventual irregularities in the municipal accounts are identified by the audit report, which is then analyzed by the Public Prosecutor's Office to be reported and voted in plenary. A reversion in the auditor's appointments was identified, reducing the propensity to disapprove of the accounts with extremely serious irregularities. The rapporteur's vote has a great influence on the outcome of the plenary vote, and the fact that the rapporteur is a political appointee implies in the reduction in the probability of disapproval of the accounts in these cases.

Resumo

O estudo analisa a dinâmica dos votos de relatores e conselheiros no plenário do Tribunal de Contas de Mato Grosso. Eventuais irregularidades nas contas municipais de governos são apontadas no relatório de auditoria, que então segue para a análise do Ministério Público de contas para ser relatado e votado em plenário. Identificou-se um processo de reversão dos apontamentos da auditoria, reduzindo a propensão à reprovação das contas mesmo na presença de irregularidades gravíssimas. O voto do relator tem uma grande influência no resultado da votação do pleno, e o fato do relator ser indicado politicamente implica na redução da probabilidade de reprovação das contas nestes casos.

Practical implications

The results may be of interest to public management experts, journalists, parliamentarians who study the effects of political influence in the Courts of Accounts in Brazil. The way in which the Courts of Accounts are organized, with the political appointment of board members, promotes a potential protection to the governments in the analysis of the accounts. The results may support the discussion of the restructuring of the Courts of Accounts to ensure the effective control of the public administration in Brazil.

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1 INTRODUCTION

The independence of the auditor affects the quality of the auditing (Tepalagul & Lin, 2015) and increases public awareness about its independence (Yu-Cheng et al., 2017). Without the assumption of independence, the administration itself could present its accounts and evaluate its own work according to its interests (Houghton et al., 2005).

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Some studies warn of the difficulty and even the impossibility of the assumption of independence of the auditing. Even the most honest auditors can provide judgments that respond to the interests of the companies that hire them (Bazerman et al., 1997). The independent auditor would assume a responsibility that requires full fidelity to the public trust, transcending any working relationship with the client (Bazerman et al., 1997). However, in the case of auditing public organizations, full independence may be unsustainable when looking at activities that are intrinsically political (Grasso and Sharkansky, 2001). As will be discussed, the appreciations of the accounts present in the reports prepared by the auditors, when evaluated by political counselors, have their independence significantly threatened.

The Court of Accounts in Brazil are of the Napoleonic model, formed by a technical layer (composed of auditors) and a judge (formed by ministers or counselors). What is being discussed is the degree of independence of the counselors or ministers who work at the judicial level of the Court. Cases involving irregularities and misconduct of counselors and ministers are becoming increasingly common in the national press.

In the Brazilian Court of Accounts, of the nine titular ministers, four of them are investigated or quoted in investigations regarding corrupt practices. Among them, the current president of the court, who is being formally investigated in the operation Car Wash (O Dia; 04/02/2017). At the Court of Accounts of Rio de Janeiro, its president and four other counselors were arrested and accused of receiving funds from the diversion of public resources (Albernaz, Silveira, & Barreira, 2017). In the state of Mato Grosso, the Federal Supreme Court (STF) ordered the dismissal of five counselors on charges of benefiting from a corruption scheme (Araujo, 2017). The Federal Supreme Court already has the understanding that the position of internal controller must be provided by public tender (ADI 3062 GO). The Court of Accounts of Mato Grosso understands this obligation for the position of internal controller to have an independent condition (Opinion TCE/MT 041/2012). However, despite this understanding among the control bodies themselves, it does not apply to their ministers and counselors.

Empirical studies in Brazil discuss the determinants that influence the appreciation of municipal accounts by the different Courts of Accounts. Among the determinants cited there are the ratio between current expenses, municipal revenues and consolidated debts, in municipalities of Santa Catarina (Lopes et al., 2008), resource volume, GDP and schooling level in municipalities of Rio Grande do Sul (Ott et al., 2011), number of professionals in the accounting area and budget outcome in municipalities of Espírito Santo (Velten, 2015). Still in Espírito Santo, the use of additional supplementary credits may decrease the probability of disapproval of accounts but lead to the approval of accounts with reservations (Milanezi and Monte-mor, 2017). The authors also highlight the fact that the mayor has minority in the municipal council and his age increases the probability of disapproval of the accounts.

The studies of Velten (2015) and Milanezi and Monte-mor (2017) considered the information coming from the final opinion of the Court of Accounts and its relation with external context variables. However, they did not analyze the report issued by the auditors of those Courts, which result in the process of auditing the accounts, and it would be the main reference point to subsidize the counselors in the judgment of the accounts (Manual de Auditoria Governamental do Tribunal de Contas de Mato Grosso, 2013).

We have not identified any empirical studies on the reversal of the result indicated by the auditors in their reports, the rapporteur's vote and its validation in the plenary of Court. Also, on the approval of public accounts in function of the political appointment of counselors-rapporteurs.

In this investigation we identified the probability of the rapporteurs voting favorable to the approval of municipal accounts with notes of serious irregularities, made by the audit team. Counselors would tend to follow the rapporteur's vote and vote in favor of approving the accounts. We tested this proposition for the analysis of the accounts of 141 municipalities in the state of Mato Grosso from 2011 to 2015. The investigation assumes that the rapporteur verifies the irregularities indicated by the technical audit team, the opinion of the Public Prosecutor's Office (MPC), submits the report with their vote to the court, covering thus the main stages of the appreciation process of the municipal accounts by the Court of Accounts.

The results show that the plenary of the Court of Accounts follows the rapporteur's vote in most of the appreciations, and that the rapporteur's vote differs from the opinion of the Public Prosecutor's Office in most cases. This may be an indication that the rapporteur does not consider the serious irregularities pointed out by the technical audit team. This suggests that political interference in the appointment of counselors would compromise the appreciation of municipal accounts, and thus the effectiveness of the Court of Accounts. If confirmed, the Courts need the composition of the plenary free of the political appointments to have their independence restored, changing the form of entrance to this position. Also, a revision of the standardization as to the criteria to be followed for the appreciation of the accounts.

2 THE DIFFICULTY OR IMPOSSIBILITY OF THE ASSUMPTION OF INDEPENDENCE

In addition to being qualified, the auditors must perform their activities independently, since the value of audit depends heavily on the public's perception of this independence and, consequently, on the trust placed in the auditors (Yu-Cheng et al., 2017). A "valuable" auditing would come from judgments and views regardless of the management and directors of the audited company (in the case of private companies), otherwise they are nothing more than the views of management itself (Houghton et al., 2005). Thus, the quality of the audit stems from how much the auditor can detect and report an irregularity, so, without the assumption of independence, the auditor is less likely to report irregularities (DeAngelo, 1981).

In government audit organizations, as independent guardians of the public interest (Dye & Stappenhurst, 1998) the fiscal transparency and credibility in public financial statements also depend on the auditors' independence to certify regularity of public resource management (Suzart, 2012). However, such independence is not easily achieved (Bazerman et al., 1997). Even the most honest auditors can provide judgments that respond to the interests of those who hire and reward them, in the context of the private sector (Bazerman et al., 1997).

However, the view of full audit independence is unsustainable when looking at activities that are intrinsically political (Grasso & Sharkansky, 2001). In the case of the Courts of Accounts, the independence matter unfolds in two layers – auditing technique and judicatory of political nature (Loureiro, Teixeira, & Moraes, 2009). Both auditors, usually civil servants, must be independent, and counselors, political appointees or with a technical career – must have the same independence in relation to the governments of their jurisdictions. The Court of Accounts is significantly susceptible to political interference, since the directors are appointed by the executive and the legislative (Gomes, 2006). If the audit report passes through the board of directors, chosen by means of political appointment, the independence is compromised in the Courts of Accounts.

3 THE COURT OF ACCOUNTS AND THE APPRECIATION OF ACCOUNTS

In the Brazilian government, the external control is exercised by the legislative power with the assistance of the Court of Accounts, responsible for overseeing legality, economy, morality and other principles that guide the Brazilian Public Administration (Ott et al., 2011). Thus, the external control over the municipalities' accounts is exercised by the Municipal Councils with the support of the Court of Accounts, which express, through opinions, their position based on information evidenced by accounting (Lopes et al., 2008).

Any person or entity responsible for collecting and managing any kind of public good is subject to external control by the Court of Accounts. Such control consists of an inspection carried out by accounting, financial, budgetary, operational and equity audit (Gomes, 2006). Figure 1 shows the cycle of appreciation of the Municipal Accounts.

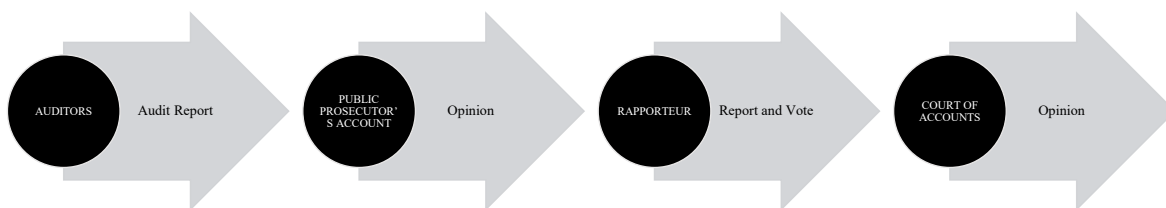


Figure 1. Cycle of the Appreciation of Municipal Accounts with results

Source: Prepared by the authors.

The audit report, prepared by auditors and technical experts, consists of the presentation of the results of the examination of the annual accounts of the municipality, and its purpose is to subsidize the issuance of an opinion on government accounts (Resolution 14/2007 TCE/MT). If irregularities are found, these professionals must classify them according to Normative Resolution No. 02/2015 of TCE/MT.

The audit report is then evaluated by the attorney of the Public Prosecutor's Office (MPC), who elaborates his/her opinion (favorable or otherwise) regarding the approval of the accounts (Resolution 14/2007 TCE/MT). After receiving the opinion of the MPC, a counselor is appointed as rapporteur. Such designation can be made by rotation, lottery or randomly via electronic system. The rapporteur then draws up the report and sends it, together with his/her vote, to the plenary (all counselors gathered) of the Court of Accounts (Resolution 14/2007 TCE/MT). The opinion of most counselors results in the Court of Accounts' Opinion, which may be favorable or contrary to the approval of municipal accounts (Resolution 14/2007 TCE/MT).

The opinion on the annual accounts of governments expresses the conclusion of TCE/MT on: (i) its adequate presentation, (ii) compliance with the fundamental principles of accounting and the principle of transparency, (iii) compliance with constitutional and legal limits in the execution of public budgets, (iv) the fulfillment of the programs foreseen in the LOA, the agreement with the multi-annual plan and the budget guidelines law, and (v) the result of the public policies (Normative Resolution 10/2008 TCE/MT). The opinion is then sent to the Municipal Council, and it ceases to prevail only by a decision of two-thirds or more of the members of the Council (Resolution 14/2007 TCE/MT).

Regarding the composition of the Court of Accounts of Mato Grosso, the State Constitution determines that of the seven vacancies of counselors en banc, three are chosen by the Governor, being one of free choice and two appointed by the Court from a list of three names, alternately, between auditors and members of the Public Prosecutor's Office. The other four are chosen by the Legislative Assembly. In addition to requirements regarding age, moral suitability and unblemished reputation, they must have more than 10 years of exercise or effective activity requiring legal, accounting, economic and financial knowledge or public administration.

The admission of auditors and members of the MPC as a member of the plenary was prevented because a requirement imposed by the Constitutional Amendment No. 61/2011 blocked the access, since it required ten years of exercise in the TCE/MT itself as a requirement to compete for the vacancy of counselor. This requirement made it impossible for the civil servants to have access to the position of counselor, since the board of substitute counselors and account holders of the TCE/MT only began to be formed in 2009, and in this sense the TCE/MT would have a member of the technical class only after 2019 (Notícias STF 2.014).

According to the Internal Regulations of the TCE/MT, when removed, the counselors are replaced by the holders of the positions of Substitute Counselor, exercising the same attributions with the same guarantees and prerogatives. The substitute counselors enter through a public tender of tests and titles, fulfilling requirements such as: moral suitability and unblemished reputation, multidisciplinary knowledge, and professional experience. All the counselors of the Court of Mato Grosso came from a political appointment of free choice.

4 METHODOLOGY

The audit reports, the opinions of the MPC and the opinions of appreciation of municipal government accounts for the fiscal years 2011 to 2015 of 141 (one hundred and forty-one) municipalities in the state of Mato Grosso were analyzed. Whereas it is ensured to the person responsible for the accounts the contradictory and the ample defense provided for in art. 5, LV, of the Federal Constitution, only the irregularities maintained by the audit team were considered after analysis of the justifications, clarifications, contestations and measures.

In the Appendix, we list the irregularities identified by the Court of Accounts. The irregularities (in the accounts of 141 governments from 2011 to 2015) were typified according to Normative Resolution No. 17/2010 of the TCE/MT. Among the types are irregularities in bidding; expense; accountability; contract; accounting; internal control; financial management; personnel; planning/budget; social security regime; equity management; constitutional/legal limits; several; and covenant.

Then each irregularity was classified into two levels of seriousness: (i) extremely serious, or (ii) serious or moderate. An example of an extremely serious irregularity is the non-compliance with the constitutional/legal limit that should be spent on the maintenance and development of education, characterized by the minimum percentage of 25% of tax revenue (art. 212, of the Federal Constitution). Another example is the "contraction of expenditure obligation in the last four quarters of the mandate without financial availability" (art. 42, caput and single paragraph of Complementary Law No. 101/2000). Also, "the lack of effectiveness of the discount of the social security contribution of the insured persons, non-payment of the quotas of social security contribution discounted from the insured person to the institution due or non-payment of the quotas of social security contribution of the employer to the social security institution" (Normative Resolution 17/2010 of the TCE).

To verify if the political origin of the counselor-rapporteur decreases the probability of his/her vote being contrary to the approval of the municipal accounts, tests of the following model were made (Equation 1):

$$\text{Vote of the rapporteur}_{i,t} = \beta_0 + \beta_1 \cdot \text{Origin of the rapporteur}_{i,t} + \sum \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (1)$$

All variables in the analysis are binary (1/0). For a better understanding, we anticipate that the binary variables that deal with – votes and irregularities identified – are oriented to value 1, when they do not indicate a propensity to reject the accounts, such as the presence of serious irregularities or voting against the accounts. And value 0, when they indicate a propensity to approve the accounts, that is, when there is no serious irregularity, or the votes are favorable to the government.

The vote of the rapporteur assumed value 1 (one) when the counselor-rapporteur was against the approval of the accounts, and value 0 (zero) when his/her vote was favorable. This variable will be used as a dependent in the model to test what influences the rapporteur's vote. If the counselor who acts as rapporteur in that process was admitted by an appointment from the Legislative or Executive Power, the variable 'origin of the rapporteur' assumes value 1 (one) or zero (0) if he/she entered by public tender.

The control variables were divided into three groups: (a) the political context of the government, (b) the irregularities identified by the auditors, and (c) positions in the judgment of the accounts. The variables of the political context of the government follow the study of Velten (2015), if the mayor (whose accounts were appreciated) is reelected, we attribute value 1 (one) and zero in the other cases; if the mayor (whose accounts were appreciated) belonged to the governor's party, we attribute value 1 (one) and zero in all other cases, if the mayor (whose accounts were appreciated) belonged to the same party or coalition of the governor, we attribute value 1 (one) and zero in other cases. If the party of the mayor (whose accounts were appreciated) belonged to a left-wing party, specifically PT, PDT, PPS, PCdoB, PSB, PV, PSTU, PCO and PMN), we attributed value 1 (one) and zero in other cases.

Regarding the irregularities identified by the auditors, value 1 (one) is attributed if at least one serious irregularity was indicated in the year and zero in the other cases.

Finally, the positions of the MPC and counselors in the judgment of municipal accounts, with each municipal account having received a value of 1 (one) when the MPC report was contrary to the approval of municipal accounts, 1 (one) for each approval of municipal accounts and zero in other cases.

5 THE REVERSION OF THE AUDIT OPINION

Table 1 shows the data description for the 706 accounts of 141 municipalities in the state of Mato Grosso from 2011 to 2015. This accountability was passed by votes of the MPC, of rapporteurs and counselors, gathering more than 4.2 thousand votes in the period.

Table 1. Descriptive statistics of municipal accounts

Variables	n	Mean	S.D.	Min	0.25	Mdn	0.75	Max
Political Context of the Government								
Origin of the rapporteur	706	0.83	0.37	0	1.00	1.00	1.00	1
Mayor is reelected	706	0.22	0.41	0	0.00	0.00	0.00	1
Mayor belongs to the governor's party	706	0.49	0.50	0	0.00	0.00	1.00	1
Mayor belongs to a left-wing party	706	0.24	0.43	0	0.00	0.00	0.00	1
Positions in the judgment of the accounts								
Vote of the MPC (1 – for the disapproval of the accounts)	706	0.22	0.41	0	0.00	0.00	0.00	1
Vote of the rapporteur (1 – for the disapproval of the accounts)	706	0.08	0.28	0	0.00	0.00	0.00	1
Opinion (1 – for the disapproval of the accounts)	706	0.08	0.28	0	0.00	0.00	0.00	1
Vote of the rapporteur different from the vote of MPC	706	0.14	0.35	0	0.00	0.00	0.00	1
Opinion different from the vote of MPC	706	0.14	0.35	0	0.00	0.00	0.00	1
Irregularities identified by the auditors								
Accounts with extremely serious irregularities	706	0.33	0.47	0	0.00	0.00	1.00	1
<i>Irregularities by type and level:</i>								
Unclassified	706	0.11	0.32	0	0.00	0.00	0.00	1
Constitutional Limits	706	0.20	0.40	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Constitutional Limits	706	0.20	0.40	0	0.00	0.00	0.00	1
Financial Management	706	0.35	0.48	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Financial Management	706	0.20	0.40	0	0.00	0.00	0.00	1
Several	706	0.10	0.30	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Several	706	0.00	0.00	0	0.00	0.00	0.00	0
Planning and Budget	706	0.26	0.44	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Planning and Budget	706	0.00	0.00	0	0.00	0.00	0.00	0
Accountability	706	0.22	0.42	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Accountability	706	0.00	0.00	0	0.00	0.00	0.00	0
Accounting	706	0.09	0.28	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Accounting	706	0.00	0.04	0	0.00	0.00	0.00	1
Expense	706	0.01	0.10	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Expenses	706	0.00	0.00	0	0.00	0.00	0.00	0
Internal Control	706	0.01	0.11	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Internal Control	706	0.00	0.00	0	0.00	0.00	0.00	0
Personnel	706	0.01	0.08	0	0.00	0.00	0.00	1
Extremely Serious Irregularities in Personnel	706	0.00	0.04	0	0.00	0.00	0.00	1

Source: Prepared by the authors.

Note: 'Unclassified' irregularities were not classified regarding the level. The irregularities in bidding, contract, RPPS, equity management, equity management and covenant were hidden from Table 1 because they did not have observations.

About 83% of the audit reports on government accounts for the period were reported by political appointees; 22% of the appreciated accounts belonged to reelected mayors; 49% of the accounts were of mayors who belonged to the same party of the governor; and 24% belonged to left-wing parties.

Resolution No. 1311/2010 (Federal Accounting Council) refers that the auditor cannot be influenced by factors or any material or affective elements that could result in the loss of his/her independence. Even if the auditor's performance were guaranteed as independent, the qualified opinion can be reversed at other stages of the process.

The auditors indicated extremely serious irregularities in 33% of the accountability after the analysis of the defense. Only the types Constitutional Limits and Financial Management are seen as extremely serious irregularities by the auditors. MPC was opposed to approving the accounts in 22% of the total accounts, while only 8% of the accountability resulted in a Contrary Opinion. These results indicate that there is a reversal of the tendency to disapprove the accounts given the presence of extremely serious irregularities when the appreciation passes from the technical team to the plenary, which could indicate the susceptibility to the political interference advocated by Gomes (2006).

As shown in Figure 2, the effect of extremely serious irregularities for some cases is reversed in the final phase of the process between the rapporteur and the counselors in plenary. The audit team found extremely serious irregularities in 33% of municipal accounts, but they were only 8% contrary to the approval of the accounts after appreciation by the plenary. Of the 33% of the accounts with extremely serious irregularities, the MPC pronounced contrary to approval in 22% of the accounts. At the end of the 22%, the rapporteur followed by the counselors in plenary opposed the approval of only 8% of municipal accounts with irregularities considered extremely serious.

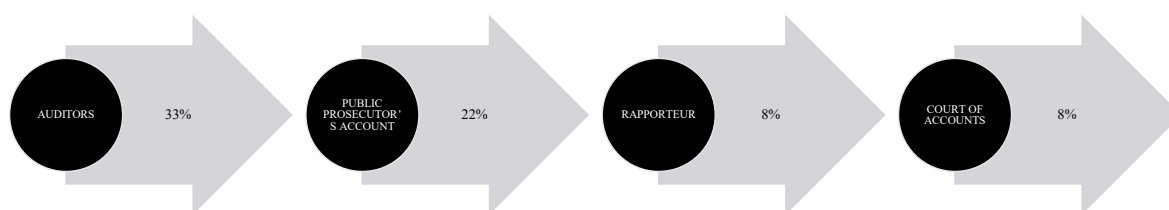


Figure 2. Reversal of the importance of extremely serious irregularities during the cycle of appreciation of the Municipal Accounts.

Source: Prepared by the authors.

Although the TCE/MT Government Auditing Manual shows that, as a rule, such analyses carried out by the technical team should be the main reference for the support of the counselors in the plenary, in most cases the extremely serious irregularities indicated by the technical team are ignored by the plenary.

Table 2. Accounts without extremely serious irregularities

Variables	n	Mean	S.D.	Min	0.25	Mdn	0.75	Max
MPC Opinion different from Individual Vote	2879	0.01	0.12	0.00	0.00	0.00	0.00	1.00
Rapporteur Vote Different from the Individual Vote	2879	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Individual Vote	2879	0.01	0.09	0.00	0.00	0.00	0.00	1.00

Source: Prepared by the authors.

Note: This Table shows the opinion of the appraisers on the municipal accounts that did not show extremely serious irregularities. This opinion represents the opinion on the accounts immediately after the votes, and it is sent to the City Council for voting.

Thus, if we consider the accounts that did not suffer serious appointments or suffered only moderate or serious irregularities (473 accounts), the MPC and the rapporteurs approved the accounts. That is, serious or moderate irregularities are not relevant to motivate a contrary opinion, even for the MPC (Table 2).

6 DYNAMICS OF VOTES IN ACCOUNTING

The following analysis is not intended to explain the determinants of the disapproval of the accounts. But how the reversal of the auditors' appointment happen when it passes through the plenary, and such inversion is related to the composition of the plenary and the dynamics of the vote of the rapporteur and the MPC member. We test whether the rapporteur being a political appointee for the function affects the appreciation process.

As shown in Figure 2, the positioning sequence of the MPC, rapporteur and plenum are sequential, first the MPC manifests itself, then the rapporteur and then the plenary of counselors.

Table 3 shows an overview of the more than 4.2 thousand individual votes of the counselors of the Court of Accounts of the state of Mato Grosso, in addition to the votes of the rapporteurs in the 706 cases. When comparing the votes of Rapporteur and MPC, Rapporteur and Counselors, some standards are observed.

Table 3. Descriptive statistics of the votes and the origin of the counselors

Variables	n	Mean	S.D.	Max	Min
Counselor's vote (for disapproval of accounts)	4295	0,08	0,28	1	0
Vote of the counselor different from the rapporteur's	4295	0,00	0,03	1	0
Origin of the counselor (Politics)	4295	0,69	0,46	1	0
Vote of the rapporteur different from the vote of MPC	706	0,14	0,35	1	0
Opinion different from the vote of MPC	706	0,14	0,35	1	0
Origin of the rapporteur (politics)	706	0,83	0,37	1	0

Source: Prepared by the authors.

Note: The counselor's vote is the individual vote of the counselor in the plenary of the Court, among which the rapporteur and the MPC are not present. Among these there are counselors who are political appointees and those who are civil servants in TCE.

Vote of the counselors follow the rapporteur's

In Table 3, only 8% of the votes of all the counselors who voted in the 706 cases were against the approval of accounts, and almost 100% of them followed the vote of the rapporteur of each case. This may suggest that the counselors entrust this decision to the rapporteur and play a role of legitimating the rapporteur's vote with low professional skepticism. Consequently, it remains open the possibility of political influences originated from the position of the rapporteur extended to the opinion. It is not the aim of this study to explore the particular motivations of the counselors, that is, we limit ourselves to the numbers found in the study.

Vote of the rapporteurs

The vote of the rapporteur is different from the vote of the MPC in 14% of cases, considering all accounts, that is, they diverge in 14% of the analyzed accounts. Over 80% of the audit reports on government accounts for the period were reported by rapporteurs with a political appointment (Table 3). But when the focus is on extremely serious irregularities, the divergence of opinions is even greater, that is, the public prosecutor's office has been opposed in 156 of the 233 accounts with extremely serious irregularities. Of the 156 accounts in which the Public Prosecutor's Office opposed the approval of the accounts, the rapporteurs followed the Public Prosecutor's Office in only 57 of them (diverting from the MPC in 63% of cases). This is corroborated by Grasso and Sharkansky (2001), who assert that the pure view of audit independence is unsustainable when looking at activities that are intrinsically political.

The vote of the counselor-rapporteur may direct the other votes of the plenary and then determine the result of the Opinion. Table 4 shows the average test of the position of the rapporteurs for two groups: rapporteurs who are civil servants and rapporteurs who are political appointees. The average vote for the disapproval of the municipal accounts is higher in the group of civil servants compared with political appointees. The latter ones are more likely to reverse the position of auditors, probably because of the political interference in their judgments.

Table 4. Test of mean differences in the votes of the rapporteurs in relation to the vote of MPC

Vote of the Rapporteur (1-for the disapproval of the accounts)	Public Tender		Political appointment		≠ Means	P-value	
	Mean	S.D.	Mean	S.D.			
For all (n=706)	0.161	0.369	0.070	0.255	0.091	0.001	***
MPC for the disapproval of the accounts (n=153)	0.586	0.501	0.322	0.469	0.264	0.008	***
MPC for the approval of the accounts (n=553)	0.022	0.149	0.002	0.046	0.020	0.017	**
Cases with extremely serious irregularities (n=234)	0.381	0.492	0.208	0.407	0.173	0.018	**
Cases without extremely serious irregularities (n=472)	0.040	0.196	0.003	0.000	0.037	0.001	***
Number of Observations	706						

Source: Prepared by the authors.

Note: ***, **, *, Statistically significant at 1%, 5% and 10% level, respectively.

Table 4 shows the mean vote test of the two groups of rapporteurs in relation to the vote of MPC and in relation to the extremely serious irregularities. The group of civil servants voted for the disapproval of the accounts in 58% of the accounts in which the MPC also suggested to disapprove of the accounts, against 32% of political appointees. When the MPC was in favor of approving the accounts, in both groups of civil servants and political appointees, the rapporteurs who diverged from the MPC and voted for the disapproval of the accounts were rare (2.2% and 0.2%, respectively).

Accounts with extremely serious irregularities obtained more votes for the disapproval of the accounts of civil servants (38% on average) than in the group of political appointees (20% on average). If there were no serious irregularities pointed out, few votes for disapproval were given in both groups: (4% in the group of civil servants and 0.3% in the group of political appointees). Thus, the origin of the rapporteur matters in the conduct of the vote for the plenary, since the counselors will follow this vote, as already shown.

Additional tests

The following tests (Table 5) consider the Government's Political Context and Positions in judging the accounts in the Probit test to estimate the likelihood of an opinion opposing the approval of municipal accounts. Similar results were obtained in the logit model.

Table 5. Probit tests for the effect on the rapporteur's vote

Variables	Panel A			Panel B		
	Rapporteur Vote			Rapporteur Vote		
	Coef.	P-value		Coef.	P-value	
Political Context of the Government						
Origin of the rapporteur	-0.721	0.001	***	-0.713	0.003	***
Mayor is reelected	-0.488	0.070	*	-0.584	0.034	**
Mayor belongs to the governor's party	0.207	0.281		0.220	0.257	
Mayor belongs to a left-wing party	0.175	0.462		0.199	0.387	
Positions in the judgment of the accounts						
MPC's vote (1 – contrary to the approval)	2.085	0.000	***	1.762	0.000	***
Extremely serious irregularities	0.401	0.260				
Irregularities identified by the auditors					0.506	
Extremely Serious Irregularities in Constitutional Limits	-	-		0.506	0.015	**
Extremely Serious Irregularities in Financial Management	-	-		0.754	0.003	***
Constant	2.269	0.000		-2.373	0.000	
Number of Observations	706			704		

Source: Prepared by the authors.

Note: ***, **, *, Statistically significant at 1%, 5% and 10% level, respectively. The 'unclassified' irregularities were not classified according to the level. The irregularities of bidding, contract, RPPS, equity management, equity management and covenant, were hidden from Table 3 because they did not have observations. All variables presented in the methodology were included in the tests.

The presence of serious irregularities in Financial Management and in Constitutional Limits, as expected, was associated with the vote against the approval of the accounts issued by the rapporteur. On the one hand, rapporteurs tend to vote for the approval of municipal accounts when such rapporteurs are political appointees (they are not civil servants). However, such rapporteurs tend to vote contrary to the approval of the accounts when the MPC initiates this vote contrary to the approval. Unlike the findings of Velten (2015), the results found in this study suggest that when the origin of the rapporteur is political, the likelihood that the rapporteur's vote will be contrary to the approval of the accounts decreases (Table 5).

In terms of the political context of the government, mayors of left-wing parties and/or party/coalition that elected the governor were not significant in relation to the plenary of TCE. These results are similar to those of Milanezi and Monte-mor (2017). However, the accounts of fiscal years with reelected mayors are linked to the rapporteur's recommendation for approval of the accounts. That is, negatively associated with voting contrary to the approval of the accounts issued by the rapporteur. In general, the results show that the indication of extremely serious irregularities does not influence the vote of the rapporteur, but that the position of the MPC does. In addition, the political origin of the rapporteur decreases the probability that the rapporteur's vote will be contrary to the approval of the accounts, contrary to the findings of Velten (2015).

7 FINAL CONSIDERATIONS

This study provides empirical evidence that the composition, predominantly political, of TCE/MT and the systematic appreciation of municipal accounts in the state of Mato Grosso has contributed little to the TCE/MT to fulfill its mission. This result shows the distancing of the declared institutional values and the low effectiveness in the use of the public resources inserted in the Court annually, 350 million on average (LOA/2017).

The probability of voting in favor of the approval of the municipal accounts of the State of Mato Grosso is greater when they are appreciated by political appointees, even in the presence of extremely serious irregularities. This suggests that the tendency to disapprove of the audit committee is reversed when it rises to the political sphere of the plenary of the Court. Furthermore, the serious and moderate irregularities indicated by the technical audit team are not relevant for the MPC nor for the counselors.

The political appointee has an important effect on the process, since the vast majority of the votes of the counselors (including the civil servants) follows the vote of the rapporteur. This result corroborates the findings of Bazerman et al. (1997), when the authors state that even the most honest auditors may provide judgments influenced by institutional policies.

In terms of implications, given this training, it is likely that the government audit is largely innocuous. Further reflection on the standards would be necessary to ensure the entry of technicians to the position of Counselor. One possible solution would be the participation of class bodies in the appointment of technicians, as it happens in the judiciary. In operational terms, it would be beneficial to have a set of minimum content parameters that would justify any divergence between auditors and the Public Prosecutor's Office in their position.

The results can contribute to the proposal of Amendment to the Federal Constitution 22/2017 by initiative of the Association of Members of the Brazilian Courts of Accounts (Atricon). This proposal would create the National Council of Courts of Accounts, as well as criteria and requirements for the investiture of members of technical background to the Courts, and a greater standardization of the performance of the Courts of Accounts.

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APPENDIX – List of Irregularities

Type of irregularities	
Unclassified	
Bidding	
Expense	
Accountability	
Contract	
Accounting	
Internal Control	
Financial management	Binary variable: 1 (one) in accountability with irregularities reported by the technical audit team and 0 (zero) in the other cases.
Personnel	
Planning/Budget	
Social Security Regime (RPPS)	
Equity Management	
Constitutional Limits	
Several	
Covenant	
Level of criticality of the irregularity	
Bidding	
Expense	
Accountability	
Contract	
Accounting	
Internal Control	
Financial management	Binary variable: 1 (one) in accountability in which the technical audit team classified the irregularity indicated as extremely serious and 0 (zero) in the other cases.
Personnel	
Planning/Budget	
Social Security Regime (RPPS)	
Equity Management	
Constitutional Limits	
Several	
Covenant	