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THE BUDGETARY, FINANCIAL AND HERITAGE PERFORMANCE OF THE MUNICIPALITY OF SÃO FRANCISCO DO CONDE / BA: AN ANALYSIS ON THE SUSTAINABILITY OF MUNICIPAL ACCOUNTS

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ABSTRACT

The analysis of the budgetary, patrimonial and fiscal performance of public entities, through accounting and fiscal statement analysis techniques, is an essential tool for good fiscal and budget management. In 2011, STN chose the municipality of São Francisco do Conde as a pilot municipality in the implementation of international accounting rules. Considering this municipal context as a favorable scenario for a good performance of public accounts, this paper sought to analyze the performance of the finances of São Francisco do Conde between 2015 and 2019. Satisfactory budget management was identified in the municipality, balanced asset management, but with the need for action to avoid imbalances, and poor fiscal management, with insufficient cash, accumulation of obligations, and lack of control over municipal revenues, with high dependence on other entities, evidencing a worrying panorama regarding fiscal sustainability.

Keywords: Tax Statements. Accounting statements. Fiscal Balance.

JEL Code: H11. H61. H83.

LIST OF ACRONYMS AND ABBREVIATIONS

ANBIMA - Brazilian Association of Financial and Capital Market Entities

ARO - Credit Operations by Anticipation of Budgetary Revenue

BF - Balance Sheet

BO - Budget Balance Sheet

BP - Balance Sheet

CAPAG - Capacity to Pay

CAPES - Coordination for the Improvement of Higher Education Personnel

CAUC - Tax Requirement Information System

CASP - Accounting Applied to the Public Sector

CF - Federal Constitution

DCASP - Accounting Statements Applied to the Public Sector

DCL - Consolidated Net Debt

DF - Federal District

DFC - Cash Flow Statement

DMPL - Statement of Changes in Shareholders' Equity

DVP - Statement of Changes in Financial Position

EG - General Indebtedness

FIRJAN - Federation of Industries of the State of Rio de Janeiro

IMF - International Monetary Fund

FUNDEB - Fund for Maintenance and Development of Basic Education and Valorization of Education Professionals

IBGE - Brazilian Institute of Geography and Statistics

ICMS - Tax on Operations Related to the Circulation of Goods and Services on Interstate Transport, Intercity and Communication

IFGF - Firjan Fiscal Management Index

IGP-M - General Market Price Index

IPC - Accounting Procedures Instruction

IPM - Municipal Welfare Institute

IS - Solvency Ratio

LAI - Access to Information Law

LC - Current Liquidity

LDO - Budget Guidelines Law

LG - General Liquidity

LI - Immediate Liquidity

LOA - Annual Budget Law

LRF - Fiscal Responsibility Law

LS - Dry Liquidity

MCASP - Manual of Accounting Applied to the Public Sector

MDE - Maintenance and Development of Education

MDF - Manual of Fiscal Statements

NBC - Brazilian Accounting Standard

OECD - Organization for Economic Co-operation and Development

PPA - Multi-Year Plan

PEC - Proposal for Amendment to the Constitution

GDP - Gross Domestic Product

RCL - Net Current Revenue

RGF - Fiscal Management Report

RPPS - Special Social Security System

RREO - Budget Execution Summary Report

SIGA - Integrated Management and Auditing System

SISTN - System for Collection of Accounting Data of the Entities of the Federation

STN - National Treasury Secretariat

TCM - Court of Auditors of the Municipalities

VPA - Increase in Assets Variation

VPD - Decreased Assets Variation

SUMÁRIO

1 INTRODUCTION

The Brazilian political-administrative organization comprises the Union, the States, the Federal District, and the Municipalities, all of which are autonomous and have their own financial, political, administrative and budgetary structure.

The 1988 Federal Constitution (FC) defines the competencies of each entity, and the municipalities are in evidence in this organization because they are closer to the population's demands, which provides more clarity in the formation of public policies and the elaboration of planning instruments.

To put into effect the public policies formulated by the municipalities and to execute the actions of the governments, it is necessary to balance the public accounts, to be firm in the execution of budgets, and to control indebtedness. In the midst of financial crises, this care becomes even more relevant.

In 2016, the Constitutional Amendment Project (PEC) No. 95 was approved, known as the PEC of the ceiling of public spending, which established the New Fiscal Regime in the Fiscal and Social Security Budgets of the Union, which will be in force for twenty financial years. The amendment establishes a limit for primary expenditures for each financial year, requiring public managers to have stricter control of public spending and instituting restrictions in case of non-compliance with the limits.

Since 2014, Brazil has recorded deficits in public accounts, which has affected the growth of the economy and increased indebtedness, causing the country to still face fiscal imbalances at all levels of government in 2020. Added to this is the situation of public health emergency of international importance related to the coronavirus (Covid-19), recognized in Brazil through Legislative Decree No. 6, March 20, 2020, which led the country to a scenario of falling revenues, increased spending, and relaxation of fiscal rules.

In this context, the analysis of the budget, equity, and fiscal performance of public entities, through techniques of financial statement analysis and fiscal statements, is an essential tool for public finance and budget management and to support the development and implementation of public policies, because, based on the results found, managers better assimilate the information available in the statements, providing means for decision making and for better efficiency of the administration and crisis management.

Considering the importance of public entities providing transparent and comparable accounting information to the various types of information users, in view of the fact that good accounting practices strengthen the monitoring of the economic and financial situation and the good performance of public entities, enabling a better allocation of resources; and taking into account the need to promote the convergence of current accounting practices in the public sector with international accounting standards, the Ministry of Finance, through the National Treasury Secretariat (Secretaria do Tesouro Nacional - STN), started, in 2008, a set of actions and norms aiming at the adaptation of all public entities to the process of Governmental Accounting convergence to international standards.

In this scenario, the STN chose, in 2011, the municipality of São Francisco do Conde, in Bahia, to be a pilot municipality in the implementation of a new accounting management model in the country, based on international accounting rules.

Considering this municipal context as a favorable scenario for good management and a good performance of public accounts and in view of the fact that the municipality in question stands out for presenting one of the highest GDP per capita in the country - data from the Brazilian Institute of Geography and Statistics - IBGE (2018) point it as the tenth with the highest indicator in Brazil and first in Bahia - the following question arises: what is the budgetary, financial and asset performance of the municipality of São Francisco do Conde/BA and what overview does it provide on the sustainability of municipal accounts?

Fiscal sustainability is related to the balance of public accounts, in order to meet the demands of management in carrying out its present activities, prevent risks that may interfere in the performance of future activities and avoid public deficit. From this problematic, it is intended, through the analysis of the accounting statements and fiscal statements, to analyze the performance of the finances of the municipality of São Francisco do Conde in the years 2015 to 2019.

To achieve this goal, the intention is to analyze, under the equity, budget, and fiscal aspects and through public accounts analysis techniques, the performance of the municipal accounts of São Francisco do Conde/BA in the studied period and verify which panorama it provides about the fiscal sustainability of the municipality; to compare the requirements of the specific legislation related to financial and budgetary administration in Brazil to the results found in the municipal analysis, in order to provide subsidies for better decision making and, if appropriate, to propose alternatives for administrative actions and financial management to the managers of the studied municipality.

Maintaining the fiscal health of governments is a fundamental requirement for the continuous provision of public services and welfare of the population, thus, a healthy financial condition allows the public entity to perform essential functions related to education, health, security, social assistance, basic sanitation, making investments and makes the entity to support financial crises and local recessions, without harming the level of public services offered; therefore, a good financial condition should be the goal to be pursued by the rulers (Diniz and Lima 2016).

The results of this work will provide useful information for the management of the municipality studied, pointing out and explaining failures, if any, and suggesting alternatives for better management of resources that will fund public services, if necessary. The results will also contribute to the social control, making available to public entities and to society, the gathering of analysis techniques, ways to use them and information about the accounting and fiscal statements, so that they can follow, with more clarity and understanding, the situation of the municipalities they belong to. These techniques can also be used by internal controls of the various public entities, adapting existing models and creating others to meet the necessary purposes

In addition to the above, there are few published scientific papers that actually relate to the theme of this study, demonstrating the particularity of the research.

2 THEORETICAL BACKGROUND

2.1 Public Finance in Brazil

2.1.1 Legal frameworks of public finance in Brazil

The political-administrative organization of the Federative Republic of Brazil comprises the Union, the States, the Federal District, and the Municipalities. With the promulgation of the FC of 1988, the municipalities reached a new level of autonomy and responsibility, losing their characteristic of administrative unit and becoming a managing unit and co-responsible for the reflection of their social structures in the nation (Campello and Matias 2000).

The responsibility of municipalities is even greater if one considers their proximity to social demands and the fact that they are more subject to control by society. These entities are largely responsible for education, health, urban development and housing policies.

Art. 30 of the FC lists the competencies of municipalities as follows

> *I - to legislate on matters of local interest; II - to supplement federal and state legislation, as appropriate; III - to institute and collect taxes of its competence [...]; IV - to create, organize and suppress districts, observing state legislation; V - to organize and provide, directly or under concession or permission regimes, public services of local interest [...VI - maintain, with the technical and financial cooperation of the Union and the State, programs for early childhood education and elementary school; VII - provide, with the technical and financial cooperation of the Union and the State, health care services for the population; e) promote, as appropriate, adequate territorial planning, through planning and control of the use, subdivision and occupation of urban land; f) promote the protection of local historical and cultural heritage [...] (BRASIL, 1988).*

In other words, the FC of 1988 listed the assets, the competencies and the themes on which to legislate, for the Union, for the States and for the Municipalities. With this, it brought a variety of obligations and demands that became the responsibility of municipal entities.

In this scenario, for these entities to develop an effective, efficient, and effective management, it is essential that they seek to meet the constitutional principles of legality, impersonality, morality, publicity, and efficiency, valuing the quality of public spending; and it is essential that they have knowledge of the available resources, and of their patrimonial, budgetary, and financial situation.

A historical landmark for public finances in the country was the edition of Law no. 4,320/1964, which established important rules for the control of public finances and for the preparation and control of budgets. This law was admitted by the 1988 Federal Constitution as a complementary law, despite having been enacted as an ordinary law, it is the main financial law in force in Brazil.

One can consider as a legacy of the 4,320/1964 law: the budget principles of unity, universality, annual cycle, and gross budget; the items that must accompany and integrate the budget law; the classification of revenues and expenses by economic category and their respective breakdowns; the program-budget, with control of goals and results; the classification and criteria for using additional credits; the phases of budget expenditure, commitment, liquidation, and payment; the treatment for special funds; and the requirements for budgetary, financial, asset, and industrial accounting.

Law 4,320/1964 established rules that allowed the construction of a more solid financial and accounting administration in the country. Thus, although it does not cover all the important aspects for a good financial and asset management, since its creation, it has had extreme relevance for public administration in Brazil.

In the 1990s, with the administrative reform, the contours of the new public administration in Brazil were outlined, of a managerial nature, with characteristics such as decentralization from the political point of view, transferring resources and attributions to regional and local political levels; administrative decentralization; organizations with fewer and more flexible hierarchical levels; definition of objectives to be achieved in the form of performance indicators; control by results, and administration focused on serving the citizen (Bresser-Pereira 1996).

Bresser-Pereira (1996) explains that managerial public administration thinks of society as a space where citizens defend their interests and assert their ideological positions, which are manifested in the public administration.

In this context, the Supplementary Law No. 101 of May 4, 2000, known as the Fiscal Responsibility Law (LRF), established standards of public finance focused on the responsibility in fiscal management, in order to prevent risks and correct deviations that may affect the balance of public accounts, by meeting targets and complying with limits related to consolidated debt, credit operations, personnel expenditure, waiver of revenue, rests payable, among others. The law also brought instruments of transparency and incentive to popular participation during the processes of preparation and discussion of plans, budget guidelines law and budgets.

2.1.2 The Fiscal Responsibility Law and Fiscal Statements

In its elaboration, the LRF incorporated some characteristics, norms and principles based on the experiences of other countries. From the International Monetary Fund (IMF), the law took the emphasis on transparency of public acts, planning, accountability, publicity, and fiscal reporting. From the Maastricht Treaty, of the European Economic Community, the LRF aggregated the criteria for verification of financial sustainability, the notion of political and budgetary independence of the states and the creation of goals and punishments in monitoring the debt and the budget. From the Budget Enforcement Act, in the United States, the law incorporated the ideas of setting surplus targets and mechanisms to control spending, and the ideas of budgetary compensation and limitation of commitment to ensure limits and targets. From New Zealand's Fiscal Responsibility Act, the LRF absorbed the requirements of responsible fiscal management, transparency, and fiscal risk management (Debus and Nascimento 2002).

The LRF was drafted after the issue of restructuring and fiscal adjustment programs and measures that enabled the refinancing of debts of the states, which, in return, assumed various fiscal commitments. After the LRF all governments became equal before the law and subject to the same rules, limits and conditions, no longer being allowed the financing of one by the other, nor the transfer of responsibility for debts. All entities must, independently, seek to apply the LRF rules in order to combat deficits and maintain balanced accounts and fiscal sustainability, performing a responsible management.

The Court of Auditors of the State of Paraná (2018) defines fiscal sustainability as a condition of fiscal management that allows the maintenance of balanced public accounts and the provision of public services, for a certain period of time, maintaining activities in the present without compromising future results and resources. In order to obtain this condition, intergenerational solidarity would be necessary, mainly related to not assuming debts and obligations that may compromise future generations, and fiscal responsibility.

Table 1, prepared by Diniz and Lima (2016) demonstrates some rules of budget restrictions that the LRF instituted aiming to avoid public deficit and the achievement of balanced public accounts.

Table 1 – Budgetary balance and deficit reduction norms introduced by the LRF

ITEM	DESCRIPTION	LEGAL MECHANISM
1	Balancing revenues and expenses in the Budget Guidelines Law (LDO).	Article 4, I, a
2	Criteria and forms of commitment limitation.	Article 4, I, b
3	Cost control and results evaluation.	Article 4, I, and
4	Annual Budget Law Project (LOA) containing measures of compensation and revenue waiver and the increase of mandatory expenses of a continuous character.	Article 5, II
5	Contingency reserve destined to attend contingent liabilities and other unforeseen fiscal risks.	Article 5, III
6	Budgeting for all debt-related expenses.	Article 5, § 1
7	Prohibition to consign credit for an imprecise purpose.	Article 5, § 4
8	Prohibition to authorize investments for more than one year that are not foreseen in the Multi-Year Plan (PPA).	Article 5, § 5
9	Elaboration of financial programming and monthly disbursement execution schedule.	Article 8

10	Cost containment by limiting commitments.	Article 9
11	Periodic evaluation of compliance with fiscal targets in a public hearing.	Article 9, § 4
12	Obligatoriness in the institution, forecast and effective collection of all taxes of constitutional competence of the entity of the federation.	Article 11
13	Prohibition for revenues from credit operations to exceed the capital expenditures in the budget bill.	Article 12, § 2
14	Breakdown of expected revenues into bi-monthly collection targets accompanied by measures to combat evasion and tax evasion.	Article 13
15	Statement of the budgetary-financial impact for the revenue waiver with the respective compensation measures.	Article 14, caput, and clauses I and II
16	Demonstration of the budgetary-financial impact for the creation, expansion, or improvement of a government action that entails an increase in expenses.	Article 16
17	Establishment of percentage limits on the Net Current Revenue for personnel expenses.	Article 19
18	Prohibition of acts that increase personnel expenses in the 180 days prior to the end of the term of office of the holder of power or certain bodies.	Article 21, sole paragraph
19	Mandatory indication of the sources of funds for the creation or increase of social security expenses.	Article 24
20	Limitation of debt by act issued by the Federal Senate.	Article 30
21	Requirement to return to the debt limit when it is exceeded at the end of a four-month period.	Article 31
22	Prohibition to incur new debts for as long as the over-indebtedness persists.	Article 31, § 1, I
23	Prohibition of assuming obligations without budgetary authorization.	Article 37, IV
24	Coverage of cash deficit only by credit operations by anticipation of revenue that must be settled during the fiscal year.	Article 38
25	Prohibition to contract credit operations by anticipation of revenue while there is a previous operation of the same nature that has not been fully redeemed.	Article 38, IV, a
26	Prohibition to incur expenditure obligations in the last two quarters of the term of office of the officeholder and certain organs without the corresponding cash availability.	Article 42
27	Prohibition of applying the revenue from the disposal of assets to finance current expenses.	Article 44
28	Obligation to include new capital projects after the ongoing ones have been properly attended to, and after the expenses for conservation of public assets have been contemplated.	Article 45

Source: Diniz and Lima (2016), based on the Fiscal Responsibility Law.

Vignoli (2005, 371-373) considers that the LRF can be analyzed by dividing it into four major blocks:

The first, composed of articles 1 to 28, directly or indirectly deal with the issue of planning. [...]
The second block, composed of articles 29 to 42, deals with public debt and indebtedness, defining the limits on indebtedness, bringing the debt back within the established limits, credit operations, prohibitions, operations with the Central Bank, and guarantees and counter-guarantees. [...]
The third block, composed of articles 43 to 47, deals with Patrimonial Management, including the treatment that must be given to the cash availabilities of the entities of the federation, including those relative to the social security regimes, general and that of the public servants, the observation of the public patrimony, and issues relative to the companies controlled by the Public Sector. [...]
The aspects of the fourth and last block, composed of articles 48 to 75, concern the transparency of fiscal management, the bookkeeping and consolidation of accounts, the reports to be presented to the competent bodies, the rendering of accounts, the inspection of fiscal management, and the final provisions.

In each block there is a diversity of innovations and requirements brought by the law, and based on this division, it becomes possible to evaluate the performance of public finances in each aspect listed, based on the guidelines and limits established: aspects of planning, of debt control, of asset management, and of inspection and transparency in fiscal management.

Regarding the first block, the law incorporates new functions to the Budget and Budget Guidelines Law (LDO), including the fiscal targets and their follow-up, the compensation measures, criteria for commitment limitation, rules for revenue waiver and expenditure generation, and limits for personnel expenditure.

Regarding the fourth block, the LRF brings as two of the fiscal management transparency instruments the Budget Execution Summary Report (RREO) and the Fiscal Management Report (RGF).

The RREO must be published within thirty days after the end of each bimester and be composed of the budget balance; a statement of the execution of revenues and expenses; expenses, by function and subfunction; verification of net current revenue; social security revenues and expenses; nominal and primary results; interest expenses and a statement of rests payable. The last bimester includes reports on the actuarial projections of the social security system, general and that of public servants, and a report on asset variation, showing the disposal of assets and the application of resources resulting therefrom.

The Budgetary Balance, annex 01 of the RREO, aims to demonstrate the budget execution in a given year, presenting the execution of revenues and expenses, and the budget surplus or deficit.

The purpose of the Expenditure Execution Statement by Function/Subfunction, annex 02 of the RREO, is to inform about the expenditures made by the entity in the period, presenting them in terms of functional classification, which are aggregated in several areas of public sector activity, in the legislative, executive, and judicial spheres (Brazil, National Treasury Secretariat, 2020).

Annex 03 of RREO, Net Current Revenue (RCL), presents the RCL calculation in the month in reference and its evolution in the last twelve months. The calculation of the RCL is very important since it serves as a reference for determining the limits of personnel expenses, net consolidated debt, credit operations, guarantees, debt service, and for defining the amount of the contingency reserve.

Annex 04, Statement of Social Security Revenues and Expenses, is prepared by the entities that have their own social security system and aims to give publicity and transparency to the budget execution of these systems.

Annex 06 of the RREO is the Primary and Nominal Result Statement, this annex is of utmost importance to understand the entity's fiscal situation, because its objective is to determine the compliance with the fiscal targets.

There are two methodologies for calculating results: "above the line" and "below the line". The MDF (Brazil, National Treasury Secretariat 2020) explains that the "above-the-line" methodology points out the causes of fiscal imbalances based on the analysis of primary revenues and expenses; the primary result target. The "below the line" method, on the other hand, considers the variation in the stock of public debt.

Annex 07 of the RREO is the Statement of Outstanding Payables by Power and Body, which seeks to provide transparency to the information on the amount and execution of the outstanding payables entered by Power/Body, allowing their monitoring in the reference year, showing the amounts entered, paid, canceled and the balances of processed and unprocessed liabilities. The expenses committed and not paid until December 31st of the reference year are considered as accrued liabilities, being divided between unprocessed and processed liabilities, the latter being those that have already gone through the expense liquidation phase.

Annex 09 of the Budget Execution Summary Report is the Statement of Income from Credit Operations and Capital Expenditures, which has the purpose of demonstrating compliance with the Golden Rule, which aims to control indebtedness by preventing the entity from borrowing to finance current expenses, such as interest payments and personnel expenses.

The Statement of Actuarial Projection of the Social Security System - annex 10 of RREO - projects, for seventy-five (75) years, the social security revenues and expenses, the social security result, and the financial balance of each fiscal year, aiming to provide transparency to the actuarial projection of the social security system in the long term and to evaluate the sustainability of the RPPS.

Annex 11 of the RREO is the Statement of Revenue from the Sale of Assets and Application of Resources. Article 44 of the LRF prohibits the "application of capital revenue derived from the disposal of assets and rights that make up the public patrimony to finance current expenses, unless destined by law to the social security systems, general and public servants' own". Therefore, it was necessary to prepare a statement that evidences the application of the resources resulting from the disposal of assets, to monitor compliance with this rule and the preservation of the public sector's assets; thus, this is the purpose of the Statement of Revenue from Asset Disposal and Application of Resources.

The RREO also includes annexes 08, 12, 13, and 14, which are, respectively, the Statement of

Revenues and Expenditures with Maintenance and Development of Education - MDE, Statement of revenues and expenses with public health actions and services, Statement of public-private partnerships, and the Simplified Statement of the Summarized Report of Budget Execution.

At the end of each four-month period, the Fiscal Management Report must be issued, which will contain a comparison with the limits of total personnel expenses, consolidated and securities debt; granting of guarantees; and credit operations, including anticipated revenue. In the last four--month period, the statements of the amount of cash available on December 31st, the enrollment in the Accrued liabilities (Accrued liabilities) and the fulfillment of the provisions of art. 38, which deals with credit operations by anticipation of budget revenue, must be added.

Annex 01 of the RGF is the Personnel Expenditure Statement, it seeks to provide transparency to the personnel expenditure of each of the Powers and agencies with administrative, budgetary, and financial autonomy, assessing compliance with the limits addressed by the LRF. This annex contains the Power/Body's personnel expenditure figures executed in the last twelve months, the total personnel expenditure percentage in relation to the net current revenue, and the maximum, prudential and alert limits established according to the legislation.

Annex 02 of the Fiscal Management Report is the Statement of Net Consolidated Debt (DCL), which aims to detail the form and methodology of calculating the DCL and its composition, ensuring the transparency of the obligations incurred by the entities of the Federation and verifying the adequacy to the limits of indebtedness referred to in the legislation (Brazil, National Treasury Secretariat, 2020).

The limits of the consolidated debt were established through Resolution no. 40/2001, of the Federal Senate, according to the competence established in the FC.

Annex 03 of the RGF is the Statement of Guarantees and Counter-guarantees of Values, which seeks to give publicity to the guarantees offered to third parties by the entity and to verify the limits dealt with in the legislation, as well as the tied counter-guarantees, arising from internal and external credit operations (Brazil, Secretaria do Tesouro Nacional 2020)

Annex 04 of the Fiscal Management Report is the Statement of Credit Operations, which presents the credit operations contracted by the entity, as well as the adequacy to the limits determined by legislation: general limit, alert limit, and limit for credit operations by anticipation of budget revenue. The Federal Senate established the limit for the amount of the operations, which for the municipalities is 16% of the Gross National Income in each fiscal year. The installments of debts and operations of restructuring and re-composition of the principal of debts are not considered for the calculation of the limits of Credit Operations.

Annex 05 of the RGF is the Statement of Cash Availability and Payables, which seeks to provide transparency to the balance between the generation of expenditure obligations, the recording of unprocessed payables, and cash availability.

Article 42 of the LRF prohibits, in the last two quarters of the term of office of the head of the Branch or entity, the contracting of "expenditure obligations that cannot be fully met within the term of office, or that have installments to be paid in the following year without sufficient cash availability for this purpose. Thus, Annex 05 shows the entity's gross cash availability, financial obligations (which include accrued liabilities, refundable amounts and obligations that did not pass through the budget execution) and net cash availability, enabling the verification of the amount available for purposes of recording in Accrued liabilities and compliance with Article 42 of the Constitution.

Vignoli (2005) emphasized that, despite the advances brought by the LRF, there was still much to be done: the analyses were still restricted to quantitative aspects, lacking objective criteria for evaluating the quality of public spending; although they were a legal requirement, the entities did not have a cost system that would allow them to determine the cost of each action developed; and there is no standard analysis of the rendering of accounts among the Courts of Accounts of the States and Municipalities.

Over the years, we have seen some institutional advances in this direction: the Courts of Accounts started to develop and implement effectiveness indexes for municipal and state administrations, in order to measure the quality of public spending, evaluate the policies and activities of public managers and the adherence to processes and controls in certain management areas, such as education, health, environment and fiscal management (IRB 2021). In relation to the cost system, although there are already system models and accounting norms in effect about the Public Sector Cost Information System, few entities have implemented it and those that have, such as the Union, have recent experiences. As for the standardization of analyses by the audit courts, the number of technical cooperation agreements signed between courts and the National Treasury (IRB 2021) has increased; and even between courts and international entities such as the Organization for Economic Cooperation and Development (OECD), to improve oversight by these bodies and harmonize concepts and procedures (TCU 2021), however, there is still no standard analysis for judging accounts.

Debus and Nascimento (2002) are pertinent when they state that the LRF assigned new functions to public accounting, ensuring it a more managerial character; accounting information began to matter not only to public managers, but also society became a participant in the process of monitoring and supervising public accounts, through the instruments that the LRF incorporated for this purpose.

However, Abrucio and Loureiro (2005) point out that democratic accountability would gain more strength if the Law put into practice the Fiscal Council mechanism, foreseen in its article 67, with the objective of harmonizing and coordinating among the entities of the Federation , dissemination of practices that result in greater efficiency in the allocation and execution of public spending, revenue collection, and debt control. 67, with the objective of harmonization and coordination among the entities of the Federation , dissemination of practices that result in greater efficiency in the allocation and execution of public spending, revenue collection, control of indebtedness and transparency of fiscal management ; adoption of standards for the consolidation of public accounts, standardization of the rendering of accounts and fiscal management reports and statements, as well as others, necessary for social control; and dissemination of analyses, studies and diagnoses. However, by mid-2021 this council had still not been created.

Twenty-one years after its implementation, the law has brought numerous benefits, especially with regard to the accountability of public agents, transparency, financial maturity of subnational entities, expenditure, and debt controls. However, violations of the LRF, such as the "fiscal footsteps" and the discretionary interpretations by the auditing agencies, which in some cases encourage these practices, have been some of those responsible for the current fiscal crisis of the federal entities.

It is worth clarifying that the "fiscal footsteps" are a kind of maneuver performed by entities to appear the existence of balance between revenue and expenses or compliance with fiscal targets, even when there is no such balance; and the discretionary interpretations of the LRF by the audit bodies, refers to the lack of uniformity in calculations such as personnel expenditure, net consolidated debt, compliance with Article 42, among others. However, it is worth mentioning that the National Treasury, together with the Audit Courts and other related bodies have advanced in recent years regarding the standardization of the interpretation of the law, with constant updates in the Manual of Fiscal Statements (MDF), technical cooperation agreements and the emergence of laws such as Complementary Law No. 178 of January 13, 2021, which clarified rules on the calculation of personnel expenses, in items that gave rise to more than one interpretation among the agencies responsible for the calculation and monitoring of compliance with the limits.

2.1.3 Brazilian Tax Landscape

The year 2015, the year chosen to begin the application of this research, marked the country with a severe economic recession coupled with the political crisis, a situation that still persists.

Data from the Federal Court of Accounts (2020), in its Fiscal Facts Primer, point out that in 2019, tax waivers reached R$348.4 billion, corresponding to 25.9% on net primary revenue and 4.8% of the Gross Domestic Product (GDP); in 2015 this waiver corresponded to 6.7% of GDP.

The data also draw attention by the low amount spent on Investments by the country, in the five-year period, this expense reached R$207.4 billion, a value that represents, only, 1.57% of the total expenditure committed in the period.

The primary deficit calculated by the National Treasury in 2019 reached R$88.9 billion, i.e., primary expenses exceeded primary revenues by this amount, indicating the increase in debt. The nominal result, meanwhile, showed a deficit of R$ 399 billion. Since 2014, there has been a sequence of deficits in these indices, which is justified both by the increase in mandatory primary expenses and by the drop in federal tax collection due to the economic crisis.

Regarding the Union's expenditure on interest and charges on the debt, spending reached R$285.2 billion in 2019, which represents 10.02% of all committed expenses and 3.93% of GDP; it was the highest amount spent on this expense in the last five years.

Regarding Social Security, considering the three pension schemes maintained by the federal government, the pension deficit totaled R$318.2 billion in 2019, figures that have only worsened since 2015, when the deficit was 173.7 billion.

The Firjan Index of Fiscal Management - IFGF, published in 2019 by the Federation of Industries of the State of Rio de Janeiro (FIRJAN), brought the Overview of Brazilian municipalities in 2018 and the main challenges. This index is prepared based on official fiscal results, declared by the municipalities themselves and made available by the National Treasury Secretariat. The study pointed out that 73.9% of the municipalities were evaluated with difficult or critical fiscal management.

Of the 5,337 municipalities analyzed, 1,856 are not able to generate locally enough resources to meet the expenses of the administrative structure of the City Hall and City Council, that is, they do not have financial autonomy; 50% of the municipalities spend more than half of the budget on personnel; more than half have difficulty paying suppliers, 1.121 cities ended the year 2018 without enough cash resources to cover expenses postponed to the following year; and almost half of the country has critical level of investment, allocating only 3% of revenues to these expenses, showing high commitment to mandatory expenses, to the detriment of discretionary ones, due to the influence of the spending cap that limits the growth of primary expenses (FIRJAN 2019).

The situation becomes even more critical due to the public calamity situation that the entire national territory is going through as a result of the Covid-19 Pandemic. The fall in revenues, the deferral of taxes and the increase in expenses to fight the pandemic have impacted the federal government's results: from January to May 2020, the central government's primary deficit was R$ 222.5 billion, much higher than the negative result of R$ 17.5 billion in the first five months of the previous year. In the month of May 2020, the deficit was 126.6 billion, according to information released by the National Treasury (2020) was the largest primary deficit ever recorded so far, and far above the negative result of R$ 14.7 billion of May 2019.

This situation also affected the subnational entities, which started receiving financial aid from the federal government to face Covid-19 and mitigate its financial effects.

Besides the values presented, we must also take into consideration two recent regulations that impact the fiscal management of the entities: Complementary Law no. 178, of January 13, 2021, and Constitutional Amendment no. 109.

LC 178 establishes the Program of Fiscal Monitoring and Transparency and the Plan for Promoting Fiscal Balance, with a set of goals and commitments agreed upon between the Union and each State, the Federal District, or each Municipality that adheres to it, with the objective of promoting fiscal balance and improving their respective payment capacities. The norm also establishes measures to strengthen Fiscal Responsibility.

The Constitutional Amendment 109 established a series of permanent and emergency measures to control public accounts in the Fiscal and Social Security Budgets of the Federal Government, in addition to several restrictions to control spending, whenever the ratio between mandatory expenses and federal revenues reaches the limit of 95%. These measures are optional for states and municipalities, but if they do not comply, they will be prevented from obtaining loans backed by the Union or renegotiating their debts.

The data reported and the recent regulations reflect the fiscal imbalances that the federal entities have been going through and reinforce the need for sustainability and balance in public spending and the importance of administrative and financial controls, financial condition analysis, and good management practices to achieve them.

2. 2 Transparency in Public Administration and Accountability

The Fiscal Responsibility Law brought many advances regarding public finances and the transparency process, characteristics of a public administration with a managerial aspect.

The LRF instituted several mechanisms to promote transparency, among them are: the incentive to popular participation and the holding of public hearings during the preparation and discussion processes of budget plans and laws; the wide disclosure of plans, budgets and budget guidelines laws; the rendering of accounts and the respective prior opinion; the preparation and disclosure of the Summarized Budgetary Execution Report and the Fiscal Management Report; and the release to society's knowledge and follow-up, in real time, of detailed information on the budgetary and financial execution. In other words, the law emphasized the aspect of social control, the participation of society and the broad dissemination of acts and facts related to fiscal management.

It is known that this theme is not present only in the LRF, public transparency is a fundamental citizen right constitutionally guaranteed and regulated by Law No. 12,527 of November 18, 2011, known as the Law of Access to Information (LAI). The procedures set forth in the LAI must be carried out following the guidelines of observance of publicity as a general precept and secrecy as an exception; of the disclosure of information of public interest, regardless of requests; of the use of means of communication made possible by information technology; of fostering the development of a culture of transparency in public administration; and of the development of social control of public administration.

The aspect of transparency in public administration is consolidated together with the principle of accountability.

Accountability is an English term that has no specific translation into Portuguese. Several authors seek definitions for the term, which is almost always related to social control, accountability, and evaluation and accountability processes.

Rocha (2011) identifies as forms and instruments of accountability the "processes of permanent evaluation and accountability of public agents that allow citizens to control the exercise of power granted to their representatives."

In Schedler's (1999 apud Pinho and Sacramento 2009) opinion, three requirements are necessary for accountability to be effective: information, justification, and punishment. Information and justification would be related to the obligation of public mandate holders to inform, explain and be accountable for their actions, while punishment refers to the ability of agencies to impose sanctions and loss of power for those who violate public duties.

Filgueiras (2018) explains that the term conveys the idea of political responsibility and that, although there is no direct translation into Portuguese, the closest meaning is related to accountability. According to him, in modern bureaucracy, we can consider that this term refers to issues such as: internal and external control, public accounting and auditing, where these elements are accountable to the public for the policies carried out by the state.

Broadening the dimension of accountability, Campos (1990) states that economy of public resources, efficiency, and honesty demand special attention, but that there are other performance standards that deserve consideration, such as the quality of public services or the level of adequacy of the results of public actions to the needs of the population. The author adds that these standards of governmental accountability are not guaranteed by bureaucratic controls, that true democratic control will only effectively occur if government actions are monitored by citizens.

O'Donnell (1998) sees accountability from two dimensions, the vertical and the horizontal: the vertical would be actions performed, individually or collectively, with respect to those who occupy positions in state institutions, an example would be the power to punish or reward a ruler by voting for or against him in elections, and others would be the social demands, without risk of coercion, and the media dissemination for these demands and for the acts of public authorities apparently illicit; Horizontal accountability, on the other hand, would be the existence of state agencies with the right, legal power, and sufficient autonomy, established and with the ability to carry out actions, ranging from routine supervision and legal sanctions or even impeachment against acts of other agents or state agencies that may be qualified as criminal; with this, the author resumes the issue of the three powers - executive, legislative, and judiciary - and the balance and controls between them, as well as the existence of bodies responsible for monitoring accountability (O'Donnell 1998).

Without contradicting O'Donnell's classification, Abrucio and Loureiro (2005) classify accountability in three forms, emphasizing another way to observe the process of democratic accountability: the electoral process, institutional control during the mandate, and intertemporal rules.

With this, the three aforementioned authors present several instruments that enable the effectiveness of accountability.

Still reinforcing the importance of this theme, Przeworski (1998) considers that for a government to perform well, the bureaucracy needs to be monitored, controlled by elected politicians, and that these must be accountable to citizens; while citizens must be able to know the competencies of each one and apply the appropriate sanction in each case, so that only those governments with satisfactory performance remain in power.

In other words, we need the means and competencies to control, evaluate, inspect, and punish; we also need to institutionalize this process in order for it to be effective.

Considering the context of fiscal sustainability of municipalities, a practical example of accountability, of holding public managers responsible, is the law of fiscal crimes, Law No. 10.028 of October 19, 2000, which amended the Penal Code, adding a chapter on crimes against public finances, listing what these crimes are and the penalties to be applied for those who commit any of the crimes provided.

Both the Fiscal Responsibility Law and the Fiscal Crimes Law contribute to the advancement of the accountability process in our country. However, the violations to the Fiscal Responsibility Law and, mainly, the few examples of the practical application of the punishments foreseen in Law number 10.028 of 2000, mean that these accountability instruments are still very restricted to the formal field and still need to be worked much more in the sense of accountability.

From what was exposed by the authors, one can see that accountability is not restricted to bureaucratic control mechanisms or to aspects of accounting and financial performance, because the main role of public administration is related to the creation and execution of public policies, an aspect that must also be monitored by citizens.

However, although it is not restricted to formal bureaucratic controls, accountability is directly linked to accountability, inspection and rendering of accounts; and thus, it is directly related to Governmental Accounting, since its purpose is to provide its users - public managers, citizens, inspection agencies, legislative power - with information about the patrimonial situation, the results achieved, and the budgetary, financial, and economic situation of public entities.

Oliveira (2018) relates Accounting Applied to the Public Sector (CASP) and accountability by stating that:

> *It is understood that the CASP is indeed a tool capable of collaborating in the development of accountability, but it is not yet capable of promoting the necessary transparency for society, since it is immersed in a complexity that makes it incomprehensible to those who are not part of it on a daily basis. This ranges from a technical and not very intuitive language to the lack of data for important administrative acts, to accounting segregation of similar expenses.*
>
> *[...] The availability of statements and data on the Transparency Portal represented a considerable advance, but the mere availability of data without the possibility of understanding by a broader portion of the population, does not mean transparency in its fullness.*

In other words, the author warns about the need for changes in the CASP, in order to reduce its complexity and make it easier to be understood by all, and not only by technicians or experts on the subject. He also emphasizes, despite the existing limitations, the relevance of Governmental Accounting as a tool for accountability, through the disclosure of data and financial statements.

One realizes that public transparency, although guaranteed by laws such as the LRF and the Access to Information Law, will only be effective when the data made available by the public entity are in fact easily accessible to citizens and in a language that can be understood by any citizen with a reasonable level of education, thus reducing the informational asymmetry between agent and principal.

2.3 Financial Statements and Analysis Techniques

2.3.1 Accounting Statements

Accounting has its best use in explaining the causes and effects of the acts and facts that it records, the analysis of the statements provides subsidies for better assimilation of information, providing means for decision making and for better efficiency of the administration (Andrade 2013).

In this context, accounting applied to the public sector aims to provide its users with information about the equity situation, results achieved, budgetary, financial, and economic situation, in support of the decision-making process, accountability, transparency in fiscal management and provides instruments for social control (Brazil, National Treasury Secretariat, 2018a).

To achieve this purpose, accounting uses the preparation of accounting statements, which are representations of the entity's financial and equity situation and performance. According to the Manual of Accounting Applied to the Public Sector (Brasil, Secretaria do Tesouro Nacional, 2018a), combining the legal provisions brought by Law No. 4,320/1964 and Complementary Law No. 101/2000, and those contained in NBC TSP 11, they compose the set of Accounting Statements Applied to the Public Sector (DCASP):

a. Balance Sheet
b. Statement of Asset Variations
c. Statement of Changes in Shareholders' Equity
d. Cash Flow Statement
e. Budgetary Balance Sheet
f. Financial Statement
g. Explanatory notes, comprising a succinct description of the main accounting policies and other explanatory information; and
h. Comparative information with the previous period.

Law 4,320/1964 states that the year's general results will be shown in the Budgetary Balance Sheet (BO), the Financial Balance Sheet (BF), the Balance Sheet (BP), and the Statement of Changes in Net Worth (DVP).

The Budgetary Balance demonstrates the foreseen revenues and fixed expenses in comparison with the realized and executed ones, allowing the comparison between budgeted and realized values. Its elaboration complies with the law 4320/1964 and the NBC TSP 13 - "Presentation of Budgetary Information in Accounting Statements".

The Financial Statement shows, as required by law 4.320/1964 and in a single table, the budget revenues and expenses, the receipts and payments of an extra-budgetary nature, and the balances in kind from the previous year and those transferred to the following year. The statement presents the revenues and expenses per source of resources, besides showing the values of financial transfers granted and received. The purpose of the BF is to determine the financial result for the year.

The Balance Sheet shows, qualitatively and quantitatively, the net worth of the public entity. The current structure of this statement, contained in the annexes of Law No. 4,320/1964 and amended by STN Ordinance No. 438/2012 is composed of the Main Table; Table of Financial and Permanent Assets and Liabilities; Table of Offsetting Accounts (control); and Table of Financial Surplus / Deficit (Brazil, National Treasury Secretariat, 2018a).

The Statement of Asset Variations shows the verified changes that increase or decrease the entity's equity, resulting or independent of the budget execution, and indicates the equity result of the fiscal year, through the confrontation between the increasing and decreasing equity variations (Brazil, National Treasury Secretariat, 2018a).

Although not originally required by law 4.320/1964 or by the LRF, the Statement of Changes in Net Worth (DMPL) and the Cash Flow Statement (DFC) provide important information for the management of the public entity's resources. The DMPL is mandatory for dependent state-owned companies incorporated as corporations and optional for the other organs and entities of the entities of the Federation, it shows the evolution (increase or decrease) of the entity's net worth during a period, and the DFC presents cash inflows and outflows and classifies them into operational, investment, and financing flows (Brazil, National Treasury Secretariat, 2018a). These two statements were incorporated into law 4.320/1964 in 2009, through Ordinance 749, of the National Treasury Secretariat.

The Explanatory Notes are also part of the set of Accounting Statements Applied to the Public Sector and their disclosure contributes to greater comprehensibility and transparency of public accounts. They are still little used by public entities and, even when used, are almost never applied according to the structure present in the standards. According to the Manual of Accounting Applied to the Public Sector (Brasil, Secretaria do Tesouro Nacional, 2018a), the purpose of the Explanatory Notes is to facilitate the understanding of the financial statements to its various users, encompassing information of any nature required by law, by accounting standards and other relevant information not sufficiently evidenced or that is not included in the statements.

Like the accounting statements, the reports required by the LRF: RREO and RGF, also provide information that contribute to the knowledge of the entity's financial situation and economic performance.

Law 4.320/1964 brought the budget as the main instrument for the control of public finances, a tool that has gained significant importance in Brazil over the years. As a result, the rules related to accounting records and statements, still in force, value the perspective of budgetary concepts, to the detriment of evidencing the equity aspects.

In 2007, aiming at the convergence of Brazilian accounting to international standards, the Federal Accounting Council created the Convergence Management Committee in Brazil. From there, actions were initiated to make the necessary reforms feasible.

In August 2008, the Ministry of Finance issued Ordinance 184, which laid down the guidelines to be observed in the public sector regarding procedures, practices, preparation, and disclosure of financial statements, in order to make them convergent with the International Accounting Standards Applied to the Public Sector. Since then, norms, manuals, implementation schedules, and the establishment of deadlines have been issued. The main change with convergence was the rescue of Patrimonial Accounting, the understanding that the object of governmental accounting is the public patrimony, and not only the control of the budget.

With this, the Accounting Statements and Fiscal Reports of the public sector encompass three aspects: the budgetary aspect, which comprises the registration and evidencing of the public budget, from its approval to its execution; the equity aspect, which comprises the registration and evidencing of the equity composition of the public entity, and the recognition, measurement, and evidencing of the accounting acts and facts; and the fiscal aspect, which comprises the ascertainment and evidencing, through accounting, of the indicators established by the LRF (Brazil, National Treasury Secretariat, 2018a).

From the study of the Accounting Statements of a given entity, one can know the sources of its resources and how they are used in the financing of its activities, how they are allocated and if they are being managed in accordance with what the norms establish, what the cash needs of this entity are and what its ability to meet obligations and commitments is, to know the performance of this entity, among other things. However, not all the necessary information will be available in the accounting statements, making necessary, sometimes, the existence of other reports and sources of information, even non-financial ones, but that help to understand the entity's situation in a more comprehensive way.

It is worth pointing out that this analysis will only be effective and bring good results if the accounting statements are in accordance with the requirements of the accounting standards, including if they have the necessary qualitative characteristics of accounting information, attributes that make the information useful for users and support the fulfillment of its objectives.

The Brazilian Accounting Standard, NBC TSP Conceptual Framework, dated September 23, 2016, lists these qualitative characteristics, which are: relevance, faithful representation, comprehensibility, timeliness, comparability, and verifiability.

Relevance is related to the ability to contribute considerably to the fulfillment of the objectives of the preparation and disclosure of accounting information, for which the information must have confirmatory or predictive value.

Reliable representation is characterized by the representation of the phenomenon in a faithful, complete, neutral, and free of material error manner, as best as possible. It makes no sense and is not beneficial to analyze a statement that does not faithfully show the reality of an entity.

Understandability, as the name implies, refers to the understanding of the information by the users; for this, it must be prepared in simple and accessible language. This is an essential characteristic of Governmental Accounting, as an instrument of accountability.

Timeliness refers to the availability of information in time to be useful to its users and to fulfill its objectives, in time to assist decision making and for accountability and accountability assessment

Comparability is a characteristic that makes it possible to identify correlations between items or phenomena from different periods of the entity or even between different entities.

Finally, verifiability, which is closely related to faithful representation. Verifiable information is able to assure its users that it faithfully represents the phenomena it purports to demonstrate, it is verifiable.

All these characteristics are essential to the quality of accounting information and fundamental to an effective analysis process.

2.3.2 Financial Analysis Techniques

The financial condition of an entity is related to its capacity to fulfill its present obligations, both with its creditors and in the provision of public services, without compromising future resources, besides being able to face fiscal crises, without losing its financial balance.

The financial condition of an entity goes beyond the financial position, because the position is restricted to the financial situation of the government on the date of its financial statements, analyzing aspects of financial and budgetary structure, solvency and liquidity; whereas the financial condition is a broader concept, because in addition to the aspects necessary for the analysis of the financial position, it uses aspects about the economic, geographical and social situation of a locality (Diniz and Lima 2016).

Diniz and Lima (2016) present the following as basic components in assessing financial condition: the community's resource potential and needs; budget solvency; the level of revenue; the level of spending; the debt load; the welfare regime; and cash solvency.

It can be seen then that the analysis of the financial statements, together with the analysis of the fiscal statements provide data related to most of the basic components in the evaluation of the financial condition, described by the aforementioned authors, with the exception of data related to factors external to the organization.

Regarding the preliminary steps to perform a financial analysis, Diniz and Lima (2016, p. 7) clarify that it is necessary:

(i) define the level of analysis
(ii) establish the objectives of the analysis
(iii) determine the time dimension of the analysis
(iv) build a framework or model for analysis
(v) ensure reliable financial information to conduct the analysis; and
(vi) form benchmarks to judge the government's financial condition.

In other words, to carry out governmental financial analyses, it is necessary to elaborate an adequate and previously established methodology.

The analysis of Financial Statements is a technique widely used in the business area, but little applied in the public area. It is very common for public entities to produce statements that are only used for purposes of accountability to external control organs but are rarely used for decision-making purposes or for social control.

Private entities make great use of the managerial artifice of balance sheet analysis to know their financial, asset, and structural situation; in the same way, a careful analysis of the balance sheets and statements of public entities will grant the public administrator criteria for decisions that will allow the real fulfillment of the principles of public administration and will promote a cultural change in the users of public resources (Andrade 2013).

For Andrade (2013), the analysis consists in the examination of each part and the accounting whole, through the application of own or external procedures, seeking explanation for the evolution and involution of results, for the qualitative and quantitative variations and for the nature of the facts, it provides information about the past, present and future situation of the entities.

Thus, a well-done analysis of statements that contain relevant information, reliable representation, understandable, timely, comparable, and verifiable, will strengthen the internal control of public agencies and provide subsidies for better planning and better formation of public policies.

Assaf Neto (2012) points out that the way in which the analysis indicators are used is particular to those who do the analysis, requiring not only technical knowledge, but also the analyst's own experience and intuition; a good analysis also depends on the quality and volume of information available.

One of the techniques used in the statements analysis is the analysis of indexes or quotients, it seeks to relate related elements of the financial statements in order to extract information about the situation of the entities. Andrade (2013) points out that in the area of public accounting it is not possible to structurally define which indexes are most used or interpreted, due exclusively to the lack of dissemination of knowledge, standards, or their use, which is one of the obstacles in the analysis of indexes in public administration.

An example of the use of indexes and quotients for analysis is the one established in Ordinance No. 501, of November 23, 2017, of the Ministry of Finance. The normative presents a classification for analyzing the payment capacity of a federal entity (CAPAG), which is performed by the STN based on indebtedness, current savings, and liquidity indicators, calculated from data from the Accounting and Fiscal Information System of the Brazilian Public Sector (SICONFI). These indicators are derived from the relationship between Consolidated Debt and Net Current Revenue, Current Expenditure and Adjusted Current Revenue, and between available cash and the entity's financial obligations.

This analysis is used to ascertain the fiscal situation of subnational entities that want to contract new loans guaranteed by the Federal Government.

Among other analysis techniques are horizontal and vertical analysis, and comparative financial analysis. The horizontal analysis is the way of demonstrating the budgetary, financial and equity variation present in the legal statements, comparatively and restricted to pre-defined periods; and the vertical analysis seeks to verify the variation of representativity of an account or group of accounts in the overall amount (Andrade 2013).

That is, the horizontal analysis usually uses historical series to make comparisons, an example of which is an analysis of the behavior of public revenue over a period of ten years. In this case, it would be necessary to have the revenue statements for each year and a comparison between them.

Regarding the vertical analysis, which aims to verify the representativeness of one value in relation to another, in the same statement, we have as an example the analysis of the participation of tax revenue in the general revenue amount.

The other technique is the comparative financial analysis, which evaluates the financial condition through comparison bases, which can be standards, legal limits, historical information of the organization itself, reference group, common size method or location quotient. In the case of public entities, one of the most used bases of comparison is the legal limits, which are restrictions established by legal rules to regulate the financial condition of the government, comparing the results achieved by public entities with the legal limits set (Diniz and Lima 2016).

Through these techniques, it is possible to make information clearer and enable the understanding of what is portrayed in reports and statements, they assist in the interpretation of the numbers. Applying financial statement analysis to public statements is a way to democratize access to information made available by the public entity and to promote accountability.

2. 4 Related Studies

Through different methodologies, studies seek to evaluate aspects of fiscal management of public entities, pointing out behaviors, failures, and advances.

Araújo's (2008) dissertation sought to analyze the trajectory of public accounts in the State of Rio de Janeiro focusing on the period between 2000 and 2007, the period after the renegotiation of the states' debts based on Federal Law 9.496/97, the Law of Social Security Responsibility (Federal Law 9.717/98) and the Law of Fiscal Responsibility. The analysis dealt with the results achieved by the governments included in the period, regarding the management of public accounts and the promotion or not of fiscal adjustment, demonstrating the effectiveness of the fiscal and social security responsibility legislation created by the Federal Government.

The study exposed the characteristics of the State of Rio de Janeiro, through indicators and indexes, regarding fiscal and financial results. Indexes were used that contained the relation between net current revenue and other factors, such as expenditure, investments, consolidated debt, personnel expenditure, and budget result.

The author considered that it was expected that governments after the advent of this legal framework, i.e., already subject to the rules of the renegotiation contract, Law 9.717/98 and the LRF, would show greater commitment in promoting adjustment and reducing imbalances in state accounts. However, this was not what was found in the study. The fiscal adjustment promoted by the State Government was based on an increase in extraordinary revenues and a reduction in investments, while current expenditures continued their upward trajectory in real terms, with the exception of 2007 when there was a real reduction in current expenditures. Between 2001 and 2007 investment showed a real reduction of 53% (Araújo 2008).

In view of what was exposed in the study, the author could affirm that the mechanisms for imposing fiscal austerity on the subnational units instituted by the Union between 1997 and 2000 were not sufficiently effective in the sense of equating the fiscal and financial situation of the State of Rio de Janeiro in the research period.

Through the reading of this study, one can see that, despite the federal government's efforts towards the fiscal adjustment of subnational entities, through the creation of the LRF and the other laws cited in the study, not all entities have actually carried out this adjustment, as is the case of the State of Rio de Janeiro. Araújo's (2008) research question becomes very current in this period we are going through, in which not only the subnational entities urgently need fiscal adjustments, but also the federal government.

One can, in fact, question the effectiveness of the LRF, twenty-one years after its edition, in a context in which political issues take precedence over technical and economic ones, of fiscal maneuvers, of non-compliance with legal limits, often covered up by the lack of uniformity in the judgment made by the Audit Courts.

The thesis of Cruz (2015) aimed to investigate the relationship between variables of compliance with fiscal targets and limits and responsible fiscal management, from the perspective of planned action, transparency, and control. To this end, the researcher sought to identify the relationship between planning and responsible fiscal management at the municipal level; to analyze the level of transparency as a pillar of responsible fiscal management; to investigate information related to control that could be associated with responsible fiscal management; to verify indicators related to compliance with fiscal targets and limits required by the LRF that represent variables of responsibility in fiscal management; and to estimate regression models to identify possible relationships between variables related to compliance with fiscal targets and limits and variables representing the dimensions of responsible fiscal management (Cruz 2015).

The study was conducted based on the public finances of 282 Brazilian municipalities with population over 100 thousand inhabitants for the period from 2010 to 2013. To achieve the planned objectives, the author built an original database, as from data collection in primary sources, through the Accounting Data Collection System of the Federation Entities - SISTN which, at the time of the study, was the system responsible for making available declaratory data from the municipalities related to the fiscal reports prepared throughout the budget execution, in the courts of accounts of the States and Municipalities and in the official websites of the municipalities included in the study. From the elaborated database, variables related to the compliance with fiscal targets and limits, to the rigor in revenue and expenditure planning, to the disclosure of fiscal transparency instruments, and to the control exercised by the audit courts were defined and ascertained (Cruz 2015).

After analyzing the data, Cruz (2015) observed that: of the variables related to compliance with limits, few municipalities presented negative margins indicating non-compliance with the legal limits, which made her reflect on the possibility that some limits are quite comfortable, mainly due to the little effort that many entities have to make to comply with them, with the exception of the limit for personnel expenditure. With respect to fiscal targets, nominal and primary results, the author found that the values achieved by municipalities are extremely discrepant from the established targets, which suggested the possibility of poor planning by municipalities; Cruz (2015) also identified that the surveyed municipalities showed a negative average overall commitment of 51% of net cash available with unprocessed accrued liabilities, low accuracy in forecasting capital revenues, and identified that the disclosure of fiscal transparency instruments, by the municipalities, presented an average of 50.4% of the required items.

The analysis of the correlation coefficients and of the parameters of the estimated regression models, carried out by the author, pointed out that the hypotheses initially admitted, of the existence of a significant positive relationship between the fiscal variables of targets and limits compliance and the dimensions of accountability, planned action, transparency, and control, were not fully confirmed. The results found also did not support the hypothesis that the fiscal indicators of compliance with targets and limits are positively related and, pointed out the lack of relationship with the planned action and/or inadequacy of the targets and limits established to the fiscal reality of the municipalities. (Cruz 2015).

At the end of the research, Cruz (2015) concluded that the thesis defended in the paper, referring to the lack of integration between the pillars of responsible fiscal management in large municipalities, was proven through the results of the tests performed, since the fiscal indicators adopted in the research did not show considerable relationships among themselves, besides showing reduced association with the representative variables of the other pillars of fiscal management: planning, transparency, and control.

The work of Cruz (2015) pointed to a need for further in-depth studies of the indicators related to the compliance with targets and fiscal limits, as well as to conduct research that assist in understanding the characteristics of the planned action in the municipalities, through qualitative analysis. From this, it is clear that there is a need for more studies and techniques aimed at evaluating the responsibility in fiscal management, especially studies that evaluate each indicator individually, as well as other qualitative aspects that are not explicit in the indicators, and that from the joint analysis of these evaluations can see the real fiscal situation of the entity as a whole.

Oliveira (2018) proposed to analyze the role of Public Accounting as an instrument to exercise accountability, by applying 41 indicators to the mandatory accounting and fiscal reports, from 2007 to 2014, and submitting them to the judgment of experts. A basket of 14 indicators was defined that should be further analyzed to predict the fiscal crisis that occurred in the state of Rio de Janeiro between 2015 and 2017. The author concluded that the analysis of the indicators pointed out did not demonstrate the expected effectiveness, that their good performance did not clearly indicate that the following years would be challenging not only for the public accounts, but for society as a whole.

As limitations to the development of the research, the author highlighted factors such as: mistakes in accounting classifications, distinction of concepts, absence of some relevant information for analysis in the statements made available, data that is not faithful to the operations performed or the interviewees' own insecurity concerning specific points of the theme or of the interview. These are factors that can also be seen as limitations to this study.

Most of the indicators pointed out during the choice, did not use data extracted from the DCASP, but rather statements that make up the LRF reports, which indicated, for the author, the importance and contribution that the Fiscal Responsibility Law has on public finances. In this research, all indicators related to DCASP will be used, however, it is perceived that the indicators that use data from RREO and RGF (LRF) have a greater managerial character and allow a better analysis regarding the balance of public accounts.

It is noticed, in the mentioned research, that the joint analysis of fiscal and accounting statements of public entities allows the diagnosis of the financial situation of the studied entities, pointing behaviors to be observed by managers to improve public management, which is also expected to be achieved through this research. However, the research of Oliveira (2018) also showed limitations in the use of these techniques due to lack of transparency in some amounts, forms of classifications and extremely technical language in the reports, which may also be a limitation for this study.

3 METHODOLOGY

3.1 Characterization of the spatial distribution of the research

The municipality of São Francisco do Conde is located in the metropolitan region of Salvador, 82.8 km from the state capital, see Figure 1, with the neighboring municipalities Santo Amaro, Candeias, and Madre de Deus. According to data from IBGE (2020), it has an estimated population of 40,245 people and a territorial unit area of 269.715 Km². The economic activity that most contributes to the city's economy is Industry, mainly linked to oil refining. The GDP at current prices of the municipality is R$ 8,862,470,310.00 and the GDP per capita R$ 225,290.31, the tenth largest in Brazil and first in Bahia (IBGE 2018). Diniz and Lima (2016) point out that "studies on the economic capacity of governments often use GDP as a variable of a community's resource potential, because the higher the GDP of a region, the greater the government's ability to obtain tax revenues."

According to the IBGE, in 2018, the average monthly wage of formal workers in São Francisco do Conde was 5.5 minimum wages, however, the proportion of occupied people in relation to the total population was 23.9%. Considering households with monthly incomes of up to half a minimum wage per person, it had 42.5% of the population in these conditions.

The disparity between the Gross Domestic Product of the municipality and the standard of living of the population and development of the city is something that draws attention in São Francisco do Conde. As the municipal revenue of São Francisco do Conde is high, the fixed population of the region ends up depending on the local government for jobs, and the wealth observed in the municipality is not reflected as an indicator of municipal development, much less in the appropriation of income by the resident population, since the municipality has inequalities throughout its territory (Santana 2011).

Regarding the municipal accounts, the municipality is audited by the Bahia State Court of Accounts (Education Maintenance and Development Fund Bahia State Court of Accounts for Municipalities) and had its accounts approved with reservations from 2015 to 2019. Among the recurrent reasons for the approval of the accounts in these years are: the deficit in the budget execution in 2015, indicating an unbalanced public accounts; the personnel expenditure rate; the low collection of the Active Tax Debt; flaws and/or irregularities in bidding procedures and contracts, in disregard of the Federal Law no. 8.666/93 and subsequent changes; cases of incorrect or incomplete data entry into the Integrated Management and Audit System (SIGA); and presentation of Balance Sheets and Accounting Statements containing irregularities.

Regarding the classification of the payment capacity, determined by the National Treasury, which makes a diagnosis of the fiscal health of the entity by assessing the degree of solvency, the relationship between current revenues and expenses and the cash situation, the STN provides a fiscal preview on its website, which is a simulation of the calculation based on data from Siconfi and CAUC, in this preview the municipality of São Francisco do Conde would be with a grade C, only the A or B grades certify that the entity is eligible to obtain guarantees from the Federal Government.

Between the years 2015 and 2019 the municipal manager was Mr. Evandro Santos Almeida, who took over the command of the municipality in 2014, after the death of Mayor Rilza Valentim, in the middle of the term in which he was vice-mayor. Evandro was reelected in 2016, serving the term until the end of the 2020 fiscal year.

The Multi-Year Plans in effect during the research period were the one instituted through municipal Law #321/2013, for the 2014 to 2017 quadrennium, and the one established by Law #489/2017, for the 2018 to 2021 quadrennium.

3.2 Methodology, data collection, and method of analysis

To achieve the objective proposed in this study, it was necessary to analyze, under the equity, budget and fiscal aspects and through public accounts analysis techniques, the performance of the municipal accounts of São Francisco do Conde/BA in the years 2015 to 2019; and compare the requirements of the specific legislation related to public accounting, financial and budgetary administration in Brazil to the results found in the municipal analysis.

Thus, the study in question has a descriptive character and the research approach is qualitative in nature. According to Richardson (2007) the qualitative method seeks to understand the nature of a social phenomenon and does not employ a statistical instrument as the basis of the process of analyzing a problem.

As for the research strategy, it is a case study, and the chosen research object is the municipality of São Francisco do Conde. Yin (2015) defines the case study as an empirical investigation that researches a contemporary phenomenon in depth and in its real-life setting, the understanding usually encompasses important contextual conditions.

The instrument used to conduct the research was the collection of information in documents, using secondary sources. In order to obtain data from the municipality, consultations were made to the Accounting and Fiscal Information System of the Brazilian Public Sector - Siconfi, a tool made available by the National Treasury Secretariat for receiving accounting, financial and fiscal statistics information from municipalities, states, the Federal District and the Union; consultations to the Municipal Official Gazette and to the e-TCM Public Consultation platform, a social control tool made available to citizens by the Bahia State Court of Accounts for Municipalities, as a result of the process of computerization of municipal accounts rendering.

The years of consultation were the years 2015 to 2019. The period for the application of the study was chosen considering the interval of five years as a sufficient period for the interpretation of the horizontal analysis, also taking into consideration the timeliness of the data and considering the beginning of the operation of the e-TCM Public Consultation platform, being the first data available on this platform, the annual accountability of 2015.

The data was systematized and treated using spreadsheets, year by year, to make comparison possible.

The method used to analyze the DCASP was the analysis of indexes or quotients, with the techniques foreseen in Chart 2 - Analysis techniques applied to Accounting Statements. The Budgetary Balance Sheet, the Financial Balance Sheet, the Balance Sheet, and the Statement of Asset variations were analyzed.

Chart 2 - Analysis techniques applied to Accounting Statements

Statement	Analysis Technique	Goal
FINANCIAL STATEMENTS	Immediate Liquidity (LI) = Cash / Current Liabilities	Indicates the financial capacity of the entity to immediately honor its short-term commitments relying only on its available cash
	Current Liquidity (LC) = Current Assets/Current Liabilities	It shows how much the entity will be able to dispose in short term resources to pay its current debts
	Dry Liquidity (LS) = (Cash + Short Term Receivables)/Current Liabilities	It shows how much the entity will be able to dispose of current resources, without considering its non-cash items, to meet its short-term obligations
	General Liquidity (LG) = (Current Assets + Long-Term Assets) / (Current Liabilities + Non-Current Liabilities)	It measures the entity's ability to honor all its liabilities, relying, for this, on its resources realizable in the short and long term.
	Solvency Ratio (SI) = (Current Assets + Non-Current Assets) / (Current Liabilities + Non-Current Liabilities)	Checks solvency, which is the condition to face its obligations and present a patrimonial situation that guarantees its survival in the future
	General Indebtedness (EG) = (Current Liabilities + Non-Current Liabilities) / Total Assets	It shows the degree of indebtedness of the entity. It also reflects its capital structure
	Debt Composition (EC) = Current Liabilities / (Current Liabilities + Non-Current Liabilities)	Represents the short-term portion of the total debt composition

STATEMENT OF CHANGES IN EQUITY	Quotient of the Results of Asset variations = Total Increase in Asset variations/Total Decrease in Asset variations	It shows the equity result (equity surplus or deficit).
FINANCIAL BALANCE	Budgetary Financial Result Quotient = Budgetary Result (Budgetary Revenue - Budgetary Expenditure) / Change in Balance in Kind	Indicates the portion of the variation of the available balance that can be explained by the budget result
	Quotient of the Financial Balances Result = Balance Carrying Forward to the Following Year / Balance of the Previous Year	Indicates the impact of the financial result on the cash balance
BUDGET BALANCE	Budget Balance Quotient = Initial Revenue Forecast/ Initial Expenditure Allocation	Indicates if there is balance between the forecast and fixation in the LOA
	Revenue Execution Quotient = Revenue Realized/ Updated Revenue Forecast	It indicates the existence of an excess or shortage of revenue to cover expenses.
	Revenue Performance Quotient = Revenue Realized/Initial Revenue Forecast	Indicates the existence of excess or shortage in tax collection for the management of fiscal indicators.
	Quotient of Financial Surplus Utilization = Additional Credits Opened through financial surplus / total financial surplus calculated in the previous year	Indicates the portion of the financial surplus used to open additional credits.
	Expense Execution Quotient = Expense Executed/Updated Appropriation	It shows a possible inefficiency in the planning-execution process or a saving in budget expenditure.
	The Budgetary Result Quotient = Revenue Realized / Expenditure Committed	Indicates the existence of a surplus or deficit.
	The Quotient of the Current Budget Execution = Current Revenue Realized/Current Expenditure Commitment.	Indicates whether current revenue supported current expenses or whether it was necessary to use capital revenue to finance current expenses.
	Actual Financial Quotient of Budget Execution = Revenue Realized / Expenditure Paid	Indicates how much the budget revenue collected represents in relation to the budget expenditure paid

Source: Adapted from Brasil, Secretaria do Tesouro Nacional (2012).

Another quotient used in the Balance Sheet analysis, together with data from the Budget Balance Sheet, was the Financial Surplus Representativeness, found by dividing the financial surplus (financial assets-financial liabilities) by total expenses (settled expenses were considered, which represent obligations that make up the liabilities of the public entity). The financial surplus provides the measure of the fall or growth of the entity's internal resources, the greater the share of the surplus in revenues and expenses, the better the entity's financial situation. Thus, Bowman and Calia (1997, p. 4 apud Diniz and Lima 2016, p. 451) classify the result of this indicator in the following conditions:

1 - result of less than 10%: the government has low cash solvency
2 - result with at least 10% and less than 25%: the government has adequate cash solvency
3 - result greater than 25% and less than 50%: the government has substantial cash solvency
4 - result greater than 50%: the government has high cash solvency.

In addition to these quotients, the technique of horizontal analysis and preparation of graphs, suggested by Slomski (2013) was also used for interpretation and monitoring of the evolution of the data present in the annexes of the accounting statements and statements arising from the Fiscal Responsibility Law - RREO of the sixth bimester and RGF of the third quarter, for the years 2015 to 2019. The parameters for the analysis of these statements were listed in Table 3. Vertical analysis and comparative financial analysis were also used, considering the basis of comparison of legal limits.

The annexes of the RREO and RGF analyzed were: Budgetary Balance Sheet, Statement of Expenditure Execution by Function/ Subfunction, Statement of Net Current Revenue, Statement of Pension Revenue and Expenditure of the RPPS, Statement of Primary and Nominal Results, Statement of Outstanding Payables by Power and Body, Statement of Revenue from Credit Operations and Capital Expenditures, Statement of Actuarial Projection of the RPPS, Statement of Revenue from Asset Disposal and Application of Resources, Statement of Personnel Expenses, Statement of Consolidated Debt, Statement of Credit Operations, Statement of Cash Availability, and Statement of Outstanding Payables.

Table 3 - Parameters for analysis of the RREO and RGF annexes

Statement	What you want to evaluate
Budgetary Balance Sheet	The execution of Revenue per species and the execution of Expenditure per nature of expenditure. It is intended to show the budget result and other aspects of the behavior of budget revenue and expenditure.
Expenditure Execution Statement by Function/Subfunction	The evolution of the expenses incurred by the entity in the period, presenting them in terms of functional classification, which are aggregated into several areas of public sector activity, in the legislative, executive, and judicial spheres, highlighting the most significant in amounts spent.

Net Current Revenue Statement (RCL)	The main purpose of the RCL is to serve as a parameter for the amount of the contingency reserve and for the limits of total expenditure with personnel, net consolidated debt, credit operations, debt service, credit operations by anticipation of budget revenue and guarantees of the entity of the Federation. It is intended to evaluate the evolution of the RCL confronting it with the growth of the IGPM and the GDP, in addition to verifying the financial dependence of the public entity and tax effort.
Statement of RPPS Social Security Revenues and Expenses	The evolution of Revenues and Contributions from Servers in relation to Social Security Expenses, seeking to show Social Security deficits or surpluses and the Social Security Result.
Statement of Primary and Nominal Results	Compliance with the fiscal targets, comparing the results achieved with those predicted in the Annex of Fiscal Targets, and ascertain whether there was a fiscal effort in the sense of reducing the net consolidated debt or if, in fact, the result increased the debt stock.
Statement of Outstanding Payables by Branch and Body	The evolution of the Outstanding Debts by Branch and Body in the period of analysis.
Statement of Revenues from Credit Operations and Capital Expenditures	The evolution of Revenue from Credit Operations and Net Capital Expenditure to show compliance with the Golden Rule in the period under review.
RPPS Actuarial Projection Statement	If the allocated resources are sufficient to guarantee the payment of the benefits foreseen by the plan, in order to dimension the fiscal impact on the entity of the need to finance the welfare policy and to verify possible future actuarial unbalance.
Statement of Revenue from the Sale of Assets and Application of Funds	The evolution of the resources obtained from the alienation of assets, and their destination, with a view to preserving the public patrimony.
Personnel Expenses Statement	The evolution of the Total Net Personnel Expenditure and the percentages on the RCL, verifying compliance with the limits in the period under analysis.
Consolidated Net Debt Statement (DCL)	To verify the evolution of the DCL comparing it with the indebtedness limit dealt with in the legislation. Compare the evolution of the debt stock with the evolution of the Primary Result.
Statement of Credit Operations	Analyze the evolution of the Credit Operations carried out and the compliance with the limits for contracting Credit Operations and ARO in the analyzed period.
Statement of Cash Availability and Outstanding Payables	Verify compliance with art. 42 of the LRF, which is done by comparing the contracted obligations with the existing cash availability.

Source: Adapted from MDF (Brazil, National Treasury Secretariat 2020) and Slomski (2013).

The evolution of the indicators present in the content of the annexes themselves and some of the indicators used by the National Treasury, in the Financial Report of the Subnational Entities were also taken into account: the relationship between revenues from credit operations and net current revenue, the relationship between consolidated debt and the RCL, the relationship between personnel expenses and net current revenue, the relationship between consolidated debt and net current revenue, and own/total revenue collection.

In addition, macroeconomic indicators such as IGPM and Gross Domestic Product were collected, so that they could be used as a reference of the macroeconomic context of Brazil in the same period and to verify possible relationships with the results found in the accounting indicators, at the municipal level.

When necessary, for further analysis and complementary information, in addition to the described accounting statements and fiscal statements, other statements present in the municipality's annual accountability were used.

4 RESULTS AND DISCUSSION

This chapter will present the results of the analyses performed on the Accounting Statements and Fiscal Statements of the municipality of São Francisco do Conde, for the period between 2015 and 2019.

4.1 Financial Statements

This section presents the results of the analysis of the Accounting Statements Applied to the Public Sector, prepared by the municipality of São Francisco do Conde. It is divided into subsections 4.1.1, 4.1.2, 4.1.3 and 4.1.4, which refer, respectively, to the analysis of the Balance Sheet, the Statement of Asset Variations, the Financial Statement, and the Budgetary Balance Sheet.

4.1.1 Balance sheet

The quotient analysis technique was used to analyze this statement, which qualitatively and quantitatively shows the net worth of the public entity, and the results are shown in Table 1.

Table 1 - Ratio analysis - Balance Sheet - São Francisco do Conde/BA

Quotient	2015	2016	2017	2018	2019	Average
Immediate Liquidity (LI)	2,39	1,57	1,45	1,64	1,75	1,76
Current Liquidity (LC)	2,47	1,7	1,73	1,76	1,89	1,91
Dry Liquidity (LS)	2,39	1,67	1,68	1,69	1,82	1,85
General Liquidity (LG)	0,27	0,56	0,66	0,72	0,38	0,52
Solvency Ratio (SI)	0,62	1,21	1,41	1,47	1,02	1,15
General Indebtedness (EG)	1,6	0,83	0,71	0,68	0,98	0,96
Debt Composition (EC)	0,05	0,13	0,16	0,2	0,17	0,14

Source: Prepared by the author, 2021.

Immediate Liquidity indicates the entity's financial capacity to immediately honor its short-term commitments relying only on its cash and cash equivalents, the resources available in cash and banks. In 2015, for every R$1.00 of short-term commitments, there was R$2.39 of available funds in the municipality. Over the years, this ratio decreased, but increased again in 2018, leading to an average for the analyzed period of 1.76.

Current Liquidity and Dry Liquidity, which consider, respectively, short-term resources and short-term resources with the exception of non-monetary items, behaved similarly to immediate liquidity, leading to a period average of 1.91 for LI and 1.85 for LS. In other words, for each R$1.00 of short-term commitments (current liabilities), there were R$1.91 of short-term resources (Current Assets) and 1.85 of short-term resources with the exception of non-monetary items (Cash and Short-Term Assets and Credits).

However, some considerations need to be made with regard to the cash and cash equivalents present in the Balance Sheet, with respect to the calculation of Immediate Liquidity:

a) By consulting the Statement of the General Ledger Accounts of the Municipality and the Municipal Social Security Institute (IPM), as well as the Balance Sheet of the Special Social Security System (RPPS), one notices that the financial investments of the RPPS were recorded in the government securities account (1.1.1.1.1.50.01) in 2015 and in the Savings account (1.1.1.1.1.50.02) from 2016 to 2019. However, according to the actuarial revaluations of the RPPS, available in e-TCM, the entity's investment portfolio has a huge distribution in investment funds, whose profitability parameter are AMBIMA sub-indices - Brazilian Association of Financial and Capital Market Entities; therefore, this type of investment should be classified in the accounts of Investments and Short-Term Temporary Investments of the Chart of Accounts, specifically in the breakdowns of account 1.1.4.1.1.09.00 where the investments in fixed income of the RPPS should be recorded;

b) If the investments of the RPPS were classified in the appropriate accounts, they would not count as availability of the entity (cash and cash equivalents), which would interfere in the immediate liquidity, since in 2019, for example, the investments of the IPM (R$ 93,101,367.43) corresponded to 74.24% of the available funds of the entity (R$ 125,398,207.50), while the Current Liabilities of the IPM only corresponded to 0.045% of the Current Liabilities of the entity. That is, ignoring the values of the RPPS investments, the immediate liquidity would be 0.45 in 2019 (R$ 32,296,840.07/ R$ 71,735,358.71), which indicates that the entity would not have the financial capacity to immediately honor its short-term commitments.

It should be noted that social security resources are bound resources and can only be used for payment of social security benefits and with the budgetary expenses necessary for the operation of the RPPS management unit, thus, the use of social security resources for other purposes is forbidden (Brazil, National Treasury Secretariat, 2018b).

Thus, removing the values of the RPPS investments from the calculation of the LI, it turns out that for each R$ 1.00 of short-term commitments, the entity had only R$ 0.45 of available funds to pay.

The Current Liquidity and Dry Liquidity indexes, which do not consider only available funds, would remain with the same positive result. However, it is prudent to remember that RPPS resources are tied to the evaluation. In fact, Diniz and Lima (2016), when defining a list of indicators for balance sheet analysis, in calculating current liquidity and dry liquidity ratios, recommend subtracting the amounts of RPPS investments from total Current Assets.

This means that the resources realizable in the short and long term, in the municipality, would not be sufficient to honor all its liabilities, since they also include the non-current liabilities, which includes most of the founded debt and the actuarial liabilities.

One notices a considerable drop in the LG from 2018 to 2019. Based on the explanatory notes, the main reason for this was the update of the adjustment for losses of tax and non-tax credits in the amount of R$ 139,338,997.24.

In the calculation of the General Liquidity, we can also notice the influence of the RPPS values in the entity's data, because when we consider the value of the non-current liabilities in the liquidity indexes, liabilities that include the actuarial mathematical provision, the liquidity drops considerably in relation to the others, because in this case we don't include only the IPM investments in the calculation, but also the pension plan actuarial liabilities.

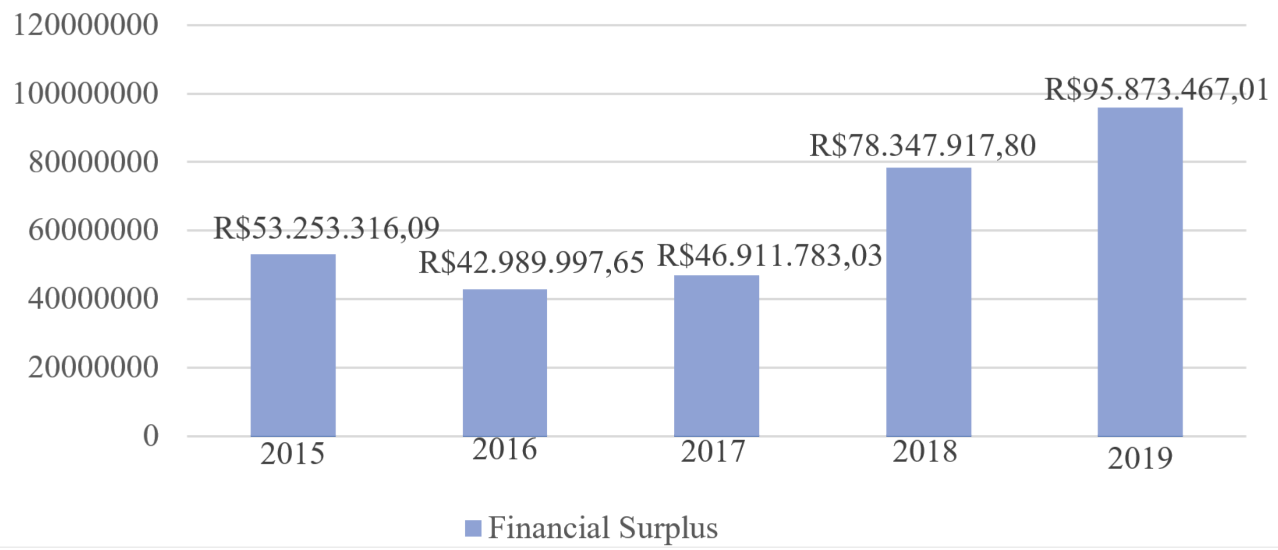
In the analysis of the solvency index, the entity's situation improves, since we consider in the sum of the assets the value of Fixed Assets, which corresponded, in 2019, to 91.69% of the Noncurrent Assets. Thus, considering the total Assets and Liabilities, the entity had good results as of 2016, always above 1, which led to an average of 1.15 in the period and that characterizes the entity as solvent.

The General Indebtedness index, which considers total liabilities in relation to total assets, was decreasing from 2015 to 2018, when it increased to 0.98 in 2019, also as a result of the decrease in long-term receivables, due to the updating of the adjustment for losses of tax and non-tax credits, leading to an average EG of 0.96, which means that in the period for every R$1.00 of total assets, R$0.96 was committed to liabilities.

Regarding the Debt Composition, an average of 0.14 was found, which corresponds to the short-term portion on the total debt composition, which is good for the entity because most of its debts are long-term. Diniz and Lima (2016) point out that, in these cases, attention must be paid to the administration of the liquidity policy, observing the volume of long-term obligations that will be converted into short-term in the next fiscal years.

Still analyzing the Balance Sheet, we can see the following results regarding the Financial Surplus/Deficit:

Figure 1 – Graphic representation of the Financial Surplus - São Francisco do Conde - 2015 to 2019



Source: Prepared by the author, 2021.

It can be seen, based on the totals of the sources of funds, that in all years the municipality closed the fiscal years with financial surpluses.

With respect to the representativeness of the financial surplus, the entity reached in the years 2015 to 2019, respectively, the following results: 11.57%, 8.96%, 9.47%, 15.37% and 18.66%, an average of 12.81% in the period, which, according to the studies of Bowman and Calia (1997, p. 4 apud Diniz and Lima 2016, p. 451) indicates that the municipality has adequate cash solvency.

However, when we observe the Financial Surplus/Deficit Table in each Balance Sheet, we realize that the positive results were largely due to the financial resources of the "Contribution to the RPPS" Source of Funds. In 2015, the surplus of this source represented 37.89% of the total surplus, in 2016 it represented 65.18%, in 2019 it represented 98.54% and in 2017 and 2018 the source of "Contribution to the RPPS" represented, respectively, 105.33% and 102.22% of the Total Surplus, that is, they had sources of resources with financial deficits in those years, which means that in those years financial obligations were contracted, in certain sources of resources, without there being sufficient cash availability to pay them.

It is worth remembering that the sole paragraph of article 8 of the LRF establishes that "the resources legally bound to a specific purpose will be used exclusively to meet the object of its binding, even if in a fiscal year different from that in which the inflow occurs. In this text, the legislator makes it clear that a bound source cannot compensate for the deficit of another source of resources.

Diniz and Lima (2016) emphasize that it is essential for the public entity to maintain a favorable financial position, presenting surpluses or financial balance, to avoid indebtedness, since fiscal deficits absorb surpluses from previous years and can generate permanent deficits.

4.1.2 Statement of Changes in Financial Position

The Demonstration of Asset Variation indicates the equity result for the fiscal year, through the confrontation between the increasing and decreasing equity variations. For the public sector, the DVP demonstrates the variations in public assets, but does not necessarily represent the performance of the entity, because it is not the objective of the public entity to obtain profits or increase its assets, but to provide quality public services, while maintaining balanced public accounts.

Thus, Table 2 shows the quotient of the result of equity variations and the equity result in the studied period.

Table 2 - Asset Result Analysis - DVP - São Francisco do Conde/BA

Item Analyzed	2015	2016	2017	2018	2019
Equity Result Quotient	0,97	1,36	1,03	1,03	0,87
Consolidated Equity Results	-23.501.948,03	306.486.931,25	25.932.147,57	31.648.102,05	-135.761.315,43

Source: Prepared by the author, 2021.

The quotient of the equity result is found through the ratio between the increase in equity (APV) and decrease in equity (PDV), and the equity result is the difference between the APV and the PDV.

In the period studied, it can be seen that there was a decrease in the municipality's assets in the years 2015 and 2019. In the years 2017 and 2018 there was a small increase and in 2016 a considerable increase in assets, which led to an average of 1.05 in the ratio between APV and VPD, showing a timid increase in assets in the years in question.

In all years, the main increase variation was the transfers received from the States and the Union, while the APV corresponding to tax revenues, which derive from own collection, represented only 4.25% to 8.87% of the total APV from 2015 to 2019, demonstrating that the equity increases in São Francisco do Conde are strongly linked to the receipt of resources from other entities of the federation.

However, considering that the municipality includes in the DVP the intra-budgetary operations, going against the logic of the account plan applied to the public sector, the expense that most contributes to the reduction of the municipality's assets is the expense with personnel and social charges.

4.1.3 Financial Statement

In the analysis of the São Francisco do Conde Financial Statements, which show the budget revenues and expenses, the extra-budgetary receipts and payments, and the balances in kind from the previous year and those transferred to the following year, each year, it was possible to make the observations listed below.

In the year 2015 there was an increase in investments with acquisition of fixed assets, but a more considerable increase in long-term obligations; budgeted expenses were greater than budgeted revenues and the change in cash balance was negative, showing poor financial performance.

In 2016 there was also an increase in investments with fixed asset acquisitions, but a more significant increase in short and long-term obligations; budgeted expenses were greater than budgeted revenues and the change in cash balance was negative, demonstrating, as in the previous year, poor financial performance.

As of 2017, the municipality's financial performance began to improve: budgeted revenues were greater than budgeted expenses, there was an increase in the cash balance, an increase in the acquisition of inventories and fixed assets, and a decrease in debt. The good performance also extended to 2018 and 2019, except for the increase in liabilities that occurred in those years.

The budget quotient of the financial result indicates the portion of the variation of the available balance that can be explained by the budget result, the years in which there was more influence of the budget result on the financial result were the years 2016 and 2019, as presented in Table 3.

Table 3 - Financial Result Analysis - BF - São Francisco do Conde/BA

Item Analyzed	2015	2016	2017	2018	2019
Budgetary quotient of the Financial Result	0,18	2,98	0,62	0,82	1,04
Consolidated Financial Result	-7.221.682,36	-5.502.906,87	7.069.177,15	36.906.153,90	11.042.647,14
Financial Result RPPS	11.856.321,39	7.801.908,58	21.448.563,74	30.618.314,27	14.367.497,30

Source: Prepared by the author, 2021.

Diniz and Lima (2016) clarify that a positive financial result does not necessarily mean good management of current revenues and expenses, because this cash surplus can result from indebtedness, just as a cash deficit can result from a reduction in debt.

The municipality's financial result improved throughout the years analyzed, becoming positive as of 2017, denoting a certain financial balance. However, it is worth noting in Table 3 that both in 2017 and 2019, the financial result of the Municipal Social Security Institute was higher than the consolidated one, showing that, in these years, it was the applied values of the RPPS that were responsible for the positive result.

According to the Statement of Net Consolidated Debt, in the period analyzed there was an increase in debt in the years 2015, 2016 and 2019 and a decrease in the amount in 2017 and 2018, which indicates that the negative financial results, present in the 2015 and 2016 Financial Statements, were not due to a reduction in debt, and the positive results, in the 2017 and 2018 BFs, were not due to an increase in debt.

4.1.4 Budgetary Balance - DCASP and annex 1 of RREO

The Budgetary Balance of the municipality of São Francisco do Conde showed the comparison between the budgeted values of revenues and expenses and the values executed in each year researched. By applying the quotient analysis to this statement, we found the results shown in Table 4.

The Budget Balance Quotient indicates whether there is balance between the forecast and fixing in the LOA, a balance that could be seen in all years in the municipality. There was only a difference between the forecast of revenues and expenses in 2019, even so, with higher revenues, which occurred because of R$ 3,455,700.00 of resources from vetoes in the expenditure.

The Revenue Execution Quotient indicates the existence of excess or lack of revenue to cover expenses. In all the years analyzed, revenue collection was higher than the forecasted revenue, with the exception of 2019, when the revenue realized reached 94% of the forecast.

Table 4 - Quotient Analysis - Budget Balance Sheet - São Francisco do Conde/BA

Quotient	2015	2016	2017	2018	2019	Average
Budget Balance Quotient	1	1	1	1	1,01	1,00
Revenue Execution Quotient	1,03	1,06	1,28	1,11	0,94	1,08
Revenue Performance Quotient	1,03	1,06	1,28	1,11	0,94	1,08
Financial Surplus Utilization Quotient	0,53	0,51	0,18	0,2	0,07	0,30
Expenditure Execution Quotient	0,96	0,98	0,96	0,95	0,91	0,95
Budgetary Result Quotient	0,99	0,97	1,01	1,06	1,02	1,01
Current Budget Execution Quotient	1,06	1,01	1,06	1,10	1,13	1,07
Actual Financial Quotient of Budget Execution	1,03	1,01	1,06	1,10	1,06	1,05

Source: Prepared by the author, 2021.

As there was no change in the values of the initial revenue forecast and updated forecast columns, the Revenue Performance Quotient was equal to the Revenue Execution Quotient. In 2017, the revenue collection was 21.86% (111,270,391.57) higher than expected, and its forecast was different from the values forecasted and executed in previous years, which shows poor budget planning in the year in question.

The Financial Surplus Utilization Quotient indicates the portion of the financial surplus determined in the previous year's Balance Sheet, used for opening additional credits. In the period studied, the municipality used an average of 30% of the financial surplus to open additional credits, which we can understand as a reasonable percentage, considering that in all years the respective LOA authorized the opening of credit arising from financial surplus up to the 100% limit.

Something interesting about the use of the financial surplus to open additional credits is that after its use the BO will show a situation of imbalance between the updated forecast of revenue and the updated appropriation, this occurs because the financial surplus from previous years, when used as a source of funds for opening additional credits, cannot be shown as part of the budget revenue of the Budget Balance that integrates the calculation of the budget result, because these amounts have already been recorded as revenues in previous years (Brazil, National Treasury Secretariat, 2018a).

We can see this situation of apparent unbalance in the municipality's Budget Balances, which can be clarified by adding the values of the "Total" line and the "Previous Year's Balance" line present in the "Updated Forecast" column of the Revenue and confronting the result found with the "Total" line of the "Updated Appropriation" column.

The Expenditure Execution Quotient shows a possible inefficiency in the planning-execution process or an economy of budget expenditure. The average of this quotient in the years 2015 to 2019 was 0.95, i.e., almost 100% of the updated appropriation was executed, which can be understood as a small economy of expenditure, since a large part of these unused balances make up the budgetary reserve of the RPPS. In other words, in the period in question, there was conformity between the estimated budget expenditure and the amounts executed.

The Budget Result Quotient indicates the existence of a budget surplus or deficit. In all years analyzed, only in 2015 and 2016 the quotient indicated that the expenditure committed exceeded the revenue realized showing a deficit; however, the difference between revenue and expenditure did not reach 1% in 2015 and not 5% in 2016, moreover, in the following years and in the average of the years the results show a balanced budget in the municipality with the revenue realized greater than the expenditure committed, even if the difference between revenue and expenditure is not very large.

Diniz and Lima (2016), point out that this equilibrium position cannot be understood as a comfortable situation, since the ability to generate savings is reduced and the growth between revenues and expenses becomes proportional, which can represent a risk in a crisis scenario because there would be little flexibility to maintain a balanced budget and the manager would have to reduce spending or increase taxes.

The municipality also had a good result in the calculation of the Current Budget Execution Quotient, which indicates whether current revenue supported current expenses or whether it was necessary to use capital revenue to finance current expenses, a practice that is not recommended. In all the years researched, São Francisco do Conde's current revenue was sufficient to pay current expenses.

The last ratio analyzed in the BO, the Budget Execution Actual Financial Ratio, indicates how much the collected budget revenue represents in relation to the budget expenditure paid. On average, for every R$ 1.00 of expenses paid, there was R$ 1.05 of revenue collected.

The Budgetary Balance, besides being an accounting statement, is one of the annexes that make up the Summarized Report of the Budget Execution. In addition to the information found through the quotient analysis, we can obtain several others by looking at the information in this annex.

Comparing the values of the "Investments" line of the budget expenses with the total committed of the "Subtotal with Refinancing" line, we can see the reduced application in investments in the municipality, which in the studied period reached the maximum of 5.5% of the expense in 2017 and reached the minimum of 1.44% in 2019.

We can also observe that the nature of expenditure that had the most impact on the total expenditure was spending on 'personnel and social charges' and the lowest spending was on 'debt amortization' in 2015 and 2016 and on 'interest and debt charges' from 2017 to 2019.

The collection that had the biggest impact on the total revenues, in all years, was the intergovernmental transfers, which refers to the amounts received from the Union and the State by the municipality.

In relation to budget alterations, when comparing the initial appropriation with the updated appropriation, during the period studied, we found an average increase of the initial forecast of 12.69%. It is worth drawing attention to the year 2017, when the municipality updated the appropriation by 31.97% of the initial value, demonstrating in this year a deficient budget planning.

Another important point to be taken into consideration is the comparison between the municipality's own revenues, here considered the tax, property, contribution, service, industrial and agricultural (except for intra-budgetary expenses), and the executed expense with personnel and social charges (except for intra-budgetary expenses). The expenses with personnel, in the period studied represent 394.84% of the municipal own revenue, an average of 362.73%, which demonstrates the dependence on the receipt of intergovernmental transfers to pay an expense, which may even reduce, but will never cease to exist and is essential for the operation of the public machine; this dependence leaves the municipality at the mercy of the economic and political situation of the other federative entities.

4.2 Budget Execution Summary Report

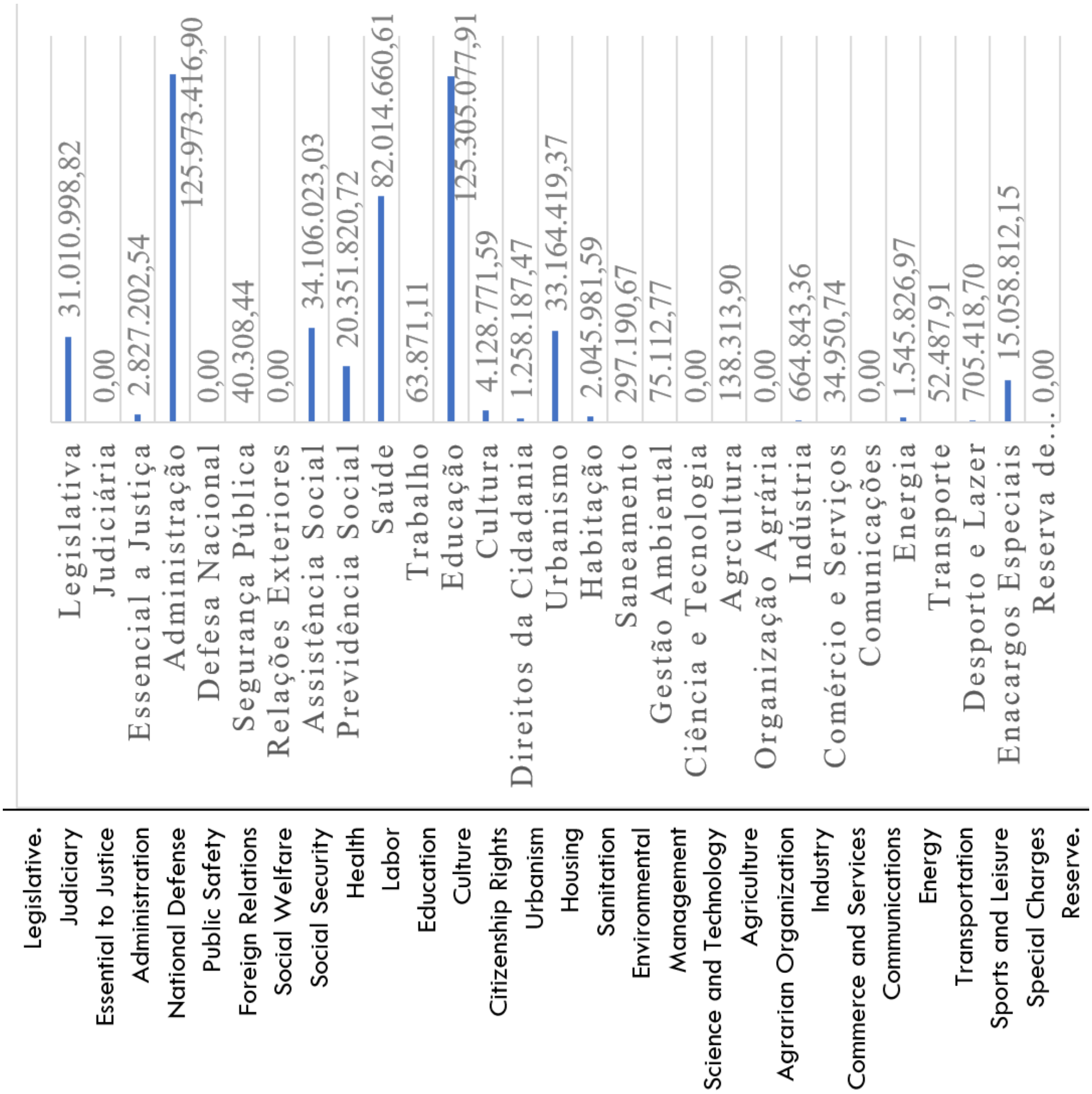
This section will present the results of the analysis of the RREO annexes, prepared by the municipality of São Francisco do Conde. The analysis of each annex will be presented in a subsection.

4.2.1 Expenditure Execution Statement by Function/Subfunction

In the analysis of this statement, it was possible to observe the expenses made by the public entity per functional classification, observing how much the municipality of São Francisco do Conde invested in each major area of activity.

The chart below, Figure 2, was elaborated in order to improve the visualization of the information in this statement and considering the average of the amounts applied (committed expenses) by the municipality of São Francisco do Conde in each area of action, between the years 2015 and 2019.

Figure 2 – Graphical representation of average expenses by Function - São Francisco do Conde - 2015 to 2019



Source: Prepared by the author, 2021.

It can be observed that the Administration function, directly related to the functioning of the public machine and personnel expenses, received the most resources in these years, an average of R$ 125,973,416.90, followed by the Education and Health functions, with an average investment of R$ 125,305,077.91 and R$ 82,014,660.61, respectively. It is worth noting that within each function in the statement there are also “administration” sub-functions.

With regard to the areas of activity that received the least resources in these years, with the exception of those that did not receive any, are the functions of Commerce and services, Transportation, and Public Safety.

4.2.2 Net Current Revenue Statement

One of the techniques suggested for analyzing the RCL is the comparison of the values obtained in the periods studied with the variation of the Gross Domestic Product and the General Market Price Index - IGP-M, as these serve as macroeconomic indicators. The GDP corresponds to the sum of the values of goods and services produced in the country in a given period and the IGP-M registers the price variations in the market, to measure inflation. In this comparison, we obtained the results presented in Table 5.

Table 5 – Comparison of the variation of the RCL, GDP and IGP-M

Item	2015	2016	2017	2018	2019
GDP Variation	-3,5	-3,3	1,3	1,3	1,1
Accumulated IGP-M	10,54	7,17	-0,52	7,54	7,3
Variation of the RCL	7,65%	0,78%	1,96%	7,48%	-1,17%

Source: Prepared by the author (2021), based on IBGE (2019) and Indices & Indicators (2021) data.

The data in the table show that the municipality’s net revenue did not behave in the same way as the macroeconomic indicators. Already in 2016, when there was again a retraction in GDP, the percentage of growth of the RCL decreased greatly, but it remained positive. In 2019, the behavior of the RCL also differed from the macroeconomic indicator, although the GDP decreased in relation to the previous year, it grew, but the municipality’s revenue retracted.

Regarding the IGP-M, only in 2015 and in 2018 it had a behavior similar to the municipality’s revenue, but it should be noted that the items that are taken into account in the calculation of the index do not have a very great relationship with the formation of São Francisco do Conde’s revenues, which are predominantly from transfers and the main one is the ICMS, which is largely due to the production of the Landulpho Alves refinery.

From the analysis of the statement of Net Current Revenue, considering the average of tax revenue, transfer revenue and total current revenue, in the years 2015 to 2019, it can be seen that the average tax revenue (R$ 54,361,283.97) corresponded only to 9.61% of the average of the total current revenue (R$ 563,925,578.84) in these years, while the average transfer revenue (R$ 489,228,964.52) corresponded to 86.78% of this total.

Article 11 of the LRF states that "The institution, forecast, and effective collection of all taxes within the constitutional competence of the entity of the Federation are essential requirements of responsible fiscal management." However, it can be seen that the municipality has a low fiscal effort to collect the taxes under its competence and a strong dependence on intergovernmental transfers. An example of this low fiscal effort can be seen by analyzing the Statement of Tax and Non-Tax Active Debt of the municipality in 2019, it is noted that of the total balance of the active debt (R$ 151,292,575.84), the municipality collected only 0.33% (R$ 502,064.02) in the year in question, besides considering a large part of the total debt as estimated losses.

Another point to be observed refers to the Fundeb. In the operation of the fund, regarding the transfer of resources, the entities can find themselves in two positions: transferor and recipient. As transferor, the entities contribute to the fund, which in the case of municipalities is 20% of certain transfer revenues, and as recipient, they register the revenue from the fund, which is calculated according to the number of students enrolled in basic education. In the case of São Francisco do Conde, the municipality transferred, in these 5 years, R$ 417,783,773.80, but only received R$ 139,518,382.75, which corresponds to only 33.39% of the amount sent.

From the analysis of the revenues that make up the RCL we can also see the link between the revenues of São Francisco do Conde and the existence of the Landulpho Alves oil refinery in the municipality. Of the average Net Current Revenue, from 2015 to 2019, 4.39% were from resources from transfers of Royalties and Special Petroleum Fund and 69.42% from the transfer of the ICMS share.

The calculation of the ICMS transfer quota is based on the Municipalities Participation Index, and it is the State Accounting Court that calculates how much each municipality should receive based on economic activity, area, and population.

According to a report by Valéria (2019), from G1, the refinery is responsible for 82% of the ICMS received by São Francisco do Conde. This refinery had its sale to the Mubadala holding company approved by the Board of Directors of Petrobras on March 24, 2021, a sale that brings a lot of uncertainty to the municipality and the City Hall employees.

Feijó (2020) talks about four types of equilibrium in public finances: budgetary, fiscal, intertemporal and intergenerational. These last two are directly linked to the entities that are dependent on revenues from the exploitation of natural resources, such as oil royalties.

The intertemporal balance refers to the non-use of finite revenues to finance continued expenses, and the intergenerational balance should seek that a generation does not harm the next generation, give guarantees to future generations of the benefits generated by the exploitation of natural resources, even when these are exhausted (Feijó 2020). In the municipality of São Francisco do Conde, one notices not only the lack of concern about saving a portion of these resources for future generations, but also the total dependence on revenues related to the exploitation of non-renewable resources by the current generation.

Another concern in relation to municipal revenues is the possible approval of a Tax Reform, since the proposals for amendment to the Constitution, under discussion, converge in relation to the replacement of taxes on goods and services by a single value-added tax. Considering that almost 70% of São Francisco do Conde's tax collection derives from the ICMS share, the municipality would have a considerable reduction in its revenues, since the change seeks to reduce inequality in tax collection among the municipalities and, therefore, the cities with refineries, such as Barueri and Paulínea in São Paulo, and São Francisco do Conde in Bahia, would suffer the most losses (Serodio 2020).

4.2.3 Social Security Income and Expenses Statement

This statement must contain information about the forecast and execution of social security receipts and expenses and the transfers received to cover financial and actuarial deficits.

The statement identifies the total social security revenues, including the intra-budgetary ones, and represents the sum of current and capital revenues, by their net values, however, in 2018, the values of the employer contributions (intra-budgetary) were not evidenced in the statement of the municipality of São Francisco do Conde, thus, to show the reality of the municipality in a reliable way, the values present in the "General Revenue Summary", document available in the e-TCM public consultation, were added in the analysis for the addition of the value.

Table 6 – Social Security Result - São Francisco do Conde

Item	2015	2016	2017	2018	2019
Social Security Revenue	24.098.686,93	20.692.321,81	36.293.197,91	50.249.165,76	43.841.925,36
Social Security Expenses	14.395.474,48	16.588.202,11	18.613.356,51	21.991.487,16	30.407.880,97
Social Security Result	9.703.212,45	4.104.119,70	17.679.841,40	28.257.678,60	13.434.044,39

Source: Prepared by the author (2021).

In the sum of the values in the years researched, the revenues from employer contributions represented 70.91% of the total social security revenues, and the revenues from insured worker contributions, only 29.09%.

Between 2015 and 2019 there were fluctuations in the amount of revenue with a decrease in 2016, an increase in 2017 and 2018, and again a decrease in 2019. The average revenue for the years was R$35,035,059.55. In the year 2016 a public contest was held in the municipality, so the new hires in 2017 were responsible for the 75.39% increase in pension revenue, with respect to the previous year.

Pension expenses, at an average of R$20,399,280.25 per year, have been increasing with each passing fiscal year, especially from 2018 to 2019, with an increase of 38.27%, with respect to the previous year.

The comparison between the social security revenues and expenses, described in Table 6, generated a positive result in all the years analyzed, an average of R$14,635,779.31. The positive result is due to the revenues from employer contributions, since the revenues from insured worker contributions only represented an average of 43.59%.

In these 5 years, the municipality did not make any contributions to amortize the actuarial deficit.

4.2.4 Statement of Primary and Nominal Results

The follow-up of the primary and nominal results allows managers to monitor whether the revenues collected will allow them to meet the fiscal targets and, if not, to take timely measures, such as limiting commitments and financial transactions.

In São Francisco do Conde, in the researched period, primary revenues were increasing in all years except 2019, leading to an average increase of 3.26% in the period. Regarding the execution of primary expenses, they were increasing until 2017, when they began to fall until 2019, generating an average increase of 0.6% in primary expenses from 2015 to 2019.

This behavior of primary revenues and expenses was responsible for the results shown in Table 7.

Table 7 – Primary Result Target X Primary Result

Item	2015	2016	2017	2018	2019
LDO Goal	4.163.500,00	-5.446.925,00	-2.175.224,00	-13.750.211,64	11.118.496,56
Primary Result	-5.386.817,52	-20.256.313,38	-8.434.378,42	37.193.997,35	17.657.419,99
Difference between goal and result	-9.550.317,52	-14.809.388,38	-6.259.154,42	50.944.208,99	6.538.923,43
Percent of Difference	-229,38%	-271,89%	-287,75%	370,50%	58,81%

Source: Prepared by the author (2021)

From the data in Table 7, it can be seen that the entity showed a negative primary result in the first three years studied, i.e., the data indicated that there was no fiscal effort, on the part of the entity, aimed at reducing the public debt stock. In 2018 and 2019 there was a significant improvement in the results, contributing to an average primary result of R$ 4,154,781.60 in the period in question.

Something important to consider in the analysis of this result is that, until 2017, the committed expenses were considered to calculate the primary result, but in 2018 and 2019 only the cash outflows were considered, the expenses actually paid, which may have led to an improvement in the results.

With respect to the primary result target set in the LDO, it is noted a poor planning by the entity, with a difference of up to 370.50% between the forecast and the realized. The only year that the municipality did not have such a discrepant asymmetry was in 2019, but even then, the difference was more than 50% of the forecast, demonstrating the absence of a link between planning, preparation and execution of the budget.

With regard to the Nominal Result, until fiscal year 2017, it was calculated by the difference between the net fiscal debt balance on December 31 of a given year in relation to that calculated in the same period of the previous year. As of fiscal year 2018, the nominal result target started to be stipulated and monitored by the above-the-line methodology, adding the interest account to the primary result.

Another change in the methodology is that until 2018, in the calculation of the nominal result by the net debt variation, the calculation was based on the value of the current year minus the previous year, so the negative result meant a decrease in debt and the positive result meant an increase in debt. As of 2018, the situation was reversed and the calculation was based on the net debt of the previous year minus the current year's value, so a positive result means a decrease in debt and a negative result means an increase in debt.

In Table 8 is the comparison between the nominal result targets and the results found.

Table 8 – Nominal Result Target X Nominal Result

Item	2015	2016	2017	2018	2019
LDO Goal	902.300,00	3.735.438,00	5.519.348,00	25.354.401,78	644.556,03
Result below the line (excluding cash and PR from RPPS in 2018 and 2019)	55.447.048,54	72.471.059,04	-12.286.788,84	17.495.060,58	-37.158.667,82
Result above the line	-	-	-	42.940.222,27	15.455.706,44
Difference between goal and result	54.544.748,54	68.735.621,04	-17.806.136,84	17.585.820,49	14.811.150,41
Percent of Difference	6045,08%	1840,10%	-322,61%	69,36%	2297,88%

Source: Prepared by the author (2021)

It is worth informing that in the preparation of the table, in order to show data that reflect the reality and harmonization of the values found between the years, it was necessary to adjust some values present in the statement of 2018 and 2019, since, from 2015 to 2017, the statement of the nominal result contained a table of the Social Security Net Fiscal Debt, this table contained the values of the actuarial liability, of the financial assets and cash availability, as well as the variation of the net fiscal debt of the RPPS; however, as of fiscal year 2018, the STN changed the format of the statement and started to guide that the actuarial liability, although it impacts the economic and financial situation of the entity, would not be included in the concept of consolidated debt.

The MDF (Brazil, Secretaria do Tesouro Nacional 2020) guides that the cash availabilities of the RPPS should not be included as gross cash availability of the entity, since the debts and assets of the RPPS are not considered in the calculation of the Net Consolidated Debt. However, the municipality of São Francisco do Conde, in the years 2018 and 2019, considered the cash availability and the RPPS's processed Remainders in the calculation, distorting the values of the statement. In this analysis, based on the data from the Balance Sheet of the Municipal Social Security Institute and on the list of processed debts of the entity, taken from e-TCM, the RPPS values were excluded from the amount of gross cash availability and processed debts, for better analysis.

Regarding the results, one notices an increase in net debt in the years 2015, 2016 and 2019, although in 2019, by the above-the-line methodology the nominal result was positive, not evidencing the new debt enrollments that occurred in the fiscal year.

In 2017 and 2018, the entity posted a positive nominal result, as well as a decrease in net debt.

With respect to the planning of the goals, we notice the same thing that was demonstrated by Cruz (2015) in his research in large municipalities, the values achieved by the municipality in all years, with the exception of 2018, are extremely different from the established goals, suggesting imperfection in planning on the part of the municipality.

4.2.5 Statement of Outstanding Debts by Branch and Agency

The Statement of Outstanding Debt by Branch and Body shows the execution of the outstanding debt, demonstrating the amounts registered, paid, canceled, and the balances of processed and unprocessed debt. Table 9 shows the balance of unpaid debts in each year of the studied period.

From the analysis of the statement of the municipality of São Francisco do Conde it can be seen that, over the years studied, there was an oscillation in the number of rests payable, alternating between increases and decreases. Comparing the initial and final period, the processed remains increased by 101.9% leading to an amount of R$9,819,315.60 in 2019; and the unprocessed remains decreased by only 6.31%, with a balance of R$23,291.61 in 2019.

Table 9 – Balance of Processed and Unprocessed Outstanding Payables - 2015 to 2019

Balance of Payable Remainder	2015	2016	2017	2018	2019
Liabilities Processados	4.868.615,04	2.351.209,09	2.678.010,10	12.651.137,70	9.819.315,60
Unprocessed remainders	24.861,29	207.446,29	22.312,49	151.171,09	23.291,61

Source: Prepared by the author (2021).

It is worth pointing out that the fact that a remainder is processed, having passed through the expense liquidation stage, indicates that the creditor already has the net and certain right to receive the amount that is owed to him, and it is not good management practice to accumulate these obligations.

4.2.6 Statement of Revenues from Credit Operations and Capital Expenditures

The Federal Constitution prohibits the realization of credit operations that exceed the amount of capital expenditures, except for a few exceptions. The municipality's Statement of Revenues from Credit Operations and Capital Expenditures evidenced compliance with this rule, as shown in Table 10.

Table 10 – Compliance with the Golden Rule - São Francisco do Conde

Item	2015	2016	2017	2018	2019
Revenue from Credit Operations	-	-	13.480.485,79	6.083.460,63	623.269,59
Capital Expenditure	27.548.758,69	20.707.506,52	34.586.669,97	33.067.639,64	19.314.640,16

Source: Prepared by the author (2021).

The municipality of São Francisco do Conde with the Golden Rule, the amounts of capital expenditures were always more than double the capital revenues, demonstrating compliance with the constitutional provision and that the municipality is not borrowing to finance current expenses.

4.2.7 Pension Plan Actuarial Projection Statement

This statement projected, for the municipality of São Francisco do Conde, the social security revenues and expenses, the social security result, and the financial balance for the year over a period of seventy-five years.

Article 69 of the LRF determines that the entity of the Federation that maintains or comes to institute its own social security system for its public servants will give it a contributive character and will organize it based on accounting and actuarial norms that preserve its financial and actuarial balance.

According to the last actuarial evaluation performed within the research period, the municipality would start to have a negative social security result as of 2046, i.e., as of that year, its revenues would start to be lower than its expenses. The financial balance would be closed in 2063, since the municipality would be accumulating negative results since 2046, and this balance would be consumed. The municipality's pension revenues would end in 2064, but until 2092 (the last year of the projection) there would still be expenses, with no financial resources to cover these expenses since 2063.

The municipality's statement evidenced, from these data, an actuarial imbalance in the future and the need not only for holding public contests, but also for the entity to make transfers to the RPPS, the need to finance its own welfare system.

4.2.8 Statement of Revenue from Asset Disposal and Application of Funds

Article 44 of the LRF prohibits the "application of capital revenue derived from the disposal of assets and rights that make up the public patrimony to finance current expenses, unless destined by law to the social security systems, general and public servants' own". According to the statements published by São Francisco do Conde, from 2015 to 2019, there was only revenue from the disposal of assets in 2015 and 2018, and in none of the years was any expenditure made with this source of funds to pay for capital or current expenses of the social security system.

It can be seen in Table 11 that even if there is no record of legally allowed expenses, the line "Financial Balance to Apply", which indicates the balance that can be applied in capital or current expenses of the welfare policies, does not vary only when revenues are realized, but it decreases every year even if there is no record of capital or current expenses of the RPPS, showing either inconsistency in the preparation of the statement or the use of resources for another purpose.

Table 11 – Income from disposal of assets and application of funds - São Francisco do Conde

Item	Revenue with disposal of assets	Application of the resources in capital or current expenditures of the welfare policy	Financial balance to apply
2015	225.411,01	-	338.202,09
2016	-	-	319.002,09
2017	-	-	188.355,10
2018	336.750,00	-	517.332,77
2019	2.603,78	-	2.603,78

Source: Prepared by the author (2021).

It was not possible to verify the reason for the decrease in the financial balance of these resources because none of the reports available in Siconfi and e-TCM showed the execution of the expenditure by nature of expenditure and source of funds.

The RREO also includes the Statement of Public-Private Partnerships, the Statement of Revenues and Expenditures on Education Maintenance and Development, and the Statement of Revenues and Expenditures on Public Health Care. The last two follow up on compliance with the constitutional minimums for investment in Education and Health.

Although these statements are not directly linked to the balance of municipal accounts, it is worth mentioning that in all the years researched the municipality met the minimum investments in Health and Education, even exceeding these minimums considerably.

As for the Statement of Public-Private Partnerships, the municipality did not undertake this type of partnership in the period in question.

4.3 Fiscal Management Report

This section will present the results of the analysis of the RGF appendices, prepared by the municipality of São Francisco do Conde. The analysis of each annex will be presented in a subsection.

4.3.1 Personnel Expenses Statement

This annex showed the values of the municipality's personnel expenditure, executed in the last twelve months, in each year, the percentage of total personnel expenditure in relation to the net current revenue, and the compliance with the limit established in the Fiscal Responsibility Law.

In the years researched, the municipality had an average personnel expenditure of 53.95% of the RCL, i.e., on average São Francisco do Conde was within the limit established in the LRF, however, looking at each year individually, in Table 12, one can observe the increase in personnel expenditure every year and the non-compliance with the limit in the years 2018 and 2019.

Table 12 – Personnel Expenditure Limit

Item	2015	2016	2017	2018	2019
Personnel Expenditure	219.666.975,45	242.203.916,16	249.035.736,95	277.011.280,31	283.838.048,93
RCL	450.612.375,85	454.139.140,65	463.039.641,21	497.689.990,76	491.885.553,90
Personnel Expenditures / RCL	48,75%	53,33%	53,78%	55,66%	57,70%

Source: Prepared by the author (2021)

In all years the municipality exceeded at least one of the limits established in the LRF: either the prudential limit of 51.30%, or the alert limit of 48.60%, or the de facto limit of 54%, which was exceeded in the last two years surveyed.

In this situation, the municipality would need, in 2020, to eliminate the surplus percentage in the two following quarters or would be subject to a ban on receiving voluntary transfers; obtaining direct or indirect guarantees from another entity; and contracting credit operations, except those intended to refinance or pay the securities debt and those aimed at reducing personnel expenses. However, in 2020, due to the national public calamity, the Complementary Law no. 173 of 2020 suspended the deadlines for returning to the limit while the calamity situation persists. Soon after, in January 2021, the Complementary Law no. 178 determined that the power or agency whose total personnel expenses at the end of 2021 are above its respective limit, must eliminate the excess at the rate of at least 10% every year starting in 2023, in order to fit within the respective limit until the end of the fiscal year 2032.

Although the reappointment terms are suspended, it is clear that there is a need for improvement in the management of the municipality's expenses, since the commitment of almost 60% of the revenue for personnel payments is a hindrance to the implementation of various public policies that cannot be carried out due to lack of resources; besides presenting a risk, since this expense greatly exceeds the municipality's own revenue, which depends on the receipt of intergovernmental transfers to maintain it.

4.3.2 Statement of Consolidated Net Debt - DCL

Annex 2 of the municipality's RGF showed the composition of the consolidated debt, the net consolidated debt, and compliance with the debt limits, which for municipal entities is 1.2 times the RCL, that is, up to 120% of the net current revenue.

To analyze the São Francisco do Conde statement, it was necessary to take into account what the MDF (Brasil, Secretaria do Tesouro Nacional 2020, p. 576) says about gross cash availability in annex 2: "The cash availability of the RPPS should not be included in this item, since the debts and assets of the RPPS are not considered in the calculation of the DCL." However, in the years 2018 and 2019, the municipality considered both the cash availability and the RPPS's processed remainders, distorting the values of the statement. In this analysis, based on the data from IPM's Balance Sheet and the list of processed liabilities and consolidated ledger of the entity, taken from e-TCM, it was necessary to exclude the RPPS values from the composition of the consolidated debt.

Another conflict perceived and adjusted in the analysis, was the value of the 2016 gross debt, which in the 2016 report presented one value and in the 2017 report, in the column "previous year" presented another. It was necessary to consult the 2016 Statement of Funded Debt, available in the e-TCM public consultation, to confirm that the statement that presented the correct debt balance in 2016, was that of 2017, in the previous year's balance column.

In the period analyzed there was an increase in net consolidated debt in the years 2015, 2016 and 2019 and a decrease in the amount in 2017 and 2018, leading to an increase of 48.54% (R$86,707,540.07) from the end of 2015 to the end of 2019, as shown in Table 13.

Table 13 – Compliance with the DCL limit - São Francisco do Conde

Item	2015	2016	2017	2018	2019
DCL (with adjustments)	178.619.669,49	251.090.728,53	238.803.939,69	225.009.818,60	265.327.209,56
RCL	450.612.375,85	454.139.140,65	463.039.641,21	497.689.990,76	491.885.553,90
DCL/ RCL	39,64%	55,29%	51,57%	45,21%	53,94%

Source: Prepared by the author (2021)

In 2019 debt enrollments were greater than repayments, which also happened in 2015 and 2016. The municipality's primary result was also negative in 2015 and 2016.

Already in 2017, despite the negative result, there was a decrease in net debt, which can be explained by the fact that in that year, to calculate the primary result, it was still considered the expenditure committed and not paid, so despite the result committed to the commitment, the financial balance counted as a deduction from the gross debt; already in 2019, despite the positive result, there was an increase in debt, since the debt entries were greater than the amortizations and the primary result.

The annex shows that the municipality's debt is almost entirely made up of installments and renegotiations of social security contributions.

As for compliance with the limit, which is 120% of the net current revenue, the entity did not come close in any of the years surveyed, having reached the maximum in 2016, when indebtedness corresponded to 55.29% of the net current revenue. Here, it is worth mentioning the reflection of Cruz (2015) on the possibility that some limits are quite comfortable, especially due to the little effort that many entities have to make to comply with them.

4.3.3 Statement of Credit Operations

The Federal Senate established the limit of the number of operations that for municipalities is 16% of the Gross Revenue in each fiscal year. Debt installment plans and operations for restructuring and re-composition of debt principal are not considered for calculating the limits of Credit Operations (PB). Table 14 shows how the municipality of São Francisco do Conde complies with this legal limit.

Table 14 - Compliance with the Credit Operations limit - São Francisco do Conde

Item	2015	2016	2017	2018	2019
OP	-	-	-	6.083.460,63	623.269,59
RCL	450.612.375,85	454.139.140,65	463.039.641,21	497.689.990,76	491.885.553,90
OP/RCL	0,00%	0,00%	0,00%	1,22%	0,13%

Source: Prepared by the author (2021)

Thus, according to the data in the statement, the municipality did not approach the limit in any of the years, having carried out credit operations for limit purposes only in 2018 and 2019, which did not reach 1.5% of the RCL in both years.

4.3.4 Statement of Cash Availability and Outstanding Debts

The municipality's Statement of Cash Availability and Outstanding Debts showed, for all the years researched, the entity's gross cash availability, financial obligations (which the municipality considered as outstanding debts and refundable amounts), and net cash availability, enabling the verification of the amount available for purposes of entering outstanding debts and compliance with article 42 of the LRF.

From the analysis of the statements in the researched period, considering the amount, in all years the cash availability was sufficient to cover the obligations; however, when we look at the statement by linkage of resources, in all years there is insufficient cash in relation to ordinary resources, showing a poor management of cash flows by the municipality.

It is important to remember that the sole paragraph of art. 8 of the Law of Fiscal Responsibility establishes that the "resources legally linked to a specific purpose will be used exclusively to meet the object of its linkage, even if in a fiscal year different from that in which the inflow occurred. In other words, the commitment and the available funds must be evaluated by source of funds and not by the amount

The RGF also includes the Statement of Guarantees and Counter-guarantees of Values, but the municipality's data are zeroed in this statement, because it has neither granted guarantees nor received counter-guarantees in the years researched.

Diniz and Lima (2016, p. 79) point out that in the analysis of financial condition one must also consider the implicit and explicit financial obligations, the implicit ones refer to the "changes in resources and service flows that cannot be revealed explicitly in the cash flow or in the administrative contracts", for example, a public entity that has cash reserves and good financial position in a community whose social needs are not met, may show a bad financial condition, but this condition could not be observed considering only the explicit obligations (Diniz and Lima 2016). If we were to take into account the implicit obligations of São Francisco do Conde, considering the poverty of the population and the inequalities present in the municipality, we could state that its financial condition would be even more worrisome than only what is portrayed by the accounting and fiscal statements.

From the analysis of municipal accounts, it was possible to observe similarities between the results found in this research, for the municipality of São Francisco do Conde and the panorama of Brazilian municipalities in 2018, published by FIRJAN. The FIRJAN index pointed out that 73.9% of the municipalities were evaluated with difficult or critical fiscal management, 34.78% were not able to generate locally enough resources to meet the expenses of the administrative structure of the City Hall and City Council, i.e., they did not have financial autonomy; 50% of the municipalities spend more than half of the budget with personnel; more than half have difficulty paying suppliers; 21% ended the year without enough cash resources to cover expenses postponed to the following year; and almost half of the country had critical level of investment (FIRJAN 2019). All these characteristics were also found in the analysis of the municipality studied.

According to FIRJAN (2019) the solution for improving the fiscal situation of municipalities needs to include structural reforms and the realization of penalties for fiscal irresponsibility practices, in addition to the need to discuss the Brazilian federative structure, including measures related to the distribution of resources, budgetary rigidity, and administrative organization.

In relation to the non-compliance with the legal limits, it can be seen, from what was exposed, that the municipality failed in relation to the compliance with article 42, in the analysis per source of resources, and failed in relation to the maximum personnel expenditure limit.

Regarding the sanctions to the public entity, disregarding the exceptions brought about by the situation of public calamity, which caused the deadlines for the reconduction to the personnel limit to be suspended, disregarding the exceptions brought about by the recent approval of Complementary Law no. 178 of 2021, which establishes a Plan for the Promotion of Fiscal Balance, and considering, then, only the provisions of the LRF, the municipality would be forbidden to grant advantage, increase, adjustment, or adjustment of compensation to public servants, to create a position, job or function, to alter the career structure in such a way that would increase expenses, to admit or hire personnel and to hire overtime. If the municipality did not achieve the reduction of personnel expenses within the established deadline, according to Article 23 of the LRF, it would be prohibited to receive voluntary transfers; obtain direct or indirect guarantees from another entity; and to contract credit operations, with some reservations.

It is worth noting the importance of preventing the growth of spending on personnel above the legal limits, since spending on personnel is one of the main items of expenditure of public entities in our country and its lack of control can have serious consequences for public administration, compromising the implementation of public policies and spending on the cost of the machine, debt service or public investments, given the insufficiency of resources (Dias 2009).

It is worth noting that the reservations in the approval of the municipal accounts by the Court of Auditors of the Municipalities of the State of Bahia, related to the budgetary, financial and equity aspects, were due to the deficit in the budget execution in 2015 and 2016, the low collection of the active debt in all the years studied, by the noncompliance with some rules introduced to Public Accounting by the MCASP (Brasil, Secretaria do Tesouro Nacional, 2018a), by nonconformities noted in the budget execution, by the inconsistency in the preparation of the 2017 budget and by the realization of personnel expenses above the limit defined in the LRF, thus evidencing the practice of horizontal accountability and its importance.

The choice of the municipality in which the study was conducted was based on the fact that the STN chose the municipality of São Francisco do Conde to be a pilot municipality in the process of convergence of public accounting to international accounting rules, as a favorable scenario for good management and good performance of public accounts. However, although the municipality has occupied a good position in the Ranking of the quality of accounting and fiscal information in Siconfi, published by the STN in 2020, occupying the twentieth position at the state level and the 598th position at the national level, the quality of accounting information factor was not decisive for the good management of public accounts, in the case in question, because it can be seen that although the municipality stands out with respect to accounting practices, it needs to make better use of this information in fiscal, patrimonial and budgetary management.

5 CONCLUSION

From the analysis performed, to obtain answers as to the performance of the finances of the municipality of São Francisco do Conde in the years 2015 to 2019, it is possible to notice the existence of a balance of assets in the short term, but a tendency of imbalances in the long term, with an increase in obligations and the presence of financial availability, mostly tied to specific purposes. From the analysis of the equity variations, it was possible to observe that in the average of the years studied there was an increase in equity, although very small.

The financial surplus of the Balance Sheet showed sources with insufficient cash, as well as the annex 5 of the RGF showed insufficient cash in the sources of ordinary resources to cover expenses with rests payable and other financial obligations, which indicates a financial imbalance in municipal accounts.

The fiscal statements also showed the practice of accumulating accrued liabilities, which is seen as a bad management practice when it compromises future administrations with past obligations.

In the analysis of the Financial Balance Sheet, it was possible to see the influence of the financial availabilities of the RPPS in the achievement of the positive result of the municipality; without this influence, 2018 would be the only year with a positive financial result in the period studied.

The items related to the budgetary aspects were those in which the municipality obtained the best results, demonstrating balanced budgets, both in the forecast and execution of revenues and expenses, in almost all of the years analyzed. However, even with revenues exceeding the committed expenses in almost every year, the difference between revenues and expenses was not very big, requiring an alert, by the management, regarding the maintenance of the budget balance and the risks of being constantly in a position of balance.

From the analysis of the execution of revenues and expenses, it is possible to observe the scarce application of the municipality's resources in investments, with almost all the resources going to current expenses. The low collection of the municipality's own revenues and the almost zero collection of the active debt are also observed, demonstrating a low fiscal effort and high dependence on intergovernmental transfers, which, associated with high personnel expenses, leaves the municipality exposed to the economic and political conjuncture of the other federal entities.

One can also observe the high dependence on revenues related to the exploitation of finite natural resources, and the existence of intertemporal and intergenerational imbalance, since there is no concern in saving a portion of these resources for future generations, as the total dependence on revenues related to the exploitation of non-renewable resources, by the current generation.

With regard to social security, São Francisco do Conde showed a positive social security result in all the years researched, but actuarial unbalance is expected in the future, which requires management action to cover the actuarial deficit.

Regarding the primary and nominal results, there was a variation in the results throughout the analyzed years, but in the last years the results were positive. The methodology below the line showed an increase in the debt stock in most of the years researched.

In the analysis of annex 6 of the RREO it was also possible to observe discrepancies between the values of the nominal and primary result targets set in the LDO and the realized values, showing the inability of the municipal management in planning the targets.

Still with respect to fiscal aspects, the municipality complied with the Golden Rule from 2015 to 2019, avoiding borrowing to pay current expenses. The municipality has also complied with the net consolidated debt limits, although there has been an increase in indebtedness during the period. With respect to personnel expenditure limits, the municipality has not complied with these limits and has committed a large part of its revenues to personnel expenditure, requiring management efforts to bring it back within the limits for this expenditure.

The analysis identified in São Francisco do Conde a satisfactory budget management, but which can be improved; a balanced asset management, but with the need for action in the present to avoid future imbalances, and a poor fiscal management, with the existence of insufficient cash in certain sources of funds, accumulation of obligations, low fiscal effort and lack of control over municipal revenues, with unpredictability in the future and high dependence on other entities, showing a worrisome picture regarding fiscal sustainability.

For future research, now that the Accounting Balances Matrix exists, which is a structure for the disclosure of primary and detailed information on the accounting of the federal entities, it is recommended that these statements be built from primary data, which provide greater verifiability, comparability, and reliability in the information produced, since one of the limitations of this study was the need to make adjustments to the data in some statements, which were not prepared in accordance with the existing rules, distorting some results.

It is also suggested that an additional template be developed for these reports so that public entities can publish the accounting statements and fiscal statements in a way that is more understandable to the population, so that they can understand the accounting and fiscal data without using analysis techniques.

It is also recommended a deeper study of the quotient analysis indexes applied to public entities, since they have different purposes than private entities, which requires a different interpretation of the results, considering the reality and the goals of public organizations.

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