

## Chapter 3

### Audit planning and implementation

*This chapter analyses the planning and implementation of Brazil’s Federal Court of Accounts (Tribunal de Contas da União, or TCU) audit of the consolidated year-end government report: the Accounts of the President of the Republic (Contas do Presidente da República, or CPR). The chapter addresses: i) the responsibility for oversight and co-ordination of audit planning and implementation; ii) the general process and timetable for audit planning and implementation; iii) the practices that exist to ensure high-quality audit work, conducted in an efficient and effective manner; and iv) the policies that exist to ensure that audit work is conducted in accordance with professional and ethical standards. The analysis is framed by the International Standards of Supreme Audit Institutions (ISSAI), specifically the “Field Standards in Government Auditing” (ISSAI 300) and “General Standards in Government Auditing and Standards with Ethical Significance” (ISSAI 200).*

## Introduction

This chapter analyses planning and implementation arrangements for the external audit of Brazil’s consolidated year-end government report by the Federal Court of Accounts (*Tribunal de Contas da União*, or TCU). The analysis is framed by *International Standards of Supreme Audit Institutions* (ISSAI), specifically the “Field Standards in Government Auditing” and “General Standards in Government Auditing and Standards with Ethical Significance”. “Field Standards in Government Auditing” (ISSAI 300) establishes a general framework for guiding purposeful, systematic and balanced steps in audit planning and implementation. The standard emphasises the role of *i*) planning to support efficient and effective audit work; *ii*) proper supervision and documentation of audit work in the interest of quality control; *iii*) understanding the reliability of internal control within audited entities; *iv*) designing tests to provide reasonable evidence for audit main findings (INTOSAI, 2001a).

“General Standards in Government Auditing and Standards with Ethical Significance” (ISSAI 200) establish the general policies and procedures for supreme audit institutions (SAIs) to adopt in order to ensure that auditors are qualified to carry out their tasks in an effective manner and in line with professional and ethical standards (INTOSAI, 2001b).

In analysing planning and implementation for the TCU audit of Brazil’s consolidated year-end government report – the Accounts of the President of the Republic of Brazil (*Contas do Presidente da República*, or CPR) – this chapter addresses the following questions:

- Who is responsible for oversight and co-ordination of audit planning and implementation?
- What is the general process and timetable for audit planning and implementation?
- What practices exist to ensure high-quality audit work, conducted in an efficient and effective manner?
- What policies exist to ensure audit work is conducted in accordance with professional and ethical standards?

The chapter does not go into detail regarding the content of the CPR or the objectives or structure of TCU audit reporting; those matters are discussed in Chapters 1 and 2 of this peer review.

The TCU has taken a number of actions to enhance the planning and implementation of its audit of the CPR in order to support of high-quality, purposeful audit main findings. Beginning with the audit of the FY 2009 CPR, the TCU has engaged more of its secretariats of external control (i.e. audit units) to leverage their knowledge of government entities and programmes, and improve the quality of audit work. The audit of the FY 2011 CPR saw the introduction of an audit matrix as a tool to support planning, and the more systematic definition of audit questions and identification of supporting information needs. The TCU is also taking steps to enhance its financial audit capabilities in line with *INTOSAI (International Organisation of Supreme Audit Institutions) Financial Audit Guidelines* (ISSAI 1 000-2 999) and good practices – with early steps already having a positive impact on the audit of the FY 2011 CPR. Actions specific to the

audit of the CPR are supported by ongoing TCU moves to enhance its human resource management practices, introduce a competency management framework and promote high standards of conduct among its officials.

The TCU could consider a number of actions to enhance planning, implementation and quality control for its audit of the CPR. In the short term the TCU could further develop its audit matrix, incorporating an explicit link between its audit questions and audit objectives for the CPR, as defined in its Internal Rules. The matrix could incorporate information on the subject matter and audit criteria to structure the collection of competent, relevant and reasonable audit evidence supporting the auditor’s judgement and main findings. Augmenting the matrix with information on qualifications from the audit of the previous years’ CPRs and other deficiencies in internal control could help to determine the scope of the necessary audit tests. Information on these deficiencies need not only be limited to other TCU control and oversight processes, but consideration could also be given to the work by internal audit, to extent it may be used. In the medium-term, the TCU could ensure that actions under way to enhance financial audit capabilities are sustained, recognising these capabilities in its newly-established competency framework and committing to periodic review of its audit manuals and practices.

### Oversight and co-ordination

The TCU Plenary, made up of all nine ministers of Brazil’s SAI, is responsible for the audit of the CPR. Plenary decisions related to this audit – in particular, the definition of the audit’s annual priorities and guidelines and the approval of the audit’s main findings – are based on the individual votes of the ministers and overseen by the TCU Prosecutor General.

The Plenary delegates responsibility for oversight of the planning and implementation of this audit to a single minister, the rapporteur, based on a principle of rotation. There is a random draw from the names of TCU ministers who have yet to serve this role for the audit of the CPR. In practice this means a TCU minister will only be rapporteur of the audit of the CPR one or two times during their tenure (Table 3.1). The responsibility for the audit of the CPR is, however, only one of many held by the rapporteur. In addition to the audit of the CPR, the rapporteur will continue to oversee control and oversight processes in their regular portfolio (*liste*) containing approximately half a dozen groups of public sector entities, each group containing as many as 2 000 public sector entities.

**Table 3.1. Responsibility for oversight and co-ordination of the Brazilian Federal Court of Accounts’ audit of the Accounts of the President of the Republic**

Audited fiscal year	Rapporteur (i.e. designated minister) (responsible for oversight)	Secretary for Government Macro-Evaluation, (responsible for co-ordination)
2012	Minister Jose Jorge de Vasconcelos Lima	
2011	Minister José Múcio Monteiro Filho	Marcelo Barros Gomes
2010	Minister Aroldo Cedraz de Oliveira	
2009	Minister Raimundo Carreiro Silva	
2008	Minister João Augusto Ribeiro Nardes	Maurico de Albuquerque Wanderley
2007	Minister Benjamin Zymler	
2006	Minister Ubiratan Aguiar	Marcelo Luiz Souza da Eira
2005	Minister Valmir Campelo	
2004	Minister Benjamin Zymler	
2003	Minister Guilherme Palmeira	
2002	Minister Ubiratan Aguiar	Paulo Roberto Pinheiro Dias Pereira
2001	Minister Walton Alencar Rodrigues	

Although the rapporteur responsible for the overseeing and co-ordinating the audit of the CPR changes every year, the TCU does not consider there to be any real discontinuity in the process. The objective and scope of this audit is established in the TCU Internal Rules, which is approved by the Plenary – as too are the annual priorities and guidelines for the audit. Moreover, the structure of the audit report supporting the opinion on the CPR has remained more or less unchanged over the last 40 years, with only two exceptions since the mid-1970s: in that decade a new chapter was added to address thematic topics selected by the rapporteur, and in the 1990s another new chapter was added examining government sectoral actions.

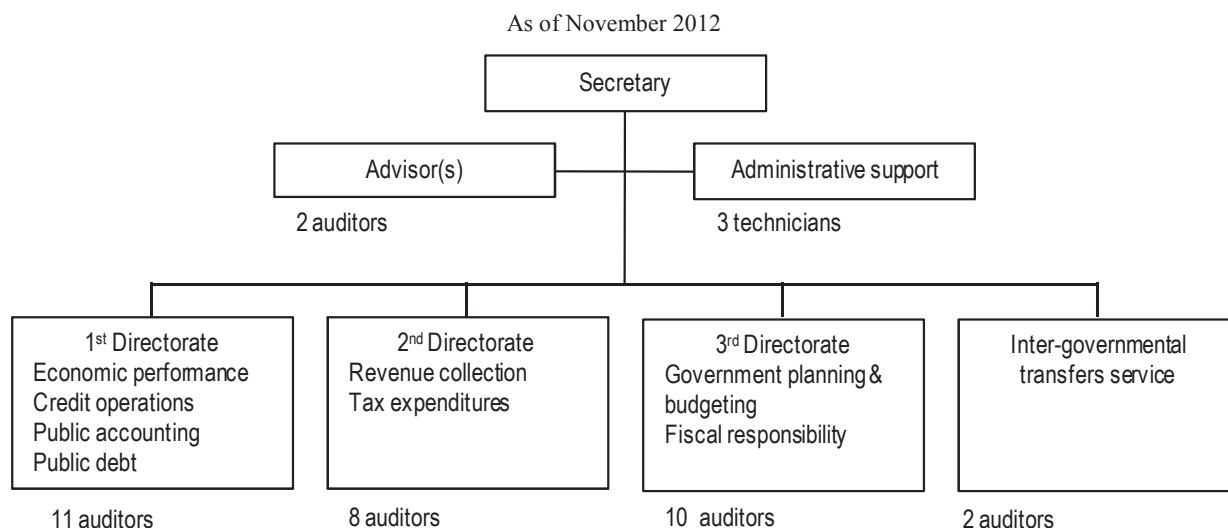
In effect, the rapporteur's influence is limited to selection of the thematic topic to be highlighted in the TCU audit report on the CPR. As noted in Chapter 2 of this peer review, the thematic topic is one of nine chapters contained in the audit report on the CPR. The full audit report includes an introduction (Chapter 1 of the audit report) and chapters on: the performance of the Brazilian economy (Chapter 2), federal budget execution (Chapter 3), government sectoral actions (Chapter 4), the consolidated financial statements of the federal government – the General Balance of the Union (*Balanço Geral da União*, or BGU) – (Chapter 5), the thematic topic selected by the rapporteur (Chapter 6), the federal government's implementation of recommendations contained in the previous audit of the CPR (Chapter 7), the conclusions, including a summary of the qualifications and recommendations (Chapter 8) and the audit opinion (Chapter 9).

Since the mid-2000s the thematic topic has been given relatively less attention as the TCU has sought to develop other elements of this audit report. The total share of the audit report, as well as the number of qualifications and recommendations, related to the thematic topic has declined during the last decade (see Chapter 2 of this peer review). Qualifications are materials (i.e. significant) issues identified in the audit work that may affect the audit main findings. Recommendations are suggestions to the federal executive in order to improve its accountability and performance. Nevertheless, the thematic topic still receives significant attention from the National Congress, civil society, private sector and the media (see Chapter 4 of this peer review).

Continuity in the audit of the CPR is also supported by a dedicated secretariat: the Secretariat for Government Macro-Evaluation (*Secretaria de Macroavaliação Governamental*, or Semag). This Secretariat, created in FY 2000, co-ordinates audit planning and implementation for the CPR. Prior to Semag there had long been a dedicated secretariat responsible for the audit of the CPR. Semag was created following a merger of the secretariat responsible for the audit of the CPR (and constitutional inter-governmental fiscal transfers) and the secretariat responsible for auditing revenue collection and tax expenditure. In addition to absorbing the portfolios of those two secretariats, Semag has acquired responsibility for control and oversight of the federal government's planning, budgeting and financial management systems and evaluating compliance with the Law on Fiscal Responsibility (Complementary Law 101/2000 as amended by Complementary Law 131/2009). This law establishes fiscal rules for each branch of the federal government as well as sanctions for non-compliance. These newer responsibilities are complementary to, and support Semag, in the audit of the CPR.

Semag has traditionally planned and implemented the major share of audit of the CPR on its own. The audit of the CPR involves all 37 Semag staff and approximately 20% of total Semag staff days every year, with each Semag directorate responsible for one or two chapters of the audit report. Figure 3.1 presents the organisation and staffing of Semag.

**Figure 3.1. Organisation and staffing of the Brazilian Federal Court of Accounts’ Secretariat for Government Macro-Evaluation**



Responsibility for the thematic topic is determined based on the expertise of TCU secretariats of external control. The TCU has three types of secretariats of external control: typical, specialised and state. There are eight typical secretariats, each responsible for a group of federal ministries and the public sector entities (e.g. agencies and foundations) below these ministry’s responsibility (Table 3.2A). There are 11 specialised secretariats, each responsible for subjects that span across the federal government, such as information and communications technology (ICT), public works and deregulation (Table 3.2B). There are 27 “state” secretariats – one for each of Brazil’s 26 states and one for the Federal District – responsible for control and oversight of federal programmes at a subnational level; each is located in the locality for which it is responsible. Nevertheless, Semag establishes deadlines and templates to ensure that the analysis on thematic topics is easily incorporated into the audit report.

In recent years the TCU has expressly sought to involve secretariats of external control other than Semag in the audit of the CPR. The aim of this move has been to enhance the quality of audit main findings by leveraging internal knowledge on federal government entities and programmes. The TCU has succeeded in increasing the number of its secretariats involved in this audit during the last two years. The audit of the FY 2011 CPR involved 7 of 8 typical secretariats of external control to prepare the analysis for 14 out of 28 government sectors contained in Chapter 4 of the audit report (Table 3.3). Approximately 1 400 staff days from TCU secretariats other than Semag were used in preparing the audit of the FY 2011 CPR, compared with 900 for the same audit in the previous fiscal year. Collectively, the number of staff days from Semag and these other secretariats approximated 3% of TCU audit staff days and 1.5% of total TCU staff days for the audit of the FY 2011 CPR, compared with 2% of TCU audit staff days and 4% of total TCU staff days for the same audit in the previous fiscal year. Data on staff days were not systematically available prior to the audit of the FY 2010 CPR.

**Table 3.2. Brazilian Federal Court of Accounts' secretariats of external control**

A. Typical secretariats of external control	
Unit	Control & oversight of public sector entities
1 <sup>st</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Communications</li> <li>• Federal Ministry of Mines &amp; Energy, excluding Petrobras &amp; Eletrobras</li> <li>• Federal Ministry of Transport</li> </ul>
2 <sup>nd</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Finance</li> </ul>
3 <sup>rd</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Defence</li> <li>• Office of Public Prosecution of the Union</li> <li>• Judicial branch</li> <li>• Legislative branch (i.e. Chamber of Deputies &amp; Federal Senate)</li> <li>• Federal Court of Accounts</li> </ul>
4 <sup>th</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Health</li> <li>• Federal Ministry of National Integration</li> <li>• Federal Ministry of Social Development &amp; Fight Against Hunger</li> </ul>
5 <sup>th</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Social Services System</li> <li>• Federal Ministry of Development, Industry &amp; Foreign Trade, excluding the Bank of Economic &amp; Social Development (BNDES)</li> <li>• Federal Ministry of Foreign Affairs</li> <li>• Federal Ministry of Labour &amp; Employment</li> <li>• Federal Ministry of Social Welfare</li> <li>• Federal Ministry of Tourism</li> </ul>
6 <sup>th</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Cities</li> <li>• Federal Ministry of Culture</li> <li>• Federal Ministry of Education</li> <li>• Federal Ministry of Science &amp; Technology</li> <li>• Office of the President, including the Office of the Comptroller General of the Union</li> </ul>
8 <sup>th</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Federal Ministry of Agriculture, Livestock &amp; Food Supply</li> <li>• Federal Ministry of Agrarian Development</li> <li>• Federal Ministry of the Environment</li> <li>• Federal Ministry of Justice</li> <li>• Federal Ministry of Planning, Budget &amp; Management</li> </ul>
9 <sup>th</sup> Secretariat of External Control	<ul style="list-style-type: none"> <li>• Petrobras &amp; Eletrobras</li> <li>• Bank of Economic &amp; Social Development (BNDES)</li> </ul>
B. Specialised secretariats of external control	
Unit	Control & oversight of cross-cutting issues
<b>Secretariat of Government Macro-Evaluation</b>	<ul style="list-style-type: none"> <li>• <b>Federal government planning &amp; budget execution, public debt &amp; fiscal responsibility</b></li> <li>• <b>Mandatory federal government transfers to states, municipalities &amp; the Federal District</b></li> </ul>
Secretariat of Government Programme Evaluation	<ul style="list-style-type: none"> <li>• Performance audits, individually or in co-operation with other TCU secretariats of external control</li> <li>• Development of performance audit methodologies, techniques &amp; standards</li> </ul>
Secretariats of Privatisation & Deregulation (two secretariats)	<ul style="list-style-type: none"> <li>• Concessions and privatisation of public infrastructure</li> <li>• Performance of sectoral regulators</li> </ul>
Secretariats of Public Works Audit (four secretariats)	<ul style="list-style-type: none"> <li>• Public works, with different secretariats specialised in roads, rail, airports and dams</li> </ul>
Secretariat of Information Technology Audit	<ul style="list-style-type: none"> <li>• Management &amp; use of federal government information technology resources</li> </ul>
Secretariat of Personnel Audit	<ul style="list-style-type: none"> <li>• Administrative decisions regarding the admission &amp; retirement of public officials</li> </ul>
Secretariat of Appeals	<ul style="list-style-type: none"> <li>• Monitoring of TCU decisions &amp; appeals</li> </ul>

*Notes:*

The list of control and oversight of public sector entities presented in Part A is not exhaustive; there are other entities under the control of these secretariats of external control. The table does not make explicit mention of entities of the indirect federal public administration.

The 7<sup>th</sup> Secretariat of External Control no longer exists.

**Table 3.3. Involvement of Brazilian Federal Court of Accounts' secretariats of external control in the audit of the Accounts of the President of the Republic**

Unit	By audited fiscal year				
	2007	2008	2009	2010	2011
<b>Specialised secretariats of external control</b>					
<b>Secretariat of Government Macro-Evaluation</b>	●	●	●	●	●
Secretariat of Government Programme Evaluation	o	o	o	o	▲
Secretariats of Privatisation & Deregulation	o	o	o	▲	▲
Secretariats of Public Works Audit	o	o	o	o	o
Secretariat of Information Technology Audit	o	o	o	o	o
Secretariat of Personnel Audit	o	o	o	o	o
Secretariat of Appeals	o	o	o	o	o
<b>Typical secretariats of external control</b>					
1 <sup>st</sup> Secretariat of External Control	o	o	o	●	●
2 <sup>nd</sup> Secretariat of External Control	o	o	o	o	o
3 <sup>rd</sup> Secretariat of External Control	o	o	●	●	●
4 <sup>th</sup> Secretariat of External Control	o	o	o	●	●▲
5 <sup>th</sup> Secretariat of External Control	o	o	o	o	●
6 <sup>th</sup> Secretariat of External Control	o	o	o	●	●
8 <sup>th</sup> Secretariat of External Control	o	o	●▲	●▲	●▲
9 <sup>th</sup> Secretariat of External Control	o	o	o	●	●

*Notes:*

● = Involvement in analysing government sectoral actions (i.e. Chapter 4 of the TCU audit report on the Accounts of the President of the Republic, or CPR); ▲ = Involvement in producing thematic topic(s) (i.e. Chapter 6 of the CPR); o = No involvement.

The 7<sup>th</sup> Secretariat of External Control no longer exists.

## Planning and implementation cycle

The audit of the CPR is a two-year cycle, beginning six months before the start of the fiscal year to be audited and finishing approximately five months after the end of the fiscal year to be audited. The cycle begins with the selection of the rapporteur by the Plenary and concludes with the presentation of the audit opinion, together with a supporting audit report, to the National Congress. The deadline for completion of this audit is fixed and established by the 1988 Constitution of the Federative Republic of Brazil: the TCU must present this audit opinion within 60 calendar days after receiving the CPR. The Constitution obliges the President of the Republic to render annual accounts to the National Congress within 60 calendar days of the start of the year's first legislative session. This session starts at the beginning of February.

Table 3.4 outlines the main steps in the planning and implementation of the audit of the CPR, and the division of responsibilities between the Plenary, the rapporteur, Semag and other secretariats of external control.

Actual planning for the audit of the CPR does not, however, begin until around August of the fiscal year to be audited. Planning begins only after the audit of the previous year's CPR has been presented to the National Congress. This timeframe for audit planning is similar to that for the audit of the consolidated year-end government report by the SAIs of France and South Africa, later than that for the SAI of Australia, and much earlier than that for the SAIs in Mexico and Spain (Figure 3.2).

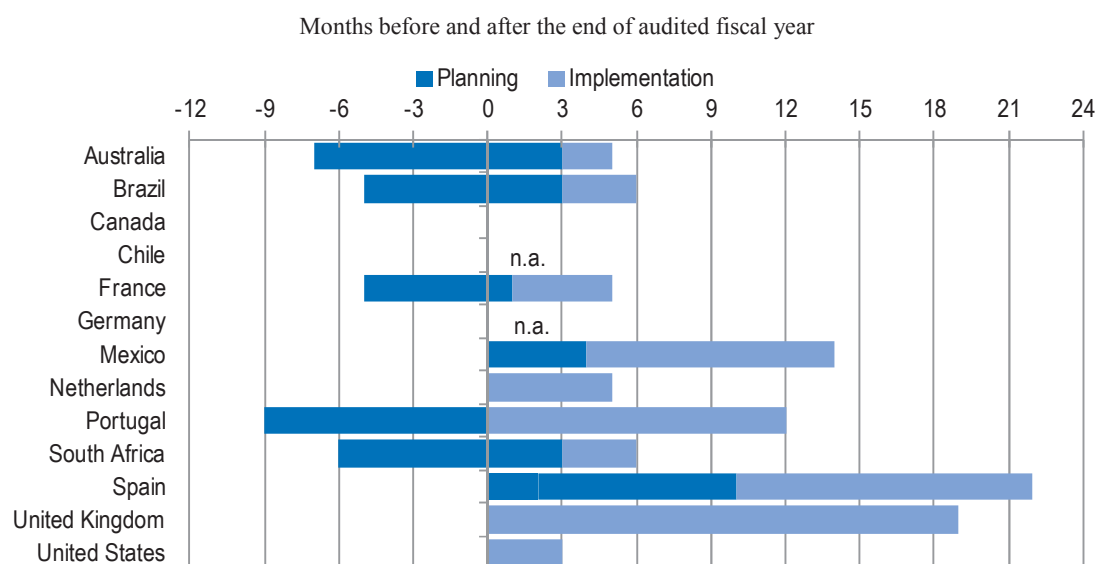
**Table 3.4. Main steps and responsibilities for planning and implementation of the Brazilian Federal Court of Accounts' audit of the Accounts of the President of the Republic**

For audit of the FY 2011 Accounts of the President of the Republic

Date, <i>vis-à-vis</i> audited fiscal year	Main steps	Responsibility
July FY-1	Selection of TCU minister as rapporteur of the audit	TCU Plenary
August FY	Formulation of priorities & guidelines for the audit	Semag
	Review of priorities & guidelines for the audit	Rapporteur
August – September FY	Approval of priorities & guidelines for the audit	TCU Plenary
	Identification of information needs for the audit	Semag
September FY – March FY+1	Definition of responsibilities & deadlines for audit	
October – December FY	Planning & implementation of audit work to support the thematic topic(s) included in the audit report on the CPR	TCU secretariats of external control
	Transmission of annual instruction ( <i>aviso</i> ) on the CPR to the Office of the Comptroller General of the Union	Rapporteur
February FY+1	Workshops internally within the TCU to disseminate information on the responsibilities of the various secretariats of external control	Semag
March – April FY+1	Audit work & drafting of audit opinion & audit report	Semag; other secretariats of external control
April – May FY+1	Internal review & quality control of audit opinion & audit report	Rapporteur
	Distribution of the audit opinion & audit report to TCU authorities at least 7 working days before the extraordinary session of the TCU Plenary	Rapporteur
May FY+1	Vote on the TCU audit opinion & audit report at least 72 hours before presentation of materials to the National Congress	TCU Plenary
	Presentation of the TCU opinion & accompanying report within 60 calendar days of receiving the materials from the National Congress	Rapporteur

Notes: FY -1 = Preceding fiscal year; FY = Fiscal year; FY+1 = Subsequent fiscal year; CPR = Accounts of the President of the Republic; TCU = Brazilian Federal Court of Accounts; TCU Plenary = Highest decision-making body of the TCU, composed of the nine ministers of the TCU; Rapporteur = The TCU minister appointed to oversee the planning and implementation of the audit of the CPR; Semag = The Secretariat for Government Macro-Evaluation, the permanent secretariat responsible for coordinating the planning and implementation of the audit of the CPR.

**Figure 3.2. Timing of the planning and implementation for the audit of the consolidated year-end government report in Brazil and selected countries**



Notes: n.a. = Not applicable (i.e. no consolidated year-end government report)

Canada: Information not available.



TCU audit planning starts with the formulation and review of the annual priorities and guidelines, and their subsequent approval by the TCU Plenary. The decision of the Plenary is published in the Official Journal of the TCU (*Diário Oficial da TCU*) and authorises Brazil's SAI to instruct the federal executive to include specific information in the CPR. Approval of the priorities and guidelines also serves as the basis to authorise TCU secretariats of external control to plan and undertake specific control and oversight processes as input into the audit of the CPR. In practice, the approval of annual priorities and guidelines is synonymous with the selection of the priority topics for the audit of the CPR rather than the approval of a strategy and plan for the audit as a whole.

The planning phase continues with the identification of information needs and the formulation of strategies to close information gaps. A key instrument for closing information gaps is the TCU annual instruction (*aviso*) on the audit of the CPR. This instruction, communicated to the Office of the Comptroller General of the Union (*Controladoria-Geral da União*, or CGU) during the last quarter of every fiscal year, defines specific information that the federal executive should incorporate into the CPR. The CGU is the central authority of the Internal Control System of the Federal Public Administration and is responsible for consolidating the CPR. The CGU liaises with a number of federal public sector entities to gather the necessary information in consolidating the CPR.

In recent years, the TCU and CGU have worked more closely together in order to improve the CPR. One outcome of this co-operation has been that the TCU issues its annual instruction earlier, in October of the audited fiscal year, in order to accelerate consolidation and enhance quality of the CPR. Previously, this instruction was issued at the end of November or the beginning of December.

TCU audit implementation formally begins following receipt of the CPR from the National Congress in the end of March, i.e. three months after the end of the fiscal year. This timing is similar to SAI audits of the consolidated year-end government report in Australia and South Africa, but is much earlier than that for the SAIs of Mexico or Spain (Figure 3.2). In practice, however, the enhanced co-operation between the TCU and CGU discussed in the preceding paragraph means that external audit work can begin earlier. The CGU sends draft information to the TCU in January and February as it receives it from other federal public sector entities, but before the consolidation and transmission of the CPR to the National Congress.

As part of efforts to involve other secretariats of external control in the audit of the CPR, Semag convenes a number of internal workshops during February after the end of the fiscal year. These workshops are relatively new and aim to engage other secretariats in the audit work on the CPR. Officials in Semag acknowledge that by involving other secretariats in February they are effectively limited to providing analysis and cannot contribute to the formulation of the audit strategy and plan. In the future, the TCU proposes to engage other secretariats not only in conducting audit analysis but also in audit planning.

Chapters of the audit report are reviewed during April and May at three levels: by the director responsible for the auditors, the secretary who oversees the director and the rapporteur's cabinet who oversees the secretary. Moreover, Semag uses various controls to ensure that other TCU secretariats involved in the audit deliver high-quality and on-time contributions. These controls include a "production plan" that identifies deadlines and responsibilities for internal review (discussed in the following section); templates for chapter/section/subsection of the audit report; and designating one of Semag own officials

to closely follow the audit work. The audit of the CPR is documented and the responsibilities of all those involved are clearly defined internally. The introduction of an audit matrix for the audit of the FY 2011 CPR (also discussed in the following section) is envisaged to enhance quality control.

The TCU Plenary decision on the audit of the CPR must be completed at least 72 hours before the presentation of these documents to the National Congress, based on the TCU Internal Rules. To allow adequate time for review by the TCU ministers and their cabinets and the TCU Prosecution Service, the Internal Rules establish that the rapporteur of this audit must distribute copies of the draft audit opinion and supporting report at least five working days before the extraordinary session of the Plenary. The discussion in the extraordinary session includes a presentation of the rapporteur's audit report and proposed audit opinion. This is followed by interventions by individual TCU ministers, indicating whether they agree or disagree on the proposed audit opinion. Each minister also has an opportunity to discuss any content from the audit report that they consider relevant. This is followed by the TCU General Prosecutor providing a technical judgement on the audit and closing remarks by the TCU President.

### Ensuring high-quality audit work

As noted in the previous section, the identification and approval of annual priorities and guidelines for the audit of the CPR are linked more to the identification of the priority topic by the rapporteur. Prior to FY 2011 CPR, planning was predominately supported by a “production plan” to assist Semag in making resourcing decisions and overseeing the timely completion of audit work. The production plan captured information such as page limits, deadlines and responsibilities for the drafting and review of different chapters, sections and subsections of the audit report. Table 3.5 provides an illustration of the main elements included in the production plan for the audit of the CPR. While the production plan helps to deliver the audit on time and in line with the priorities and guidelines of the audit, it does not provide a strategy for the audit work.

For the audit of the FY 2011 CPR, Semag introduced an audit matrix as a tool to support the formulation of an audit strategy. Although the TCU has experience using audit matrices for planning its compliance and performance audit activities, this was the first time one was applied to the audit of the CPR. The audit matrix for the audit of the CPR seeks to identify the questions that need to be answered and what this will be able to establish, as well as what information is required and the source of this information. Table 3.6 provides an excerpt from the audit matrix for the FY 2011 CPR to highlight the main elements. In comparison, the audit matrix for compliance and performance audit activities also identifies what procedures will be used to address the respective audit questions, the object of analysis as well as possible findings, as well as resourcing issues (e.g. internal responsibility and timing). Table 3.7 provides an illustration of the elements included in the planning matrix for TCU compliance audits.

**Table 3.5. Template for the Brazilian Federal Court of Accounts' production plan for the audit of FY 2010 Accounts of the President of the Republic**

Chapter/ section	Planned pages	Date draft ready	Date draft sent to rapporteur	Date comments received from rapporteur	Date final text sent to rapporteur	Date approved by rapporteur	Responsible unit	Oversight

Source: Federal Court of Accounts, Brazil.

**Table 3.6. Excerpt from Brazilian Federal Court of Accounts' audit matrix for the FY 2011 Accounts of the President of the Republic**

With illustration for two chapter sections

Topic (chapter/section)	Audit question	What the analysis will establish	Information required	Source of information
3.1. 2008-12 Pluri-annual Plan	What are the main strategies & key objectives of the 2008-12 Pluri-annual Plan?	Main proposals of the Plan for the period of its validity Instruments that are used in implementing the Plan	Objectives defined in the 2008-12 Pluri-annual Plan Instruments defined in the legislation to implement the Plan	Federal Law 11 653/2008; Ministry of Planning, Budget & Management Decree 42/1999 ; & Federal Decree 6 601/2008
4.2. Analysis of the 2008-12 Pluri-annual Plan	To what degree have the physical & financial goals established for the programme actions contained in the 2008-12 Pluri-annual Plan been achieved?	Percentage of data points completed for 2011 in the Budget Planning & Management Information System ( <i>Sistema de Informações e de Planejamento</i> , or SIGPlan) and Integrated Planning and Budget System ( <i>Sistema Integrado de Planejamento e Orçamento</i> , or SIOP) & the quality of this information Existence & quality of indicators contained in the 2008-12 Pluri-annual Plan programmes Degree of physical & financial execution of programmes contained in the 2008-12 Pluri-annual Plan	Percentage of completion of SIGPlan/SIOP Number of indicators in each programme; & completion of the indicators Data on implementation of actions contained in SIGPlan/SIOP	SIGPlan/SIOP & Federal Government Integrated Financial Administration System ( <i>Sistema Integrado de Administração Financeira do Governo Federal</i> , of SIAFI)

Source: Federal Court of Accounts, Brazil.

**Table 3.7. Template for Brazilian Federal Court of Accounts’ compliance audit planning matrix**

<b>Organ/Entity:</b> <b>Objective:</b>	Name of the audited public sector entity(s). State in a clear and summarised form the audit objective.	Required information	Information sources	Procedures	Procedure details	Object	Responsible official	Period	Possible findings
Present, in different aspects that compose the scope of the audit & that will be examined in order to achieve the audit objectives	Identify the information necessary to answer the audit question(s)	Identify the sources of information for each item required. Sources will be related to the techniques used in conducting the work	Procedure code or name	Clearly describe the tasks to be performed, clarifying the aspects to be addressed (i.e. a checklist)	Indicate the documents, programmes, processes and systems that the procedure(s) will involve (i.e. contract, payroll, budget sheets, etc.)	Identify the staff member in charge of executing each procedure	Identify the number of days for executing a procedure	Clearly state the expected main findings & results	

Source: (TCU) Segecex Portaria no. 26/2009 on Compliance Audit Standards.

**Table 3.8. Template for Brazilian Federal Court of Accounts’ compliance audit findings matrix**

<b>Organ/Entity:</b> <b>Objective:</b>	Name of the audited public sector entity(s). State in a clear and summarised form the audit objective.	Issues encountered	Objects	Criteria	Evidence	Cause	Effect	Routing
Description of findings State the results found, description of the irregularity	Issues identified & documented during the audit, including the period of occurrence of the irregularity	Indicate the document, programme, processes or systems in which the findings were identified	Legislation, norm, jurisprudence, doctrine or standard adopted	Information obtained during the audit in order to document the findings & to substantiate the conclusion & opinions	What caused the occurrence of the results	Consequences caused by the finding, indicating whether potential or real	Audit team’s proposal, containing identification of the responsible/ accountable individuals	

Source: (TCU) Segecex Portaria no. 26/2009 on Compliance Audit Standards.

### ***Further develop the matrix for the CPR to support planning of effective and efficient audit work***

Although use of the audit matrix for the FY 2011 CPR represents a substantial improvement for audit quality, additional information could be incorporated to support the formulation of a more effective audit strategy. First and foremost, the matrix could explicitly link the audit questions with the objectives for the audit of the CPR, as articulated in the TCU Internal Rules, namely to provide:

1. an assessment of whether the BGU adequately represents the financial, budgetary, accounting and asset positions as of 31 December (i.e. the end of the fiscal year);
2. an assessment of whether the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations;
3. an assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility;<sup>1</sup>
4. an assessment of the legitimacy, economy and efficiency of programmes in the Annual Budget Law (*Lei Orçamentária Anual*) and the achievement of goals in the Budget Directives Law (*Lei de Diretrizes Orçamentárias*) and Pluri-annual Plan (*Plano Plurianual*);<sup>2</sup> and
5. an assessment of the impact of the federal budget and financial administration on Brazil's socio-economic development.

The inclusion of the audit objectives could be complemented with information about the subject matter to be audited, the criteria against which the subject matter will be assessed and the procedures to reach this assessment. This additional information can help structure the collection of competent, relevant and reasonable evidence necessary to support the auditor's judgement and main findings – in line with ISSAI 300 “Field Standards in Government Auditing” (INTOSAI, 2001a). This information could subsequently be used to enhance disclosed in the annual instruction directed to the CGU to communicate the criteria in which the audit opinion will be formulated. This information could also be included in the audit report to effectively guide the audiences' understanding about how the main findings were reached. Both actions would help the TCU align its practices with ISSAI 20 “Principles of Transparency and Accountability” (INTOSAI, 2010a).

The matrix could also be augmented with information to support the TCU in determining the scope of the audit work. For example, information could be included on past qualifications from the audit of the CPR that have yet to be completely addresses. This could be supplemented with information on deficiencies of relevant management systems and controls associated with the production of the CPR, drawing upon the findings of other TCU control and oversight processes. Moreover, the TCU could consider the extent related work by internal audit could be included in the matrix – reflecting on *INTOSAI Guidance for Good Governance* “Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector” (INTOSAI, 2010b). Together, this information can help determine the risks affecting government reporting and performance and help to establish materiality levels for designing audit work.

In addition, the audit matrix for the CPR could be complemented by a findings matrix, as is common for TCU compliance and performance audits. Table 3.8 provides an illustration of the main elements included in the findings matrix for TCU compliance audits. The findings matrix can help to create a logical framework for formulating qualifications and recommendations. Structuring information related to the findings according to the object, cause and effect can also help to elaborate why qualifications and recommendations matter in relation to the audit objectives – and how addressing qualifications and implementing recommendations can contribute to a “cleaner” government reporting, greater accountability and enhance performance. As noted in Chapter 2 of this peer review, a key challenge facing audit reporting on the CPR is that the TCU presents qualifications and recommendations in a technical manner without framing them in a way that facilitates an understanding of their meaning and significance.

### ***Understand the functioning of internal controls related to the preparation of the CPR***

In 2011 the TCU began mapping the high-level accounting processes and controls used to produce the BGU, as part of efforts to strengthen its financial audit capabilities. These activities are part of a technical assistance project supported by the World Bank that will support convergence of TCU financial audit standards and practices with *INTOSAI Financial Audit Guidelines* and international good practice (Box 3.1). The mapping of accounting processes and controls drew upon the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Framework and “ISSAI 1 315: Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment” (INTOSAI, 2007). Based on this analysis, the TCU is developing a clearer understanding of which accounting controls must be tested as part of the audit of the BGU. Some of these controls were tested in the audit of the FY 2011 CPR.

The mapping of controls for the BGU to support audit tests and convergence with international standards could be complemented by similar activities for the other audit objectives. The audit of the CPR includes an assessment of compliance with various budgetary laws, including: the implementation of the federal budget, as well as other operations financed using federal public resources, complied with constitutional norms, laws and regulations; and an assessment of whether the federal government complied with the fiscal rules established in the Law on Fiscal Responsibility. In doing so, the TCU could align its work with “ISSAI 4 200: INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements” (INTOSAI, 2010c).

### **Box 3.1. Brazilian Federal Court of Accounts-World Bank technical assistance project: Completed actions to strengthen financial audit capacity**

In 2011 the Brazilian Federal Court of Accounts (TCU) launched a project with the World Bank to accelerate the acquisition of institutional capabilities to issue an audit opinion on the consolidated financial statements of the federal government: the General Balance of the Union (BGU). The objective of the project is to align TCU financial audit practices with national and international auditing standards and international good practice. In order to achieve this, the project will ascertain which aspects the TCU needs to improve to converge with international standards and good practices. The final products of the project are a strategy and an action plan in March 2014.

In relation to audit reporting on the Accounts of the President of the Republic with international standards, the TCU is taking specific steps to converge its practices with:

- ISSAI 1 220: Quality Control for an Audit of Financial Statements;
- ISSAI 1 260: Communication with Those Charged with Governance;
- ISSAI 1 265: Communication Deficiencies in Internal Control to Those Charged with Governance and Management;
- ISSAI 1 700: Forming an Opinion and Reporting on Financial Statements;
- ISSAI 1 705: Modifications to the Opinion in the Independent Auditor's Report; and
- ISSAI 1 706: Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.

The TCU will identify gaps between the actual financial audit procedures and applicable international financial audit standards as a next step in the project.

The TCU is also carrying out actions to accelerate its acquisition of institutional capabilities for financial auditing. In particular, the TCU training institute (*Instituto Serzedello Corrêa*) is developing a postgraduate programme in financial audit. This programme will draw on the results of the Technical Assistance as well as on the experience of other experts in external control and oversight.

### ***Leverage knowledge from TCU control and oversight processes***

The TCU could better utilise information sourced from its other control and oversight processes as input into the audit plan and strategy for the CPR – and in particular, information from processes conducted by secretariats other than Semag. At present there is a weak relationship between the audit of the CPR and other TCU control and oversight processes. Where the relationship is stronger, it can be largely attributed to the fact that Semag is responsible for the other control and oversight processes (Table 3.9). For example, Semag assesses compliance of budget execution with appropriations set in the Budget Directives and Annual Budget Laws in September of every year. This assessment is based on the federal government's report on budget realisation, which it must produce within 30 days of the end of the first semester each fiscal year. Semag also assesses the government's compliance with the fiscal ceilings established in the Law on Fiscal Responsibility, through audits of the fiscal monitoring reports prepared by each branch of government within 30 days of the end of every 4-month period (i.e. received in May, September and January).

**Table 3.9. Link between the Brazilian Federal Court of Accounts’ audit of the Accounts of the President of the Republic and its other control and oversight processes**

Chapter of the TCU audit report on the CPR	Link to other TCU control & oversight activities	Existing/possible links to other TCU control & oversight activities
1. Introduction	n.a.	n.a.
2. Brazil's economic performance	None	n.a.
3. [Compliance of] Budget execution [with budgetary laws & regulations]	Medium	<ul style="list-style-type: none"> <li>• Audits of budget execution reports released every 2 months</li> <li>• Audits of fiscal management reports released every 4 months</li> </ul>
4. [Compliance & performance of] Government sectoral actions	Weak	<ul style="list-style-type: none"> <li>• TCU inspections</li> <li>• TCU-wide priority themes (TMS)</li> </ul>
5. [Regularity of the] BGU	None	<ul style="list-style-type: none"> <li>• Possible link to the audit of year-end reports of individual accountable individuals</li> </ul>
6. [Assessment of] Thematic topic(s)	Weak	<ul style="list-style-type: none"> <li>• TCU-wide priority themes (TMS)</li> </ul>
7. [Status of] Recommendations from previous audit of the CPR	Weak	<ul style="list-style-type: none"> <li>• Specific control &amp; oversight activities</li> </ul>
8. Conclusions	n.a.	n.a.
9. [TCU] audit opinion	n.a.	n.a.

Notes:

BGU = General Balance of the Union; CPR = Accounts of the President of the Republic; TCU = Brazilian Federal Court of Accounts; n.a. = Not applicable.

There is little or no link, from a content or procedural perspective, between the audits of the CPR and the audits of the accounts of individual accountable officials – i.e. “public administrators and other individuals responsible for public money, goods and assets within the direct and indirect federal public administration”.<sup>3</sup> The TCU audit of the CPR is completed before it begins to audit the year-end reports of accountable officials. Whereas the audit of the CPR must be completed within five months following the end of the fiscal year, the Organic Law on the TCU stipulates that Brazil’s SAI audit of the year-end reports of accountable officials within 24 months following the end of the fiscal year. In practice, the TCU does not begin auditing even the most materially significant of the year-end reports of individual public officials until eight to nine months following the end of the fiscal year. This is different from many of the selected benchmark countries involved in this peer review, where there is a link (Table 3.10). Box 3.2 provides an illustration of the relationship between the audits of the consolidated year-end government report and year-end entity reports in Australia.

**Table 3.10. Completion of the audit of the consolidated year-end government and year-end entity reports in Brazil and selected countries**

Direct relationship between audit of the consolidated year-end government & year-end entity reports	No relationship between audit of the consolidated year-end government & year-end entity reports	Not applicable
Australia, Canada, Netherlands, South Africa, Spain, United Kingdom, United States	<b>Brazil</b> , Portugal	Chile, France, Germany, Mexico

Notes:

Chile: No consolidated year-end government report.

Germany: No consolidated year-end government report.

France: does not require individual public sector entities to submit year-end reports.



### **Box 3.2. Relationship between the audits of the consolidated year-end government and year-end entity reports in Australia**

The Australian National Audit Office (ANAO) annually performs separate audits of the year-end reports (financial statements) of all federal government entities, called component entities. The audited financial statements of component entities are used to compile the consolidated government report, called the Consolidated Financial Statements (CFS). The ANAO completes the audit of the CFS after completing the component entity audits.

The Department of Finance and Deregulation – part of the central budget authority – annually issues reporting requirements for component entity financial statements, using a Finance Minister’s Order (FMOs). This order complies with Australian Accounting Standards and provides direction on which accounting options to use, if there are multiple treatment options available under these standards. The FMOs also set out additional disclosure requirements, particularly around items such as appropriations. The FMOs make consolidation a more straightforward process.

The significant components of the CFS are identified by the CFS audit team in accordance with Australian Auditing Standard 600 – based on International Standards on Auditing 600 – at the start of each audit cycle. The CFS audit team determines materiality for the CFS audit and also sets a maximum materiality amount allowed for component entities. This is communicated by the CFS audit team to the component audit teams at the beginning of the audit cycle.

The ANAO approach to determining overall materiality for audits of not-for-profit entities (other than the CFS) is to identify a standard benchmark (the total amount of either revenue, expenditure, assets or liabilities, as appropriate) and apply a standard threshold (in the range of 1% to 2%). A “haircut” of the higher of 20% of overall materiality and the expected errors is then applied to the overall materiality amount to determine the performance materiality.

For the CFS audit, the ANAO determines materiality by taking a percentage of the average of the net result – as a key indicator of government performance – in the CFS for the last seven years. A lower amount is then set as the maximum amount that any component entity can use as their overall materiality. A “haircut” of the higher of 20% of overall CFS materiality and the expected errors is then applied to the overall CFS materiality amount to determine CFS materiality.

The CFS audit team undertakes a planning process that identifies the significant risks for the CFS audit. Any risks that relate to a component entity are communicated to the component entity audit team. Communications (on risks, materiality, timetable, etc.) are included in a “minute” – an internal document – to the component entity audit teams from the CFS audit’s Engagement Executive during the planning stage.

During the execution of the component audits, the component audit teams keep the CFS audit team informed of any significant issues they identify in order for the latter to consider whether these matters represent a significant risk for the CFS. The component entity audit teams also provide the CFS audit team with details of all unadjusted differences identified during the audit, so these can be aggregated by the CFS audit team to ensure they do not amount to a material error.

The entities material to the CFS are determined as those that comprise 99% of the CFS revenue, expenditure, assets and liabilities. The material entities work to a tighter reporting deadline (set by the Department of Finance and Deregulation) for their year-end financial statements and associated audit, as this enables the government to commence the consolidation process with more certainty over the numbers being consolidated.

The CFS Engagement Executive is a member of the ANAO Qualifications and Accounting Policy Committee. All matters of significant judgement and any potential qualification of an auditor’s report are considered by this committee. This ensures that the CFS team is aware of any matters that may impact the CFS. The CFS audit team considers the impact on the CFS of any qualified auditor’s reports on component entities. Some component entity qualifications are carried through to the CFS auditor’s report due to their nature or size; other qualifications are not carried through as they will not be considered material from a CFS perspective.

*Source:* Australian National Audit Office.

Formally the audit of the CPR, and its priorities and guidelines, is meant to shape TCU annual audit planning and prioritisation through the annual TCU Oversight Plan (*Plano de Fiscalização*), as per the TCU Internal Rules. The Oversight Plan defines and allocates resources to TCU-wide priority themes (*Temas de Maior Significância*, or TMS) on an annual basis to guide oversight activities (Box 3.3). However, in practice, the relationship between the audit of the CPR and the Oversight Plan is weak. Where a relationship does exist it flows from the Oversight Plan to the audit of the CPR and not the other way around, as envisaged by the TCU Internal Rules. Where a relationship does exist it is because Semag is responsible for specific priority themes. One cause of this disconnect is linked to the scope of the Oversight Plan. The Plan does not span all TCU control and oversight processes; it focuses only on oversight processes initiated by the TCU. In contrast, the audit of the CPR is a “control process”, as are audits of the year-end and *ad hoc* reports of accountable officials.

The TCU is taking action to broaden the scope of its Oversight Plan to cover all of its control and oversight processes, which it hopes will strengthen the relationship between the audit of the CPR and other control and oversight processes (Figure 3.3).

### Box 3.3. The Brazilian Federal Court of Accounts’ Oversight Plan

The TCU Oversight Plan was introduced in 2005/06 to define and allocate resources to priority themes – reflecting risk, materiality and the relevance of government functions, programmes and systems. This Plan represents the product of 15 years of reforms to develop a risk-based approach to audit planning. The reforms began in 1995 when the TCU established a rolling six-month oversight plan. Five years later the plan was strengthened by the introduction of a simplified risk matrix (in 2000), a standardised risk evaluation model and computer application (*Fiscalis*), and the concept of “background research” (in 2001). In 2002 the TCU began to conduct “Centralised Audit Activities” to link the activities of secretariats in Brasília with those in the states.

The plan is prepared by the TCU President with the support of the General Secretary of External Control and approved by the TCU Plenary in a closed session before the end of the first quarter of each year. All TCU ministers and TCU secretariats of external control are consulted in the preparation of the Oversight Plan and definition of priority themes. For example, in October all TCU secretariats of external control are invited to provide information on risk areas under their portfolios. In February, the General Secretary of External Control agrees with all secretaries on the priority themes before presenting the Oversight Plan to the TCU President. In March the TCU President presents the Oversight Plan to the TCU Plenary for approval.

The Oversight Plan establishes an aggregate 30% minimum that must be allocated to priority themes, measured by person-days per year. Each TCU secretariat of external control is free to establish its own staff resourcing allocations for the priority themes, using the 30% figure as a minimum. All TCU secretariats of external control must indicate how individual audit proposals are linked, or not, to the priority themes included in the Oversight Plan. Proposed audits linked to a priority theme only require the approval of the TCU minister responsible for their respective portfolio. Audits that are not linked to a priority theme must receive prior approval from the TCU Plenary, irrespective of who originated the proposal (e.g. the TCU President, individual TCU ministers, etc.).

Every four months the TCU General Secretariat for External Control assesses implementation of the Oversight Plan based on the criteria of economy, efficiency and effectiveness. The results of these evaluations are incorporated into the formulation of future Oversight Plans. The TCU General Secretary for External Control also reports annually on the implementation of the plan, including the allocation of staff resources for each priority theme and lessons learned at the end of the Oversight Plan in April/May. Both the quarterly and annual monitoring reports on the TCU Oversight Plan are used for internal purposes within the General Secretariat for External Control rather than by the TCU Plenary.

*Source:* Adapted from TCU Normative Instruction no. 9/1995; TCU Resolution no. 185/2005; and Ferreira, A.R. (2009), “A Avaliação de Riscos Para a Seleção de Fiscalizações no Tribunal de Contas da União – TCU” (An Evaluation of Risk-Approach in the Selection of Oversight Activities in the TCU), unpublished thesis.

**Figure 3.3. Scope of the Brazilian Federal Court of Accounts' current Oversight Plan and proposed External Control Plan**

Control & oversight processes, by type	Description	
<b>A. Control processes</b>		
A1. Accounts of audits of public officials	Aim to verify the legality, economy, legitimacy, efficiency & efficacy of the use of budgetary & non-budgetary resources	Scope of current Oversight Plan
A2. Audits of <i>ad hoc</i> accounts of public officials	Aim to investigate possible illegal or illegitimate activity (e.g. embezzlement, diversion of funds, property or public value) & calculate sanctions as necessary	
A3. Audit of the Accounts of the President of the Republic	Aim to verify the legality, economy, legitimacy, efficiency & efficacy of the use of budgetary & non-budgetary resources	
<b>B. Oversight processes (=B1+B2+B3+B4)</b>		
<b>B1. Initiated by TCU (B1.1+B1.2+B1.3+B1.4+B1.5)</b>		
B1.1. Background research	Background research aims to support better knowledge & understanding of the functioning of administrative units, governmental systems, programmes, projects & activities; it may also be used to identify areas of future attention by the TCU	Proposed scope of the External Control Plan
B1.2. Audits	Organic Law on the TCU categorises five types of audits: <i>i)</i> accounting; <i>ii)</i> financial (of cash); <i>iii)</i> budgeting; <i>iv)</i> assets & liabilities; and <i>v)</i> operational (performance)	
B1.3. Inspection	Inspections aim to clarify doubts or gaps created by lack of information or omission. Inspections are also used to verify complaint & representation processes	
B1.4. Accompaniment	Accompaniments aim to examine the legality & legitimacy of the management acts with regard to the accounting, financial & budgetary aspects; & to evaluate the performance of public organisations as well as systems, programmes & activities with a focus on economy, efficiency & efficacy	
B1.5. Monitoring	Monitoring verifies implementation & compliance with TCU audit determinations	
<b>B2. Initiated by external request (B2.1+ B2.2+B2.3)</b>		
B2.1. National Congress requests	Oversight processes initiated by National Congress request may include requests for information, audits & inspections by the presidents of the Federal Senate, Chamber of Deputies & congressional commissions	Proposed scope of the External Control Plan
B2.2. Complaints	Complaints refer to activities to investigate reports made by private, nongovernmental organisations & the public denouncing an irregularity or illegality concerning the public administration	
B2.3. Representations	Representations refer to activities to investigate reports made by public authorities & TCU technical units/officials denouncing an irregularity or illegality concerning the public administration	
B3. Inquiries	Inquiries relate to doubts over the application of legal & regulatory devices addressed to the TCU by the President of the Republic; the Presidents of the Federal Senate, Chamber of Deputies or any congressional commission; President of the Supreme Federal Court or superior courts; Attorney General of the Republic; Prosecutor General of the Union; ministers of state or any authorities of the executive power & armed forces commanders	
B4. Other processes	Appreciation of acts subject to registry in which the TCU focuses on the recruitment of, & granting of pensions to, career public officials within the direct & indirect federal public administration	

However, there are two main challenges in integrating the audit of the CPR and audits of other year-end reports into the TCU Oversight Plan. First, efforts to strengthen risk assessment and audit planning at an institution-wide level are not supported by similar practices at the level of individual secretariats of external control. Although the Oversight Plan benefits from input by all secretariats, there is no common framework or approach for identifying risk across secretariats. The TCU has proposed to develop a common methodology to assess risk and to determine materiality for use by all secretariats of external control. This will require individual secretariats to develop a better understanding of their respective audited subjects, through *i*) identifying important aspects of the environment in which audited entities operate; *ii*) identifying the challenges and risks facing key management systems and controls within the federal executive; and *iii*) reviewing the plans and activities of internal audit and the extent to which the work of internal audit can be used.

Second, the inclusion and removal of priority themes from the Oversight Plan could benefit from a clear criterion to substantiate decisions on priorities by the TCU Plenary. During the last six years the priority themes have changed on an annual basis without a clear supporting evidence for their inclusion or removal. Annex 3.A1 compares the TCU priority themes during the last decade. Only the Growth Acceleration Programme (*Programa de Aceleração do Crescimento*, or PAC) has been a priority theme for the past five years. Other SAIs have established clear criterion and clear documentation to establish organisational priorities. For example, the United States Government Accountability Office (GAO) “High Risk Series” has established a well-documented methodology and criteria for identifying challenges and risks to performance and accountability – and any subsequent removal from this list (Box 3.4). Documentation is valuable for *i*) supporting the effective and efficient assessment of risk in audited entities and programmes; *ii*) serving as a source of information for discussing risk in audit prioritisation and planning; and *iii*) supporting development of internal capabilities and lesson learning within the TCU.

### ***Use improvements in audit strategy to enhance government reporting***

Improvements from the use of an audit matrix, developing knowledge on the functioning of key internal control and leveraging its internal knowledge of audit subjects could be used to enhance not only the TCU audit but also the CPR itself. The Organic Law on the TCU (Law 8 443/1992) grants Brazil’s SAI the authority to define the content of the report produced by the central authority of the Internal Control System of the Federal Public Administration, a core element of the CPR. As discussed in Chapter 1 of this peer review, the Organic Law on the TCU states that the CPR should comprise two elements: *i*) the BGU; and *ii*) a report by the central authority of the Internal Control System of the Federal Public Administration. The General Norms for the Preparation and Control of the Budget and Financial Statements define the content of the BGU, with the Federal Ministry of Finance regulating the accounting basis for the statements. The Organic Law on the TCU gives the Brazil’s SAI authority to define the content of the report by the central authority of the Internal Control System of the Federal Public Administration, which it does through the annual instruction. This is the instruction the TCU sends to the CGU every October, as discussed in the preceding section on the general audit timetable and responsibilities.

### **Box 3.4. The United States Government Accountability Office’s High Risk Series**

Since 1990, the United States Government Accountability Office (GAO) has periodically reported on government programmes and functions that have been identified as “high risk”, characterised by greater vulnerability to waste, fraud, abuse and mismanagement.

Beginning in 1999, and generally coinciding with the start of each new Congress, the GAO has provided Congress with a report on government-wide “High Risks” (in 1999 and 2001, titled “Major Management Challenges and Program Risks”).

High risks are determined based on the Government Accountability Office’s own methodology and criteria for identifying major programme and mission areas, assessing agency management and programme performance, and determining if performance and accountability challenges are high-risk.

#### **Identifying major programme and mission areas**

For each major federal agency, the GAO identifies significant programmes and mission areas that will form the primary basis for reporting in the High Risk Series. The GAO focuses on areas that:

- attract the greatest attention of the legislature and executive;
- have high public interest and/or large dollar outlays;
- figure prominently in agencies’ strategic plans, annual performance plans and reports; and
- have known performance and accountability, or high-risk, issues.

#### **Assessing agency management and programme performance**

Information regarding performance is drawn from:

- GAO audits of agency financial statements, other audit reports, testimonies, studies and surveys;
- inspectors general located in federal agencies that provide an internal audit and fraud detection function;
- agency reporting, including accountability reports; strategic plans, annual performance plans and reports; programme performance reviews and evaluations; and internal control assessments;
- the President’s annual budget, which presents government-wide performance plans and management objectives; and
- relevant reports by congressional committees and outside study panels and commissions

#### **Determining if programmes and functions are high-risk**

In determining whether programmes and functions are high-risk, attention is given to whether the risk is:

- an inherent problem, e.g. when the nature of the programme creates susceptibility to fraud, waste, and abuse; and
- a systemic problem, e.g. when the management support or financial systems, policies and procedures established by an agency to carry out a programme are ineffective, creating a material weakness.

Additional consideration is given to the qualitative and quantitative factors, such as whether the risks:

- involve public health or safety, service delivery, national security, national defence, economic growth and/or privacy or citizens’ rights;
- could result in significantly impaired service; programme failure, injury or loss of life; or significantly reduced economy, efficiency and/or effectiveness; and

**Box 3.4. The United States Government Accountability Office’s High Risk Series (cont.)**

- could involve the loss of a minimum of USD 1 billion through, for example: the value of major assets being impaired; revenue sources not being realised; major agency assets being lost, stolen, damaged, wasted, or underutilised; improper payments; and contingencies or potential liabilities.

Before making a high-risk designation, the GAO also considers existing or planned corrective measures to resolve a material weakness and the status and effectiveness of these actions, such as:

- demonstration of commitment to resolving the problem;
- the extent of an agency’s progress in strengthening controls to address the problem;
- whether the proposed remaining corrective action plans are appropriate;
- whether effective solutions will be substantially completed in the near term; and
- whether the solutions will resolve the root cause of the problem.

*Source:* GAO (General Accounting Office, United States) (2001), “Determining Performance and Accountability Challenges and High Risks”, GAO-01-159SP; GAO (2011), “High-Risk Series: An Update”, Report to Congressional Committees, GAO-11-278.

While the instruction serves to request information from the federal executive, it could also be used to positively shape the CPR. For example, during the last five years the TCU used this instruction to require the federal executive to provide in the CPR: *i*) information about the implementation and achievement of key programmes linked to the Pluri-annual Plan (audit of the FY 2007 PCPR); *ii*) information on budget execution for key programmes within each sectoral area, as well as the investment budget of state-owned and mixed-capital enterprises (FY 2008); *iii*) a five-year perspective on budget execution for key programmes within each sectoral area and how trends are aligned with the Pluri-annual Plan (FY 2009); *iv*) cost analysis of key programmes using information from the Cost System of the Federal Public Administration, created by the Secretariat of the National Treasury (*Secretaria do Tesouro Nacional*) (FY 2010);<sup>4</sup> and *v*) additional details on tax expenditure and how trends are aligned with the Pluri-annual Plan (FY 2011) (Table 3.11).

The TCU annual instruction could be used to require the federal executive to make explicit assertions – or statements of compliance – regarding information in the CPR. These assertions could subsequently be audited as part of the tests supporting the audit objectives.

Moreover, and as noted in Chapters 1 and 2 of this peer review, this instruction could be used to focus the attention of the federal executive to enhance the qualitative characteristics. At present the instruction focuses primarily on the display of core information and disclosure of supporting information as currently is the case. Qualitative dimensions include *inter alia* the relevance, intelligibility, verifiability and comparability of the information presented by the federal executive. The TCU can also do this more informally through its working meetings with the CGU. Both TCU and CGU officials report that they have engaged in greater co-ordination and co-operation over the CPR in recent years. The TCU could subsequently include a normative assessment of the federal executive’s compliance with the qualitative dimensions of the CPR in this audit.

However, to ensure that actions to positively shape the CPR are aligned with the needs of the report’s audiences, the TCU could take specific action to understand

challenges and barriers facing its use. The independence and objectivity of the TCU make it a meaningful vehicle to moderate and balance the views of the National Congress. In seeking to understand challenges and barriers facing the use of the CPR, the TCU may consider co-ordinating and co-operating with the CGU and the Secretariat of the National Treasury. Those two bodies are responsible for the preparation of the CPR. In engaging with the CGU and the Secretariat of the National Treasury, the TCU may reflect on the existing international guidelines on “Co-ordination and Co-operation between SAIs and Internal Auditors in the Public Sector” to effectively manage any risks that could arise (INTOSAI, 2010b).

**Table 3.11. Content of the Brazilian Federal Court of Accounts’ annual instruction on the Accounts of the President of the Republic**

Element(s)	Audited fiscal year					
	2006	2007	2008	2009	2010	2011
Main results & impact of performance by government function	0	0	•	•	•	•
Analysis of state & social security budgets, including:	•	•	•	•	•	•
• Observance of rules established in the 1988 Constitution, the Law on Fiscal Responsibility & Budgetary Directives Law	•	•	•	•	•	•
• Revenue collection	•	•	•	•	•	•
• Tax expenditure, related legislation, social & economic objectives, & government policy or programme	0	0	0	0	0	•
• Evolution of expenditure by government function & subfunction over previous five years	0	0	•	•	•	•
Macroeconomic performance, highlighting its effects on public finance	•	•	•	•	•	•
Main aspects related to consolidated financial statement & its composition	•	•	•	•	•	•
Characteristics & evolution of budget balance & public debt	•	•	•	•	•	•
Information regarding the investment budget	0	0	•	•	•	•
Cost analysis reports by federal ministry	0	0	0	0	•	•
Information on implementation of programmes in Pluri-annual Plan	0	•	•	•	•	•
Information about implementation of TCU recommendations in past audits of year-end government report	•	•	•	•	•	•

Notes:

• = Yes; 0 = No; TCU = Federal Court of Accounts.

### ***Align quality control for the audit of CPR with that for other control and oversight processes***

A number of key differences exist in the quality control during the planning and implementation phase for the audit of the CPR and other TCU control and oversight processes. For example, the audit of the CPR does not use a reference panel comprised of external experts to review the audit criteria in audit planning and main findings in audit implementation. Nor does the TCU formally solicit a response from the federal executive – i.e. the Office of the President of the Republic, the CGU or Secretariat of the National Treasury– on the audit of the CPR prior to its release. The “principle of contradiction”, as it is referred, allows the SAI to agree the facts with the audited entity to help ensure that they are complete, accurate and fairly presented. It may also involve, as appropriate,

incorporating the audited entity's response to matters raised, whether verbatim or in summary.

In addition, the audit of the CPR has not typically been subject to the same *ex post* quality review, which other TCU control and oversight processes are subject. In 2009, a specific unit was created within TCU General Secretariat of External Control to evaluate the quality of completed audit activities. This unit is responsible for conducting random and periodic *ex post* assessment of control and oversight processes by secretariats of external control. In addition, the unit also provides training in specific control and oversight techniques; provides templates for audit planning and reporting; and works to integrate quality controls into ICT-enable management systems (i.e. e-TCU). For its part, Semag holds an annual retreat following completion of the audit, to identify lessons learned that can serve as input into the audit of the subsequent year's CPR.

The TCU notes that there are two main contributing factors for the different approaches to quality control for the audit of the CPR and other TCU control and oversight processes. The deadline for the audit is considered tight as the TCU has a constitutional deadline of 60 days to complete the audit of the CPR. This is coupled with the broad scope of the audit. However, the TCU notes that it does participate in an annual seminar on the audit of the CPR organised by the Secretariat of the National Treasury that is focused on learning lessons from the consolidation of the CPR. Beginning in 2012, for the audit of the FY 2011 CPR, the TCU also organised a seminar to discuss the main audit findings with the CGU, Federal Ministry of Finance and Federal Ministry of Planning, Budget and Management. In addition, the scope of the audit of the CPR is much broader than its other control and oversight processes.

The use of the audit matrix could help to support quality control for the audit of the CPR. The matrix could be used to focus discussion by a reference panel involving TCU officials and with external experts. The matrix could also help focus the government's attention in responding to the main findings on the CPR.

### Ensuring professional and ethical audit work

The TCU human resource system is a career-based system, within which recruitment takes place through competitive examinations open to all persons who fulfil the basic requirements (Table 3.12). The adoption of a career-based system is similar to that mainstreamed into Brazil's federal public administration during the 1990s in order to prevent the spread of personal and/or political patronage (OECD, 2010). However, the TCU career system is separate and distinct from that for the federal public administration. An individual who has passed a competition for public administration must enter a TCU competition in order to join the body. There is no fixed schedule for the competitions to enter into the TCU.



**Table 3.12. Recruitment in supreme audit institutions in Brazil and benchmark countries**

Predominantly a position-based system	Predominantly a career-based system
Australia, Canada, Netherlands, South Africa, United Kingdom, United States	<b>Brazil</b> , Chile, France, Mexico, Portugal, Spain

*Notes:*

*Position-based systems* focus on selecting the best-suited candidate for each position, whether by external recruitment or internal promotion or mobility. *Position-based* systems allow more open access, and lateral entry is relatively common.

In *career-based systems*, civil servants are usually hired at the very beginning of their career and are expected to remain in the public service more or less throughout their working life. Initial entry is mostly based on academic credentials and/or a civil service entry examination. Promotion is based on a system of grades attached to the individual rather than to a specific position. This sort of system is characterised by limited possibilities for entering the civil service at mid-career and a strong emphasis on career development.

Efforts to modernise human resource management practices and develop the competencies of officials are key elements of the 2011-15 TCU Strategic Plan (TCU, 2011). The TCU has established a permanent Human Resource Management Committee responsible for formulating and overseeing implementation of TCU human resource management policies. This Committee advises the TCU General Co-ordination Committee and the TCU President on matters of human resource management. The Human Resource Management Committee is also responsible for conducting periodic evaluations of practices and for establishing guidelines for ongoing improvement in line with the TCU strategic plan. Moreover, the Human Resource Management Committee is responsible for proposing the creation of mechanisms to measure and analyse perceptions and expectations of TCU officials in relation to human resource management.

A competency framework was introduced into the TCU in 2006 with the aim of stimulating the development of a workforce of capable and motivated professionals, and to enhance TCU effectiveness. This framework defines personal, technical and managerial competencies as well as professional profiles for different occupational areas. All TCU officials have access to personal and technical competency development programmes and materials to support them in fulfilling their responsibilities and professional advancement. The introduction of competency management within the TCU occurred in parallel with its introduction in the federal public administration more generally. Competency management in the TCU, as in the federal public administration, is however still in its infancy (OECD, 2010).

As part of the TCU strategy for professional development, staff working in Semag are encouraged to participate in academic courses in partnership with Brasília Federal University and other public institutions. Semag officials also participate in seminars and discussion groups on external control and oversight, such as the Programme for the Modernisation of the External Control System of Brazilian States and Municipalities (*Programa de Modernização do Sistema de Controle Externo*). This programme is a network among Brazil's 34 courts of accounts, including the TCU; 27 courts from states and the Federal District; and 6 from municipal courts (i.e. Bahia, Ceará, Goiás, Pará, Rio de Janeiro and Sao Paulo). Semag officials also participate as observers in many discussion groups held by the Federal Ministry of Planning, Budget and Management, the Federal Ministry of Finance and the National Congress.

### ***Develop a policy to rotate senior officials involved in the audit of the CPR***

The TCU reports that Semag officials typically work for many years in the same secretariat, which helps to ensure continuity in the audit of the CPR. Information was not available on the average number of years TCU audit officials have worked in Semag, or how this compares with other TCU secretariats. Interviews revealed that some TCU officials had been employed in Semag for over a decade, while others had only two years of experience in this secretariat. While there are benefits to having SAI officials with a great deal of depth and background knowledge on specific issues and public sector entities, rotating staff and audit responsibilities more often leads to a broader professional development of staff. Rotation also can help to encourage new and innovative ways of doing things.

### ***Align actions to strengthen financial audit capabilities with the TCU competency framework***

As noted in the preceding sections, the TCU has begun a review to promote convergence of TCU financial audit standards and practices with the *INTOSAI Financial Audit Guidelines* and international good practice. It is imperative that actions to strengthen financial audit capabilities are aligned with the implementation of the TCU competency framework, to ensure synergies with – and to support implementation of – human resource management reforms. Moreover, the TCU could consider putting in place mechanisms to ensure that subsequent updates to the *INTOSAI Financial Audit Guidelines* – and “INTOSAI Compliance Audit Guidelines related to the Audit of Financial Statements” as suggested – are reflected in its internal guidelines and audit procedures in a timely manner. The INTOSAI Financial Audit Subcommittee will begin a review of two standards from the *INTOSAI Financial Auditing Guidelines* in 2012, with a further 36 scheduled to be reviewed after 2013. The INTOSAI Compliance Audit Subcommittee will begin to review ISSAI 4 200 after 2016. Ensuring TCU standards remain up to date could be achieved by a peer review of the TCU audit methodology in five years’ time, and involve a number of SAIs represented on the INTOSAI Subcommittees on Financial Audit and Compliance Audit.

### ***Instil high standards of professional and ethical conduct among TCU officials***

In May 2009 the TCU published a Code of Conduct defining the principles and standards for ethical conduct applicable to its officials and its internal structures for ethics management and is aligned with ISSAI 30 on “Code of Ethics” (INTOSAI, 1998). The Code aims *i)* to make explicit the principles and standards governing the conduct of TCU officials; *ii)* to support the implementation of the institutional vision, mission, goals and values; *iii)* to align the values of TCU officials with those of the institution; *iv)* to promote high standards of conduct among TCU officials; and *v)* to establish basic rules on conflicts of interest, including post-employment restrictions, for TCU officials. Publication of the TCU Code follows the promulgation of a universal code for federal government officials in 1990, and specific codes for high officials in the federal public administration (2000) and officials in a variety of individual public sector entities (during the 2000s) (OECD, 2012).

The TCU Code defines its institutional values as well as the rights, duties and prohibitions its officials are to adhere. The institutional values include: *i)* defending the public interest; *ii)* legality, impersonality and transparency; *iii)* honesty, dignity and respect; *iv)* quality, efficiency and equity of public services; *v)* integrity and high

standards of conduct; *vi*) independence, objectivity and impartiality; and *vii*) professionalism, competence and development. These values are often condensed into ethics, justice, effectiveness, independence and professionalism, as published in many TCU documents. It is the right of every TCU official *i*) to work in an environment that preserves individual well-being and work-life balance; *ii*) to be treated equally with respect to performance assessment, compensation and professional development; *iii*) to participate in training necessary to remain up to date with methods and techniques relevant to their work; and *iv*) to engage in open dialogue with colleagues and superiors, disseminating information that may contribute to the performance of the institution.

It is the duty of all TCU officials: *i*) to uphold high standards of conduct in compliance with the TCU Code of Ethics; *ii*) to report immediately to the competent head of staff any act or fact that is contrary to public interest or harmful to the TCU and its mission; *iii*) to avoid actions or relationships that give rise to real or possible conflicts of interest; *iv*) to report to the TCU Ethics Committee information about relationships, economic interests or professional activities that give rise to real or possible conflicts and actions to be taken to avoid any risk. TCU officials are prohibited from *i*) undertaking actions that undermine the values and standards contained in the Code of Ethics; *ii*) abusing the powers, facilities and information of the TCU for personal favour, benefit or advantage; *iii*) using unpublished TCU materials for purposes other than the execution of their official duties; and *iv*) publishing or disseminating, without prior written consent, any materials produced for their official duties that have yet to be concluded.

To support the implementation of this Code the TCU has created an Ethics Committee. The Ethics Committee is responsible for *i*) organising and developing courses, manuals, booklets, lectures, seminars and other training activities to disseminate the Code; *ii*) resolving questions concerning the interpretation of, and deliberating on omissions in, the Code, making recommendations to the TCU President for interpretive guidelines; *iii*) receiving proposals and suggestions for the improvement of, and ensuring the consistency of internal regulations with, the Code; and *iv*) reporting on all of its activities annually in the TCU President's management report, including proposals and suggestions for the improvement of the Code. The TCU President selects and appoints the three committee members, and three substitute members, from among permanent TCU officials for a renewable two-year term. Members of the Ethics Committee may not have previously received any administrative or criminal sanctions. If a member of the Ethics Committee violates any rules contained in the Code or is criminally indicted, they are automatically suspended until a final decision has been taken.

## Conclusions and recommendations

The TCU has demonstrated increased interest in enhancing the planning and implementation of its audit of the CPR as a means of supporting good governance. A number of actions have been taken to support the formulation of high-quality audit work, conducted in an efficient and effective manner. These actions include the introduction of an audit matrix to support audit planning and the mapping of high-level accounting processes and controls for the preparation of the BGU. Although these actions are only recent and their full impact will take several years to materialise, they have already had a demonstrable impact on the audit of the FY 2011 CPR. More critically, these actions establish a basis and momentum for further improvements in audit planning and implementation during the coming few years.

The TCU could consider implementing a number of recommendations to advance its audit planning and implementation of its audit of the CPR. At the core of these recommendations is the proposition to augment the audit matrix as not only an instrument for planning and implementation, but also for quality control. The matrix could be used to translate the audit objectives contained in the TCU Internal Rules into operational terms to support audit planning. The matrix can also provide a framework to define the extent and scope of audit tests to provide competent, relevant and reasonable evidence necessary to support audit main findings. Moreover, the matrix can support quality control by structuring discussion within the TCU and externally with experts on the audit strategy and main findings.

This role of the audit matrix for the CPR can also be considered in conjunction with the findings from Chapter 2 of this peer review. For example, the matrix can help to address the current disconnect between the content of the audit report and the main audit findings, as well as to frame the qualifications and recommendations to guide audiences' understanding of their significance. Finally, the audit matrix can be used as input for the formulation of the annual TCU instruction to the federal executive that guides the preparation of the CPR. In this context, the audit matrix can help to enhance not only the quality of the audit on the CPR but the CPR itself.

### **Box 3.5. Recommendations for the Brazilian Court of Accounts: Audit planning and implementation**

#### **Ensuring high-quality audit work**

- Further develop the audit matrix for the CPR to support the formulation of an effective and efficient audit strategy. *In doing so:*
  - Include information on the audit objectives articulated in the TCU Internal Rules to support the formulation of an effective audit strategy;
  - Include information about the criteria against which the subject matter will be assessed, the audit tests to be conducted and the minimum level of materiality necessary for the audit tests;
  - Include information on qualifications from the audit of the previous years' CPR to support the definition of audit criteria and scope of tests to be conducted;
  - Include information on the weaknesses of key management systems and controls associated with the audit subject to support the definition of audit criteria and scope of tests to be conducted;
  - Include information on related work by internal audit, to the extent it may be used, considering the different responsibilities and standards used by internal audit; and
- Draw more systematically on the TCU internal body of knowledge as input into formulating the matrix for the audit of the CPR. *In doing so:*
  - Develop a common methodology to assess risk and to determine materiality across secretariats of external control; and
  - Establish and implement clear criterion for the inclusion and removal of entities and programmes for the priority themes of the TCU and individual secretariats of external control.

**Box 3.5. Recommendations for the Brazilian Court of Accounts:  
Audit planning and implementation (cont.)**

- Utilise improvements in audit strategy to enhance the CPR and not only the audit report itself. *In doing so:*
  - Communicate information on the objective and criteria of the audit to the federal executive and the National Congress to support their preparation of the CPR;
  - Utilise the audit matrix to inform the preparation of the TCU annual instruction guiding the preparation of the CPR, including requiring the federal executive to make explicit assertions regarding information.
- Adopt a matrix to support the formulation of audit judgement and main findings, as well as internal review and quality assurance processes.
- Align quality control for the audit of the CPR with that for other control and oversight processes, involving experts, through such forums as reference groups and/or panels, to enhance the methodologies of the audit of the CPR as well as enhance refine audit criteria and tests.

**Ensuring professional and ethical audit work**

- Analyse gaps between the TCU compliance audit manual and *INTOSAI Compliance Audit Guidelines* related to the Audit of Financial Statements (i.e. ISSAI 4 200), to strengthen the audit of the CPR.
- Align actions to strengthen financial audit capabilities of the TCU competency framework, to ensure synergies with – and to support implementation of – human resource management reforms.
- Put in place a mechanism to ensure that subsequent updates to the *INTOSAI Financial Audit Guidelines* are reflected in the TCU audit manuals and audit practices in a timely manner. *In doing so:*
- Monitor the revision of *INTOSAI Financial Audit Guidelines* to ensure that new standards and amendments to existing standards are reflected in the TCU audit manuals and procedures; and
- Consider inviting a peer review of the TCU financial audit methodology in five years (i.e. 2017), involving supreme audit institutions from the INTOSAI Financial Audit Subcommittee.
- Develop a framework to rotate senior staff and/or responsibilities for the audit of the CPR, in order to support the professional development of officials and the improvements of audit techniques.

*Annex 3.A1*  
**Brazilian Federal Court of Accounts-wide priority topics, national level**

2006	2007	2008	2009	2010	2011
1. Voluntary transfers (permanent health material; digital inclusion; mechanised patrols) 2. Prohibitions during elections period	1. Growth Acceleration Programme (PAC)  2. Public security  3. Outsourcing in federal public administration (activities: information technology; cleaning, maintenance & surveillance services) 4. Amazon (territorial occupation; environmental management) 5. Background research for FY 2008 Oversight Plan	1. Growth Acceleration Programme (PAC)  2. Amazon  3. Agrarian reform  4. Family grant ( <i>Bolsa Família</i> ) programme 5. Education (universalisation & quality control) 6. Energy safety  7. Ports  8. Construction  9. Climate change  10. Background research for FY 2009 Oversight Plan (public sector governance; special tasks; health)	1. Public works  2. Growth Acceleration Programme (PAC) 3. Health (primary care; medium- & high-complexity procedures)	1. Public works  2. Growth Acceleration Programme (PAC) 3. Health (waste & misuse of resources; pharmaceutical assistance)  4. 2014 World Cup  5. Financing actions for regional development  6. IT management & use  7. National Plan for Public Security & Citizenship  8. Large-scale armed forces investments  9. Public administration databases  10. Background research for FY 2011 Oversight Plan (public administration IT systems; tax expenditure)	1. Public works  2. Growth Acceleration Programme (PAC) 3. Health (SUS resources)  4. 2014 World Cup  5. Education (technical vocational education & school transportation) 6. Financing actions for regional development 7. Information systems for management of state-owned enterprises 8. Transfer of funds for the promotion of events  9. Management System for the Distribution of Agreements & Contracts 10. Staff/personnel

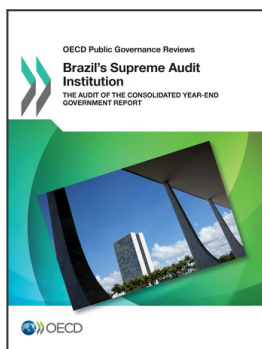
## Notes

- 1 The 2000 Law on Fiscal Responsibility establishes a general framework for budgetary planning, execution and reporting, applicable to all levels of government. It is a "complementary law", requiring a qualified (absolute) majority of the National Congress to be modified. The law comprises general targets and limits for selected fiscal indicators, corrective institutional mechanisms in case of non compliance, and institutional sanctions for non-compliance.
- 2 The Budget Directives Law is an annual law establishing directives for the formulation and execution of the federal budget over a medium-term framework of three years. It must be submitted to the National Congress for examination and approval 4.5 months before submission of the Draft Annual Budget Law. The Pluri-annual Plan sets the government's priorities over the medium term, together with explicit targets and indicative budgetary appropriations at the programme level. It is released during the first year of every administration and spans the entire term of the administration.
3. Prior to Constitutional Amendment 19/1998, the obligation to prepare a year-end report existed only for public administrators. The direct federal public administration includes the Office of the President of the Republic, federal ministries, and secretariats of ministerial status. The indirect federal public administration includes organisations with legal personality, including agencies, foundations, and state-owned and mixed-capital enterprises. These public organisations implement policies on the instruction of organisations of the direct federal public administration. Each organisation of the indirect federal public administration is established by its own law that defines the degree of autonomy in connection with human resources, budget and procurement policies.
4. The federal government of Brazil, under the leadership of the Secretariat of the National Treasury, is introducing a cost system to measure the efficiency of federal government programmes. This system combines information from various management systems of the federal public administration to better assess and evaluate the delivery of public services. In the first semester of FY 2009, the Secretariat of the National Treasury initiated the development of an "exploratory prototype" for this system. The project was approved in July 2010 and the Secretariat of the National Treasury has since initiated training for public officials to use the system. The system was launched at the end of August 2010 (OECD, 2012).

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**From:**

## **Brazil's Supreme Audit Institution**

### **The Audit of the Consolidated Year-end Government Report**

**Access the complete publication at:**

<https://doi.org/10.1787/9789264188112-en>

#### **Please cite this chapter as:**

OECD (2013), "Audit planning and implementation", in *Brazil's Supreme Audit Institution: The Audit of the Consolidated Year-end Government Report*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264188112-10-en>

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