Seminário

O controle interno governamental no Brasil
Velhos Desafios, Novas Perspectivas

14 a 16 de Maio
Iguassu Resort – Foz do Iguaçu - Paraná
World Bank View of Internal Controls

• Perspective based on Bank’s Internal Controls over its Operations and Financial Reporting Framework

• Observations from implementation and oversight of Bank-financed projects
The Bank Reforms

• The Bank’s twin Goals: Reduce poverty and increase shared prosperity

• Focus of the reforms on results through:
  – One World Bank
  – A knowledge and solutions Bank
  – Creating a culture of informed risk-taking
  – Establish a Unified Operations Risk Management Framework that puts clients at the center of all we do
  – Building institutional architecture and policies that support informed risk management and move resources to the front lines
  – Improving effectiveness of management interaction with oversight entities
Review of Bank Policies and Processes

• Efficiency Reviews:
  – Identifying key internal controls to reduce bureaucracy
  – Building a clear link between risks and controls
  – Creating a clear Accountability and Decision Making Framework
  – Creating a technology platform that allows for simple and clear identification and recording of risks and accountabilities and the related internal controls
## ADM decisions and roles for IPF

### Track 2 with safeguards not transferred

<table>
<thead>
<tr>
<th>Roles</th>
<th>Team Leader</th>
<th>Practice Manager</th>
<th>SrPD</th>
<th>Advisors</th>
<th>SA Role</th>
<th>Country Lawyer</th>
<th>CTRL FO</th>
<th>Country Director</th>
<th>GP VP</th>
<th>RVP</th>
<th>Reg. Chief Counsel</th>
<th>MD</th>
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<tbody>
<tr>
<td>Initiation</td>
<td>Should the activity be initiated?</td>
<td>R</td>
<td>Cn</td>
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<td>Concept</td>
<td>Concept review: Should the team proceed to preparations?</td>
<td>R</td>
<td>Cn</td>
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<td>C*</td>
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<td>D</td>
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<tr>
<td>Appraisal</td>
<td>Regular decision review: Should authorization to proceed with appraisal be given?</td>
<td>R</td>
<td>Cn</td>
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<td>ROC decision review</td>
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<tr>
<td>Negotiations</td>
<td>Should negotiations be authorized?</td>
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<td>Cn</td>
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<tr>
<td>Approval</td>
<td>Should the package be sent to the Board for approval?</td>
<td>R</td>
<td>Cn</td>
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<td>C</td>
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### Legend
- D: Decision
- R: Recommendation
- Cn: Concurrence
- C: Clearance
- A: Advisory

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**PCS: RESULTS**
**RISKS**
**REFORMS**
# ADM decisions and roles for Management Responses to Final Investigative Reports (FIRs)

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## Roles

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<tr>
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<th>SrPD</th>
<th>OPSC</th>
<th>RVP</th>
<th>GP VP</th>
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## 1. Management response to Draft FIR

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## 2. Management Action

**Plan on Final FIR recommendations**

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<th><strong>R</strong></th>
<th><strong>D</strong></th>
<th><strong>D</strong></th>
<th><strong>Cn</strong></th>
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*On policy recommendations*
Key Lessons So Far

• Focus on risk-based controls and having appropriate/single decisions makers creates accountability and transparency and improves speed and efficiency of delivery

• Using the internal audit function to review efficiency and effectiveness as well as compliance helps improve quality of policies and processes
Bank-Financed Projects: Some Observations

• Internal controls & the Audit function – as an integrated control framework
• There is a direct link between lack of transparency, weak internal controls/audit functions, and instances of fraud, corruption and lack of efficiency and effectiveness in bank projects
• Even where internal controls have been put in place, problems arise due to breach of those controls – hence the need for a strong audit function
• In a decentralized system (where local capacity may vary) an effective and efficient rules-based PFM system of internal controls and high quality audit function that promotes efficiency, transparency and accountability is an essential tool
# Observations from some decentralized systems

<table>
<thead>
<tr>
<th>Country</th>
<th>Internal Control System at the Local Level</th>
<th>Issues Arising Due to Lack of Internal Controls</th>
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<tbody>
<tr>
<td>Bosnia</td>
<td>Lack of contemporary internal control and audit systems.</td>
<td>Impaired safeguarding measures against abuse, misuse, fraud, and irregularities; widespread corruption; misconduct and misuse of public funds; and public dissatisfaction against government institutions.</td>
</tr>
<tr>
<td>China</td>
<td>Ex ante expenditure control and compliance audits.</td>
<td>Common problems in compliance with laws and regulations; unlawful tax practices.</td>
</tr>
<tr>
<td>India</td>
<td>Inefficient control and audit practices, old fashioned rule books, lack of timely and reliable information; focus on compliance audits, and inadequate follow-up with audit findings.</td>
<td>Frequent case of abuse, misuse and fraud; irregularities and malpractices in procurement; lack of adherence to the stated rules and procedures.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Weak internal control and audit systems.</td>
<td>Unethical and uneconomic operations due to pervasive corruption, inefficient cash management, and collusive practices in procurement.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Weak internal control environment and internal audit, and lack of timely financial information.</td>
<td>Lack of compliance with laws, rules and regulations; fraud and irregularities; and overpaid public purchase and procurement.</td>
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</tbody>
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Some Analysis Based on Integrity Reviews

New Cases Opened by Region, FY13

- **EUROPE & CENTRAL ASIA**: 14 cases
- **AFRICA**: 24 cases
- **SOUTH ASIA**: 16 cases
- **LATIN AMERICA & CARIBBEAN**: 10 cases
- **MIDDLE EAST & NORTH AFRICA**: 5 cases
- **EAST ASIA PACIFIC**: 15 cases

Total cases: 89
New Cases Opened by Sector, FY13

- TRANSPORT: 20
- HEALTH, NUTRITION & POPULATION: 17
- WATER: 15
- AGRICULTURE & RURAL: 12
- PUBLIC SECTOR GOVERNANCE: 9
- ENERGY & MINING: 7
- NO SECTOR: 5
- EDUCATION: 3
- FINANCIAL & PRIVATE SECTOR DEVELOPMENT: 1
Selected case studies of weak IC: Case 1

Findings

- Items purchased not included in the procurement plan.
- Cash checks around USD 1.7M not entered in the cash book and recorded in a separate register.
- Fraudulent invoices - same handwriting in the PIU voucher and the vendor invoice.
- Fake invoices were found in respect of food for participants of training from 10 vendors.
- Unauthorized payment as honorarium to national coordinators and facilitators.

Weak IC

- Overall weak IC system.
- Weak procurement practices.
- Budgetary controls not in place that resulted in procurements of assets not supposed to be made.
- Non maintenance of complete accounts and delayed accounts reconciliation.
- Control deficiencies during authorization of transactions and supervision and monitoring of operations.
- No proper segregation of duties and retention of records.
Selected case studies of weak IC: Case 2

Findings
- Overpaid contracts
- Unauthorized Staff contracts
- Duplicated invoices
- Payments without support documentation
- Misprocurement in several contracts

Weak IC
- Weak accounting and budgetary system
- Control deficiencies during authorization of contracts and payments
- No proper segregation of duties and retention of records.
- Weak procurement practices.
Lessons Learnt

• Strong country systems
• Transparent budget and public expenditure processes with clear lines of accountability
• Strong governance and audit institutions
• Clear and adequate laws, regulations and policies
• Qualified and trained staff
• Adequate risk-based controls at every level
• Focus on efficiency not only compliance/process
Thank you