

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

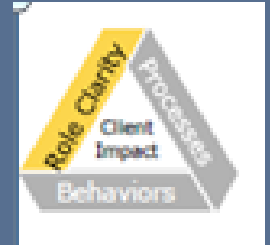
- The Bank's twin Goals: Reduce poverty and increase shared prosperity
- Focus of the reforms on results through:
 - One World Bank
 - A knowledge and solutions Bank
 - Creating a culture of informed risk-taking
 - Establish a Unified Operations Risk Management Framework that puts clients at the center 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



IPF

Roles Revised ADM

		Team Leader	Practice Manager	SrPD	Advisors	SA Role	Country Lawyer	CTRLD FO	Country Director	GP VP	RVP	Reg. Chief Counsel	MD
Track 2 with safeguards not transferred													
1	Initiation	Should the activity be initiated?	R	Cn					D				
	Identification and preparation of concept package												
2	Concept	Concept review: Should the team proceed to preparations?	R	Cn		A	C*	A	A	D			
	Preparation and preparation of appraisal package												
3	Appraisal	Regular decision review: Should authorization to proceed with appraisal be given?	R	Cn		A	C*	A	A	D			
		ROC decision review	R		Cn	A	C*	A	A	Cn		D	
		OC decision review	R		Cn	A	C*	A	A	Cn		Cn	
Appraisal and preparation for negotiations													
4	Negotiations	Should negotiations be authorized?	R	Cn					C	D			C
		Negotiations and preparation for approval package											
5	Approval	Should the package be sent to the Board for approval?	R	Cn				C	C	Cn		D	

Legend: D Decision R Recommendation Cn Concurrence C Clearance A Advisory



ADM DECISIONS AND ROLES FOR MANAGEMENT RESPONSES TO FINAL INVESTIGATIVE REPORTS (FIRs)

	Roles					
	Team Leader	INTVP	SPD	OPCS	RVP	GPVP
INT						
1 Management response to Draft FIR	R	Cn	A	A	A	
2 Management Action Plan on Final FIR recommendations	R		D	D*	Cn	

Legend:	D Decision	R Recommendation	Cn Concurrence	C Clearance	A Advisory
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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

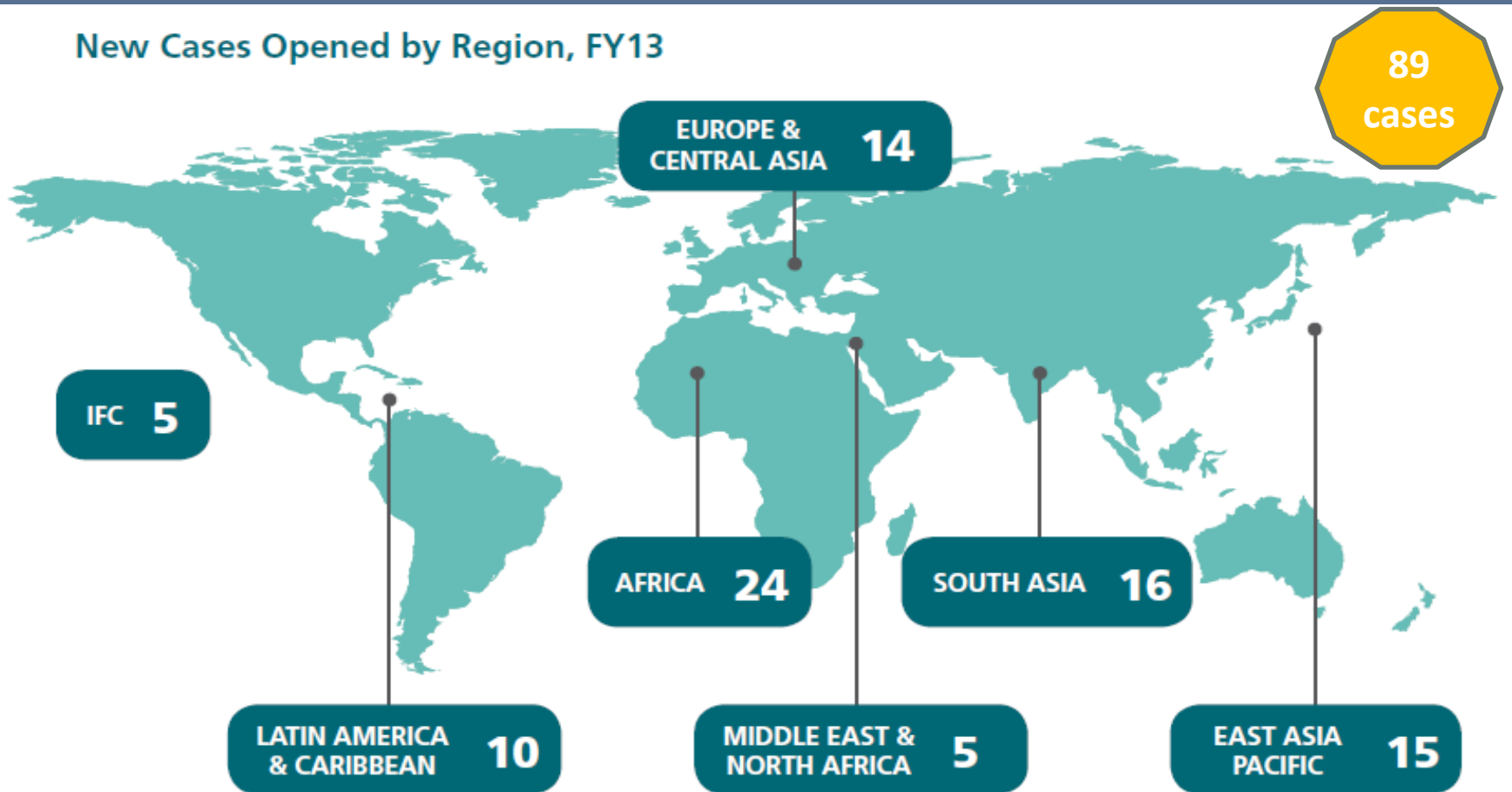


Observations from some decentralized systems

Country	Internal Control System at the Local Level	Issues Arising Due to Lack of Internal Controls
Bosnia	Lack of contemporary internal control and audit systems.	Impaired safeguarding measures against abuse, misuse, fraud, and irregularities; widespread corruption; misconduct and misuse of public funds; and public dissatisfaction against government institutions.
China	Ex ante expenditure control and compliance audits.	Common problems in compliance with laws and regulations; unlawful tax practices.
India	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.	Frequent case of abuse, misuse and fraud; irregularities and malpractices in procurement; lack of adherence to the stated rules and procedures.
Indonesia	Weak internal control and audit systems.	Unethical and uneconomic operations due to pervasive corruption, inefficient cash management, and collusive practices in procurement.
Philippines	Weak internal control environment and internal audit, and lack of timely financial information.	Lack of compliance with laws, rules and regulations; fraud and irregularities; and overpaid public purchase and procurement.

Some Analysis Based on Integrity Reviews

New Cases Opened by Region, FY13



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