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Operational and Compliance Auditing Applied to Public Management

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ABSTRACT

This work investigates operational and compliance auditing applied to public management. A wide-ranging theoretical review was carried out to find the basis for the differences between audits in the private and public sectors, compliance, operational and comprehensive audits. With a qualitative approach, the TCU platform was used to collect data from the Systemic Inspection Reports, extracting from these the compliance and operational audit reports between 2012 and 2018, totaling 61 reports analyzed. It was possible to verify that the two thematic areas with the greatest frequency were the Social and Development areas, involving SECOM as the main technical unit of external control, with the Ministry of Health and the Environment as its clients, finding evidence of irregularities in public administration, showing that the only principle of public administration not infringed was impersonality, concluding that changes are needed.

Keywords: principles. secom. tcu. irregularities. re-engineering.

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1. INTRODUCTION

One of the objectives of public administration is to meet the needs and expectations of the population and it must always act in the public interest, aiming for the common good (OLIVEIRA, 2014; CASTRO, 2018). However, there are many challenges to be overcome in this regard, including ensuring that managers fulfill this purpose.

According to Di Pietro (2020), control has a specific function, which is to ensure that public managers act in accordance with the legal orders inherent in their role, calling those who ignore them to full account. In fact, the aim of control is to guarantee society that public funds will be spent as intended without any kind of misuse.

The subject of this article was chosen to investigate the efficiency and integrity of the Public Administration, among other criteria imposed on it. The purpose of this information is to serve as a basis for judging whether the Public Administration is fulfilling its established role, so that its conduct is not inconsistent. It is of the utmost importance to assess the progress of management, given that it has an obligation to act in the public interest. Therefore, if there are non-conformities, it means that the task assigned to the government has not been fully achieved. In this case, in addition to the duty to correct and take the necessary precautions, it is necessary to analyze the need to restructure the dysfunctional administration.

Likewise, it is concerned with studying the meaning of auditing, what its ramifications are, and among them, highlighting operational auditing and compliance auditing, which were chosen as the main checking instruments in this study, because it was convenient for the authors and because there are no other Brazilian studies that have taken this approach in this way.

There is also a need to examine the areas in which Brazil's external control operates and those that are the focus of operational and compliance audits, in order to see which of these areas public bodies are most concerned about controlling and why they have chosen them. In this way, it will be possible to see whether these choices were based on the needs of Brazilians, which should be the real justification.

In addition to the above, it also aims to verify who is responsible for carrying out external control activities and what their other functions are. Thus, the population will have enough information to be able to ask for clarification of what is confusing directly from those responsible for verifying the validity of the information reported by public bodies.

Furthermore, it is important to highlight how both operational and compliance audits work within the public sector, their functions, who carries them out, in which areas they are

applied and the justifications. All this information is necessary to verify that the public administration is acting impartially, with integrity, in line with the objective of acting in favor of the community.

The public sector was chosen as the object of study because it is a sector that encompasses the interests of all Brazilians, justified by the fact that it employs a certain portion of the population's financial resources in various ways. In addition, the public sector acts on behalf of the community, and its objectives must be aligned with those of the community.

2. THEORETICAL REFERENCE

2.1 Auditing in the Public and Private Sector

Auditing consists of verifying that the stipulated events have come true, according to Araújo (2004). According to the Superior Court of Justice (STJ) (2011), it includes examining the controls in place for managing financial resources and assets, as well as the financial and accounting statements, in addition to assessing the following criteria: compliance with the constitutional principles governing administrative acts and facts; fulfillment of formal and regulatory requirements; and analysis of economic, efficiency, effectiveness and efficacy elements.

Auditing is an accounting technique which, according to Costa (2008), has the mission of checking for fraud, making the reliability of financial statements tangible, and searching for resources to improve the efficiency of public entities. To this end, an audit examination is carried out, where documents, records and books (which are associated with the assets of the entity being audited) are investigated in order to prove their reliability (ATTIE, 2018).

The objective of the audit is to "increase the degree of confidence in the financial statements on the part of users", as defined in the Brazilian Accounting Standards - NBC TA 200 (CONSELHO FEDERAL DE CONTABILIDADE - CFC, 2009, p. 2). This assurance is obtained when the auditor issues a report stating that there is no non-conformity found in the accounting documents, i.e. when the professional does not identify any fraud or error in the audit material.

Auditing is applied in two opposite sectors, the public and the private, which have different objectives. According to Nunes (2006, p. 26), the objective of auditing in the private sector consists of "certifying the veracity of the accounting statements prepared by the audited entity". Public sector auditing, on the other hand, aims to "examine the regularity and efficiency of

administrative management and the use of public resources". Among these two segments, this article focuses on public sector auditing.

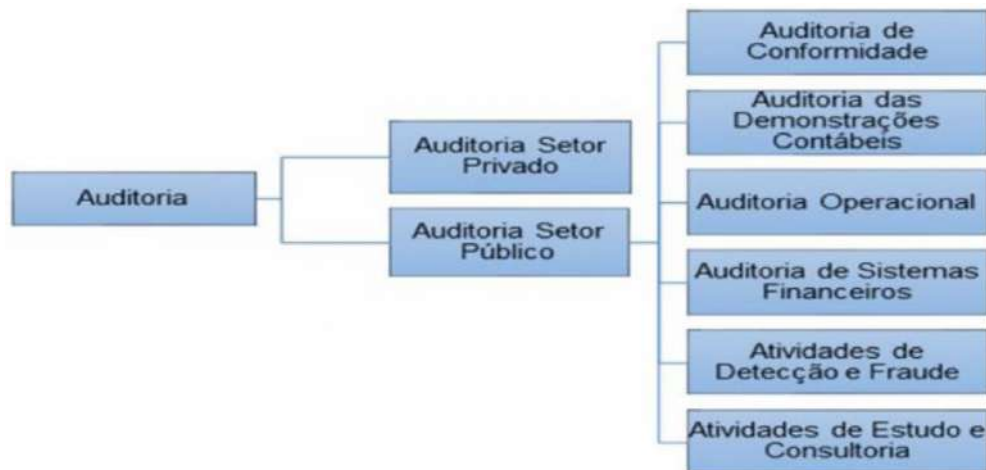
2.2 Auditing in the Public Sector

Public bodies and their employees have an obligation to act transparently and manage the resources entrusted to them with good governance. When these public agents go against the rules, it reflects the practice of fraud and/or corruption, which brings harm to the public administration in various ways, such as damage to public assets (INTOSAI, 2013).

Public sector auditing provides users with clarification about public entities; and conveys confidence in the exercise of public administration and that public resources and assets are used accordingly, in order to enhance transparency. In addition, public sector auditing is indispensable for public administration, since the management of public resources is a matter of trust. Responsibility for managing public resources in accordance with their intended purpose is entrusted to an entity or person acting on behalf of the public. Public sector auditing increases the confidence of intended users by providing independent and objective information and assessments regarding deviation from accepted standards or principles of good governance (INTOSAI, 2013, p. 8).

External control is carried out through actions such as: drawing up individual and collective guidelines, planning training; and improving its own standards (TCU, 2010). These actions can be carried out by independent external entities; however, those responsible for auditing the public sector are the Supreme Audit Institutions (SAIs) related to the Courts of Auditors. The Rui Barbosa Institute - IRB (2015, p. 17) assures that these Courts of Auditors have a duty to inform to citizens about the situations of the audited organizations, in such a way that it appears that "their audits add value and contribute to the evaluation and improvement of Public Administration". Figure 1 shows the ramifications of this audit.

Figure 1: The branches of Auditing



Source: TCU (2010) Adapted

The Courts of Auditors supervise all the bodies and entities which are responsible for managing the direct and indirect public assets of the states and municipalities. The following are the objects of their inspection: application of subsidies; collection or waiver of revenue; accounting, financial, operational, budgetary and patrimonial aspects; and personnel management (TCU, 2010).

Public sector auditing is also known as "government auditing" and is subdivided into various branches, which vary according to the description given by each author. However, this article will only consider the classification according to the Federal Court of Auditors - TCU (2010), as shown in Figure 1, which divides the auditing branches into: Compliance Auditing, Financial Statements Auditing, Operational Auditing, Financial Systems Auditing, Detection and Fraud Activities, and Study and Consulting Activities. Among these fields, this article aims to delve more deeply into Compliance Auditing, which was chosen for convenience.

2.2.1 Compliance Audit

According to the International Organization of Supreme Audit Institutions - INTOSAI (2013), compliance auditing involves measuring compliance with the following audited entities by examining financial information, activities and transactions. The aim of this analysis is to monitor the income, expenditure and management of the audited entity. This is reaffirmed by the STJ (2011), which defines the purpose of the compliance audit as verifying the legality of aspects of the accounting, financial, budgetary and patrimonial means, with the aim of attesting

to compliance with the standards in force.

Compliance auditing involves two criteria in its analysis: legality and legitimacy. Legality consists of "adherence to formal criteria such as applicable laws, regulations and agreements", while legitimacy manifests compliance with the general principles governing responsible financial management and the conduct of public agents (INTOSAI, 2013, p.6). The Federal Court of Auditors - TCU (2010) observes this legality and legitimacy in the actions of managers, so that they are subject to jurisdiction. Once the compliance audit has been carried out on the entity, the Supreme Audit Institutions (SAIs) can judge and punish the public managers responsible for the audited documents. If there are indications of a crime, the SAIs have a duty to inform the judicial authorities. It is the responsibility of the compliance audit to prevent failures and generate improvements based on the results indicated in its reports (TCU, 2010).

The compliance audit differs from the others in that it aims to examine the "legality, legitimacy and economicity of the management acts of those responsible under its jurisdiction, in terms of accounting, finance, budget, assets and operations" (TCU, 2010, p.6). The stages of the compliance audit are divided into:

- Planning Matrix;
- Findings Matrix;
- Accountability Matrix; and
- Summary and Audit Report.

The Planning Matrix is drawn up in the preparation phase of the audit, where the audit questions, information required, sources of information, procedures, details of the procedure, objects, member responsible, period and possible findings are defined. The audit questions define the audit objectives and their main aspects, as well as including the topics to be analyzed. Following on from the information required, the question is limited in order to provide the necessary information and link the sources of information to be used. The sources of information define what they will be, where they are located and in which documents specifically. In the procedures, at least one procedure must be linked to each piece of information that has been proposed. The details of the procedure clearly outline the mechanisms and specify the techniques that will be adopted. The object addresses where the process will be applied. The member responsible designates the person in charge of carrying out the audit. The timeframe for carrying out the work is defined in the period. Possible findings should avoid generalizations, clarify what is expected from the results and be consistent. In addition, the cost estimates for this process must be defined (TCU, 2010). With regard to the stage of drawing up possible

findings, some examples are described by the TCU (2010, p. 19): "avoidance of bidding due to the splitting of expenses; undue direct contracting due to a failure in planning; contracting with a deadline that exceeds that provided for in the legislation [...]".

The Matrix of Findings is made during the audit, in which the finding is described, with the name of the irregularity; the situation found, where the means with which the data is supported and their respective periods are exposed; the objects; the criteria that reveal the standard of how public management should work; the evidence used as a basis for the analysis, where it is found and whether it is sufficient; the conclusive causes that serve as a basis for preventing errors from being replicated, as well as supporting accountability; the effects, where the consequences for society, the treasury, the entity or body are set out; and the referral, which records the guidelines for irregularities, based on the Accountability Matrix (TCU, 2010).

The Accountability Matrix is only necessary when there are irregularities in the findings. In this way, the following are drawn up: the finding, with a description of the irregularity; the name of the person responsible, position and Individual Taxpayer Registration Number (CPF); the period of exercise; the agent's conduct, which can be culpable, willful or by omission, and the respective evidence; the causal link between the conduct and the unlawful result; and culpability, which assesses the disapproval of the illegal activity.

The Audit Summary and Report present the auditors' conclusions and recommendations, which should contain "the audit objective and questions; the methodology used; the volume of resources audited; the estimated benefits; and the findings, conclusions and proposals for action" (TCU, 2010, p. 43).

"All audit work, from planning to completion of the report, is supervised by the director and/or head of the Technical Unit" (TCU, 2010, p. 6). With regard to the compliance audit carried out, the so-called supervisor is responsible for carrying out quality control of the audit, as well as completing and signing the relevant report; analyze the Accountability Matrix and the Matrix of Findings; review the Planning Matrix; direct the objective of the inspection so that it remains in line with auditing standards; and conduct the development of the activity from the planning stage to the conclusion of the report (TCU, 2010).

2.2.2 Operational Audit

According to Araújo (2004, p. 27), operational auditing is a tool that examines the performance of the audited entity, with the aim of "formulating recommendations and comments that

will contribute to improving aspects of economy, efficiency and effectiveness". This definition is reaffirmed by ISSAI (2017, p. 6), which considers operational auditing to be an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

The operational audit "is intended to determine whether the organization subject to examination and evaluation operates properly. In this context, the auditor must evaluate the organization's operations according to a broad scope of objectives" (JUND, 2007, p. 114). According to articles 70 and 81 of the Federal Constitution of 1988, audits are carried out by the National Congress through external control and by the internal control system of each branch of government.

According to Jund (2007, p. 114) "the objective of operational auditing is to advise management on the effective performance of its duties and responsibilities by evaluating the organization". In line with the aforementioned author, Araújo (2004, p. 20) states that its objective is to examine the "development and effectiveness of operations, information and organizational systems, and management methods; the propriety and compliance with administrative policies; and the appropriateness and timeliness of strategic decisions" of the audited administrative process. However, operational auditing allows for "a perspective on the management and results of different government activities" (ISSAI, 2017, p.5), which leads to transparency for the public.

It is therefore understood that operational auditing is made up of processes that make it complex and essential for public administration. Through it, it is possible to improve the performance of public bodies. To this end, there are three fundamental principles evaluated in operational audits (economy, efficiency and effectiveness), which are defined in the following ways:

- Principle of economy: this is translated as reducing the cost of resources (ISSAI, 2017), as well as "the practice by management of the virtues of thrift and good economy" (JUND, 2007, p. 115).

- Principle of efficiency: operating with an effort to reduce costs, increase the speed of execution and improve the quality of the products and services involved (JUND, 2007). In general, it refers to obtaining more resources in the best possible way (ISSAI, 2017).

- Principle of effectiveness: revealed as the achievement of the desired objectives (ISSAI 2017). In other words, "it is the degree to which an organization, program, process, project, operation, activity, function or system achieves the policy objectives, the established operational targets and other expected results and effects" (JUND, 2007, p. 115).

Among the operational audit reports collected, it was found that approximately 9% (nine percent) comply with the principle of economy and efficiency. While around 29% (twenty-nine percent) exercise the principle of effectiveness. These figures represent a major setback in public administration, given that it was expected that all the principles would be fully complied with by public officials.

2.2.3 Areas of activity of the Compliance and Operational Audit

The areas in which external control operates are: State administration; Agriculture and agrarian organization; Social assistance; Civil aviation; Science, technology and innovation; Communications; Culture; National defence; Development; Education; Electric power; Sports; Railways; Industry, services and foreign trade; Water infrastructure, ports and waterways; Urban infrastructure and mobility; Environment; Oil and mining; Social security; Foreign relations; Roads; Health; Public security; Labour and employment; and Tourism. In addition to these, external control encompasses the following cross-cutting areas: Anti-corruption; Public procurement; Public finance; Works supervision; Personnel; National financial system; Information technology; Compulsory transfers; and Efficiency and productivity (TCU, 2016).

Of the twenty-five areas in which the external control operates, only seven are assessed in the nine compliance reports collected, three of which belong to the Health sector and the rest to: State Administration; Science, Technology and Innovation; Education; Sport; Environment; and Agriculture and Agrarian Organization.

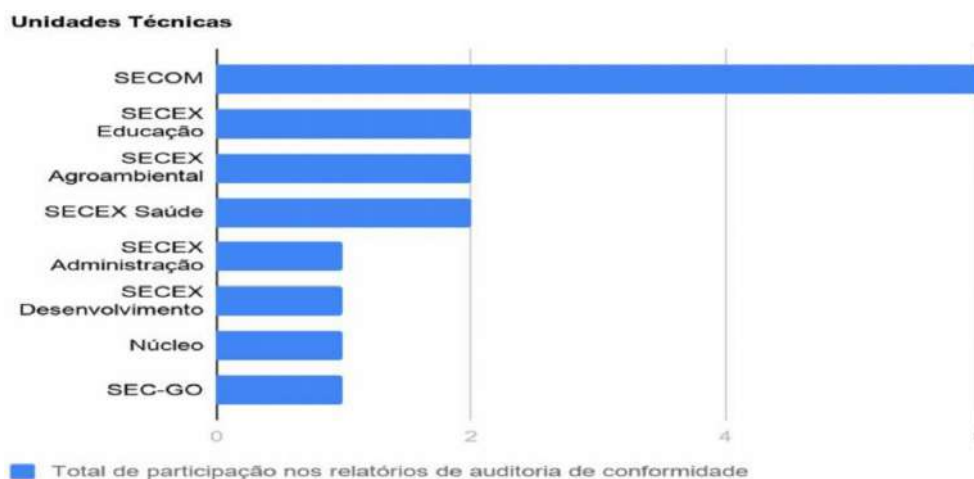
In the operational audit reports, 16 (sixteen) sectors were investigated, including Administration, Agriculture, Trade and Services, Communications, National Defense, Education, Energy, Sports, Finance, Frontier, Enabling, Environment, Agrarian Organization, Social Welfare, Health and Transport. Fifty-two (52) audits were carried out, divided between the areas of the aforementioned sectors. The sectors that stood out were the environment, which consumed 21.15% of total production, and health, which accounted for 19.23% of the total.

2.2.4 Technical reporting units

The Technical Units are external control secretariats, which are part of the Federal Court of Accounts and are responsible for carrying out activities that are part of external control, such as: assisting their rapporteurs, collaborating with the judgment of accounts, among other activi-

ties related to the units subject to the external control of the Federal Court of Accounts (TCU, 2012), as shown in Figure 2.

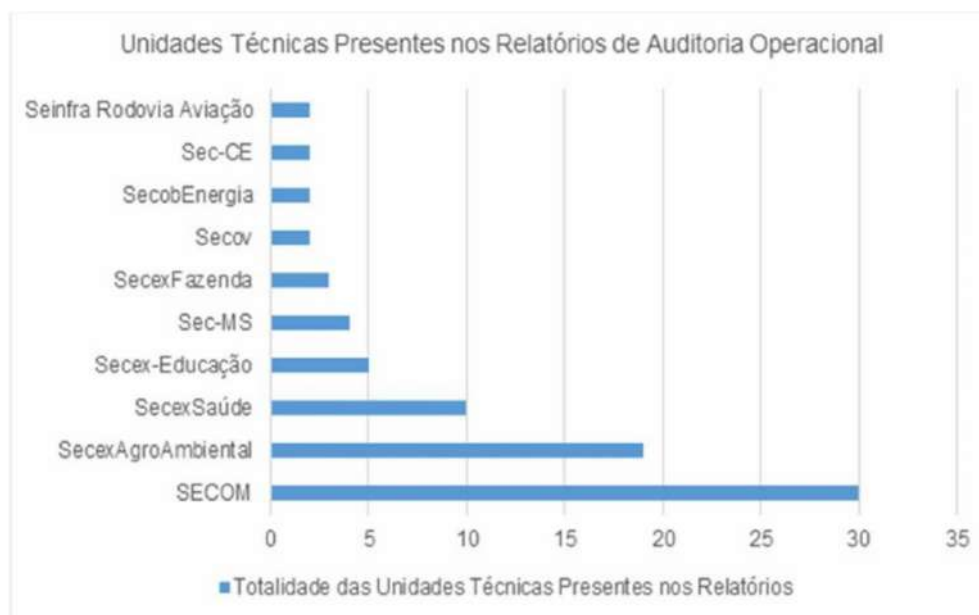
Figure 2: Participation of the Technical Units in the Compliance Reports Collected



Source: Prepared by the authors

With regard to the existing Technical Units, the compliance audit reports analyzed were as follows: six of them referred to the Special Secretariat for Social Communication (SECOM), two to the Secretariat for External Control of Education (SECEX Educação), two to SECEX Agroambiental (Secretariat for External Control of Agroenvironment), two SECEX Saúde, and only one appearance was identified from each of the following technical units: SECEX Administração, SECEX Desenvolvimento, Núcleo de criação e editoração, and Secretaria de Estado da Saúde de Goiás (SEC-GO). Most of the reports were carried out by more than one technical unit, so below is a comparison chart, from which you can clearly see the proportion of participation of the technical units mentioned in the reports collected, as shown in Figure 2.

Figure 3: Technical Units Present in Operational Audit Reports



Source: Prepared by the authors.

On the other hand, Figure 3 shows the main technical units presented in the Operational Audit reports. Twenty-five Technical Units were identified: SECOM (thirty reports); SECEX Agroambiental (nineteen reports); SECEX Saúde (ten reports); SECEX Educação (five); SEC-MS (four); SECEX Fazenda (three); Secretaria da Controladoria e Ouvidoria Geral - SECOV (two); Secretaria de Fiscalização de Obras e Patrimônio da União - Energia - SECOB Energia (two); SEC-CE (two); Secretaria de Infraestrutura, Rodovia e Aviação (two); Secretaria de Combate (one); SECEX Administration (one); Secretariat for Special Operations in Infrastructure (one); SECEX-PE (one); SEC-MT (one); SECEX Development (one); Secretariat for Water Infrastructure, Communications and Mining - SEINFRACOM (one); SECEX Defense (one); Secretariat for the Supervision of Privatization and Regulation of Energy and Communications - SEFIDENERGIA (one); Secretariat for Information and Communication Technology - SETIC (one); SEC-RS (one); SEC-PI (one); SEC-BA (one); Secretariat for the Supervision of Information Technology - SEFTI (one); and SECEX Previdência (one).

By cross-referencing the data from the operational audit with the compliance audit, it is possible to identify that the predominant technical units in both are: SECOM, SECEX Agroambiental, SECEX Saúde and SECEX Educação. As a result, it can be seen that most of those responsible for carrying out external control belong to the areas of health, education, social communication and agri-environment.

2.2.5 Thematic areas

In addition, the thematic areas and their respective number of appearances in the compliance audit reports submitted were: 6 (six) Social; 3 (three) Development; 3 (three) Health; and only one of the following: Social; 3 (three) Development; 3 (three) Health. Social; 3 (three) Development; 3 (three) Health; and only one of the following: State Administration; Social Assistance; Science, Technology and Innovation; Education; Government Programs; Sports; Environment; Agriculture and Agrarian Organization. The main areas in which the reports were distributed are highlighted in Figure 4.

Figure 4: Main Thematic Areas Found in Operational Audit Reports



Source: Prepared by the authors

On the other hand, the operational audit reports covered 23 (twenty-three) areas, including: State Administration; Agriculture and Agrarian Organization; Social Assistance; Science, Technology and Information; Communications; National Defense; Development; Industry and Foreign Trade; Education; Electricity; Higher Education; Sports; Public Finance; Infrastructure; Environment; Oil and Mining; Social Security; Government Programs; Highways; Health; Essential Services or State; and Social.

The main thematic areas covered in both the operational and compliance reports are: Development, Social and Health. In general, the reports cover a wide range of topics, which meet the needs of various sectors.

2.2.6 Clientele

Seven of the nine compliance audit reports discussed in this research specify the clientele to which they refer. The term client represents the jurisdictional unit, i.e. the public administration entity subject to the external control of the Federal Court of Auditors (TCU, 2016). Three of the reports refer to the Ministry of Health, while the rest refer to the following: the Ministry of Education; the Brazilian Olympic Committee and the Brazilian Paralympic Committee; the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA); and the Ministry of Agrarian Development.

Figure 5: Clientele of Operational Audit Reports



Source: Prepared by the authors

At the same time, 101 (one hundred and one) clients were identified in the operational audit reports, including the Ministry of the Environment (present in eleven of the reports); the Ministry of Agriculture, Livestock and Supply (eight reports); and the Ministry of Agrarian Development (six reports). The main clients highlighted are shown in Figure 5.

There are other clients not shown in the graph above because they are part of less than two reports. They are: Companhia Nacional de Abastecimento, Serviço Brasileiro de Apoio às Micro e Pequenas Empresas; Ministério do Desenvolvimento, Indústria e Comércio Exterior; Secretaria de Assuntos Estratégicos; Comando da Marinha; Comando da Aeronáutica; Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira; Organização Latino-Americana e do Caribe de Entidades Fiscalizadoras Superiores; Secretaria do Patrimônio da União; Departamento Nacional de Produção Mineral; Agência Nacional de Energia Elétrica; Conselho Administrativo de Recursos Fiscais; Receita Federal do Brasil; Controladoria-Geral da União; Banco Nacional de Desenvolvimento Econômico e Social; Federal Senate; Chamber of Deputies; Presidency of the Republic; Ministry of Mines and Energy; Chico Mendes Institute

for Biodiversity Conservation; Brazilian Forestry Service; São Francisco and Parnaíba Valleys Development Company; National Institute of Meteorology; Ministry of Science, Technology and Information; Brazilian Agricultural Research Corporation; National Institute for Space Research; Ministry of Transport; Banco do Nordeste do Brasil; Unified Health System; Health Care Secretariat; National Department of Transport Infrastructure; and National Land Transport Agency.

3. METHODOLOGY

This article uses a qualitative theoretical approach, which makes it possible to research different areas covering different subjects. In this way, the qualitative approach extends the choice of topic (YIN, 2016). In addition, Flick (2008, p. 37) classifies this approach as an investigation which allows "the analysis of concrete cases in their local and temporal peculiarities, starting from the expressions and activities of people in their local contexts". Therefore, the preference for this approach is justified by the breadth of alternatives for carrying out the research.

In this way, we used the platform of the Federal Court of Auditors, which is available on the internet to anyone who wants to access it, in order to collect data. Systemic Inspection Reports were found. Of the reports made available, only the Compliance Audit and Operational Audit were used in this research.

In the compliance audit reports, work was found from 2012 to 2018, with two reports from 2012, one from 2013, one from 2014, two from 2015, two from 2016 and one from 2018, totaling nine (9) works. While operational audits comprised 52 (fifty-two) reports, from 2008 to 2018, of which 2014 was the year with the highest number of publications of this type, with a total of 13 (thirteen), followed by 2016, with 10 (ten). In this way, a total of 61 (sixty-one) audit reports were collected for this research.

4. MAIN FINDINGS IN COMPLIANCE AUDIT REPORTS

In the report on the Audit of Compliance in the Granting and Application of Funds from Agreements of the Secretariat of Policies for Women, linked to the Presidency of the Republic (SPM/PR), carried out by the TCU (2013), the following findings were found in relation to the execution of the agreements: misuse of purpose in the execution of the object; total or partial non-execution of the object; irregular handling of the specific account; lack of identification of

the agreement in the payment invoices; fraudulent bidding procedures; and unproven expenses.

There was a lack of mandatory clauses in the terms; failure to analyze feasibility, adequacy and minimum requirements in the work plan; release of funds in disagreement with the regulations governing the matter; deficiency in the grantor's operational capacity to monitor and supervise the execution of the agreements; deficiency in the grantor's operational capacity to analyze the rendering of accounts; in addition to the approval of rendering of accounts containing irregularities (TCU, 2013).

It is assumed that the audit has brought about the following improvements for SPM/PR: reducing the risk of choosing partners who are not suited to achieving the project's objectives; reducing the delay in concluding accountability processes; and monitoring and supervising the implementation of the agreed program and the proper application of funds (TCU, 2013).

Another audit report analyzed was the compliance audit on the use of funds from the Agnelo/Piva Law by the entities that make up the national football system. sport, where the following findings were found: alternation of management caused by the requirements of electoral processes; difficulty in controlling spending; deficiency in the disclosure of the call for tenders; evidence of fraud in bidding processes; overpayment of civil servants; lack of transparency; costly consumption; poor management (TCU, 2016).

In the analysis of the Compliance Audit report on the Terra Legal Program, it was found that the program's objectives were not being met, non-compliance with regulations; fraud in the accounting statements; poor administration (TCU, 2015).

The report on the Compliance Audit on the Regulation of Access to Care revealed: inadequate accumulation of functions; insufficient activities to qualify employees; irregular execution of functions; adversities in the system; and poor management (TCU, 2015).

In the report of the Compliance Audit on the Specialized Component of Pharmaceutical Assistance - FOC CEAF, the following were found: irregular physical structures; failures in supervision; poor management; lack of activities that qualify agents; and system incompatibility (TCU, 2014).

A compliance audit of the National Program for Access to Technical Education and Employment (PRONATEC) found: non-compliance with standards; unsatisfactory control; and the absence of various standards (TCU, 2016).

The Compliance Audit of Information Technology Law 8.248/1991 revealed the use of tax benefits by companies that do not meet the requirements; and the irregular use of tax benefits (TCU, 2018).

The Compliance Audit Report on the Environmental Licensing of the Jirau and Santo Antônio Hydroelectric Power Plants indicated the following problems: flaws in the environmental licensing process; non-compliance with regulations; and neglect of community demands (TCU, 2012).

In the Compliance Audits on the Contractualization of Philanthropic Hospitals, the following were observed: improper allocation of resources; failures in supervision; non-compliance with standards; lack of a current operational plan; existence of unqualified professionals; and misappropriation of financial resources (TCU, 2013).

As shown in the reports above, it can be seen that there are irregularities in public administration, of which the ones that appear most in the reports are mismanagement and fraud. Evidence of fraud includes: fraud in a specific account, in bidding processes, accounting statements, unproven expenses, allocation of resources, financial embezzlement, and irregular use of tax benefits, among others that were not specified in the reports. While the evidence of mismanagement is not specified, the reports present this problem in general terms. The main adversities found are briefly presented in Figure 6.

Figure 6: Main irregularities exposed in the reports



Source: Prepared by the authors

The field described in the table above as "Other" refers to the misfortunes of overpaid salaries; problems and incompatibility of the systems used; irregularities in the physical structures of agencies; flaws in licensing processes; and neglect of public demands.

It is hoped that the recommendations of the inspectors will be acted upon by public officials, which will lead to the following general and main improvements: public management,

control of spending, prevention of fraud, compliance with regulations, and the proper performance of duties, efficiency and effectiveness in the management of processes; follow-up and supervision of managers; improvement in customer service and employee training.

4.1 Operational Audit

Among the main findings in the operational audit reports are adversities in relation to operational and financial management, internal control and oversight.

With regard to operational management, adversities were found such as a lack of management monitoring mechanisms; insufficient controls over system configuration conversions; failure to set up a risk control system capable of discerning and managing facts that affect the objectives of government activities; non-compliance with plans and targets; absence of formalized and institutionalized risk management; failure to make timely decisions; a lack of instruments related to ethics management; restricted inter-institutional and inter-governmental coordination; deficiencies in coordination and integration; lack of strategic planning and control of results; limitations in the organization and monitoring of services; lack of formalization of procedures for distributing processes; insufficient standardization of work; need to designate minimum standards of quality of service; lack of revision of the current strategic plan, as it does not fully reflect the strategic guidelines of the body for the period. As a result, there is a need for medium and long-term planning on the part of the responsible bodies.

With regard to financial management, difficulties were encountered in managing assets; it was found that the way in which the capital obtained for financial support and maintenance is controlled does not have the capacity to provide the correct transfer of resources to the units; lack of inventory closure; damage to the public coffers and to the program; significant distortions in costs; and a decrease in adherence to the sustainable purchasing mechanism.

With regard to internal control, the following were noted: incompatibility of the internal controls in relation to the activities; precariousness in the internal administrative controls, so that they hinder the timely evaluation of the rendering of accounts of the resources; scarce assistance in the execution of the works; insufficient detailed reports regarding the activities; problems with the budget; lack of technical criteria for sizing budget obligations; inconsistency in the use of funds earmarked for the action and high budget utilization; lack of detailed actuarial studies to support budget allocation; and lack of collection of overdue financing, which leads to default and prevents feedback on the program's budget.

With regard to supervision, the following were recognized: lack of performance indicators to monitor the achievement of objectives; vulnerability in the methodology of the performance indicator relating to the evaluation of third parties; insufficient monitoring of service performance through indicators broken down by federated entity; use of indicator that does not represent compliance with its strategic objectives; flaws in the process of holding disciplinary infractions accountable; lack of transparency in capital management and in the process of selecting board members; misunderstanding and misapplication of public accounting rules; failure to comply with the requirements imposed by law; lack of documentation and regularization. There is precariousness in the control actions (inspection and monitoring) carried out, due to the fact that there is no determination of the procedures to be regularly adopted for monitoring each of the enterprise systems and evaluating the application of resources; there is no disclosure of the conclusions of the inspections; and there is no inspection manual that serves to instruct and standardize the procedures of the inspectors in a greater degree of detail and no devices for identifying fraud.

In addition to these irregularities, other areas also showed some deficiencies. With regard to the Program, there was a lack of coordination between federal grant programs and those of other Federation entities; little adherence to government programs; a lack of control over the quality of government program projects; a lack of coordination in terms of planning, execution, evaluation and access to program information, which allows for overlap and/or gaps in action, compromising goals; and expansion without proper planning or research to promote the growth of public policy.

There is insufficient physical space for staff and for archiving documents; the standard projects used for construction do not adequately take into account regional diversity, furniture and equipment; the lack of structure of the technical assistance entities contracted makes many projects unfeasible; a considerable amount of data is on physical media and there are not enough resources to digitize it; and the current structure makes it impossible to provide timely and equitable service to the population. The National Committee is inoperative; there is no statutory provision for the certification committees; there is a violation of the exclusive role of the members of the committees; there is little public participation; there is a risk of losing qualified employees; there are insufficient civil servants; there is a lack of technical qualifications; there are limitations in training and continuing education; and there are weaknesses in the coordination of education.

The most serious problems are linked to the lack of access control procedures and stan-
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dards, covering data authentication criteria, the granting of authorizations and data auditing rules. It was found that there is no record of the software's information output model does not fully meet the needs of all the areas that use the data, which forces them to work with manual procedures, thus putting the integrity of the information at risk. There is a need to set up a computerized system capable of monitoring contracts, because the lack of one can lead to rework, difficulties in consolidating information and representative damage to data during processes. There is an intense slowness in the execution of processes for recognizing responsibility and applying penalties, proposed to curb new breaches of contract. This slowness gives the impression that there is no impunity and encourages the disruption of the investments provided for in the concession contracts.

4.2 Expected improvements

A representative part of the operational audit reports present some expected benefits following compliance with the recommendations made in them. The main areas expected to improve are: service provision; transparency; financial management; and operational management.

With regard to the provision of services, it is hoped that the proposed measures will contribute to the more competent use of built spaces, with the aim of improving the layout of the activities carried out; improvements to be obtained in the control of the quality of service provision; extension of organizational capacity and availability of resources, recovering the structure and the necessary and appropriate means to carry out activities with greater productivity; obtaining adequate standards in the quality of the works carried out; expansion in the level of productivity and efficiency of the agencies, with consequent evolution in the quality of service to the population, in the parameters and granting of benefits.

As far as transparency is concerned, the aim is to emphasize the verification of results and transparency; to intensify clarity, integrity and impartiality in the actions of the agents; and to increase the conditions of transparency present both among the various agents and among society in general.

As for financial management, the expectation is to develop the sustainability of the program from a financial-budgetary perspective; progress in the administration and verification system, in order to certify the precise transfer of financial capital to the assistance for completed units; improved revenue collection; progress in cost estimation techniques; and the generation

of estimates that are more in line with market practices. It is also hoped that the improvement of estimates will also contribute to more economical agreements, in the sense of favoring tariff retention; efficiency in the administration of resources; greater effectiveness in the collection of overdue debts, together with the use of the capital obtained to feed back into the program's budget; and effectiveness in the deduction of overdue debts, as well as in the advance payment of obligations under contracts in this condition, with the alternative of judicial enforcement of these debts.

As far as operational management is concerned, compliance with orders and recommendations is expected, which will contribute to advances in management, programs and projects; achievement of planned objectives; excellence in the processes of acquiring and developing products and systems; acquisition of current technologies; promotion of local industry; mitigation of risks pertinent to the operational scope; activation of best corporate management, integration and evaluation practices to be incorporated into the strategic map of the operational scope; consolidation of the need to produce the Logical Framework when generating, postponing or renewing programs; regularization of the practice of effectiveness and impact evaluation studies; rise of accounting, with the expansion of knowledge about the results achieved; provision of sufficient information to managers and decision-makers for planning, performance, inspection and inspection of the commitments evaluated; institution of a formal risk management process; exaltation of the probability of obtaining the desired results; and control essential for advancing government performance.

4.3 Principles of Public Management

Article 37 of the 1988 Federal Constitution imposes that all those who serve the public administration must respect the following principles: legality, impersonality, morality, publicity and efficiency. The principle of legality refers to obeying the law and acting only in accordance with it. Impersonality refers to not favoring any person or entity over another, treating everyone equally. Morality boils down to operating honestly, as the semantics themselves suggest. Publicity determines that the actions of everything that encompasses public administration must be to everyone. And efficiency is about carrying out processes in the best possible way, in order to achieve the most favorable cost-benefit ratio.

With regard to the principles of public management, it can be seen that the principle of impersonality is the only one whose non-compliance is not evidenced in the reports presented

in this article. Although it has been exposed that there has been fraud in the bidding processes, it has not been shown whether this fraud includes granting benefits to any person or entity. All the other principles are being disobeyed in the various ways described above.

Auditing activities in the public sector must also respect certain principles, which can be summarized as acting with integrity, impartiality, objectivity, competence, confidentiality and in accordance with the professional standards to which they apply (IRB, 2015). This theoretically guarantees that the information provided is reliable.

5. FINAL CONSIDERATIONS

Compliance auditing involves measuring the audited entities' compliance with standards by examining information, activities and financial transactions (INTOSAI, 2013). Operational auditing involves assessing the management and results of government activities (ISSAI, 2017). These are branches of public sector auditing, classified by the Federal Court of Auditors, which is also responsible for carrying out compliance audits. In this way, the Systemic Inspection Reports of the Federal Court of Auditors that highlighted operational and compliance audits were collected.

Through the Systemic Inspection Reports drawn up by the TCU, it was possible to see that the two thematic areas with the highest frequency in both operational and compliance audit reports were the Social and Development areas. The main technical unit responsible for external control was the Special Secretariat for Social Communication (SECOM). The area of external control highlighted in the systemic operational audit reports was the environment, while in the compliance reports it was health. In addition, the Ministry of Health was the main client in the compliance reports, while the Ministry of the Environment was the main client in the operational reports. However, the main areas of concern for government bodies are clear.

Similarly, evidence was found of irregularities in public administration, the main ones being mismanagement and fraud. In addition, of the principles of public management, impersonality is the only one that has not been breached; all the other principles have been disobeyed in various ways, as presented in the reports.

In this way, it can be concluded that the operational and compliance audit reports applied to public management in the country reveal the need to apply reengineering in public administration, due to the various irregularities found and failure to respect the principles.

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