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# **Independent Validation of IA-CM Self-Assessment of General Controllershship of the Federal District (CGDF)**

**Final report  
April 17, 2017**

Validation made by Maria João Kaizeler FMS PRMM-GGODR World Bank

## Thanks

On behalf of CONACI and the World Bank, we would like to thank all those who participated in the training, validation and self-assessment of the Federal District's General Controllership, using the Internal Audit Capacity Assessment (IA-CM) model.

## 1. Introduction

### 1.1 Background

The National Council for Internal Control - CONACI, which represents the internal control organs of the Union, the States, the Federal District and the Municipalities of Capitals, recognizing the need to strengthen the internal control system and the internal audit function. of the World Bank.

As the World Bank's strategy is to help countries improve their economic capacity, and considering that internal control is one of the main pillars of economic growth, a partnership with CONACI, which began in 2014, was established during the seminar "O Governmental Internal Control in Brazil - Old Challenges, New Perspectives ", in the city of Foz do Iguaçu, Paraná, Brazil with the creation of a Working Group (WG).

The WG, as part of the initiatives to strengthen the internal control system in the public sector in Brazil, has been working to motivate an improvement in the internal auditing capacity of Brazilian Internal Control Entities (CGEs and CGMs).

In this sense, it was agreed by the WG to make assessments to the Brazilian Controllers to identify the strengths and areas for improvement of the internal audit activity using the internal audit capacity model (IA-CM). In a first phase, and to validate the utility of the model were made evaluations using the model IA-CM of the General Controllers of the States of Maranhão, Minas Gerais and Piauí, chosen as pilot. In this first phase, three-month studies were carried out, on-site visits and interviews that resulted in reports with the diagnosis of the situation of these CGEs, and from there, the strategies for the implementation of the improvements that were necessary were traced.

It has been found that the IA-CM model is a strategic planning tool that functions as a vehicle for vision and communication, a basis for evaluation and a map for orderly improvement reasons because it becomes a useful tool for the Controllers. This tool, in addition to identifying the strengths and areas for improvement of the internal audit activity, allows the heads of internal control bodies, knowing their level of capacity, the activities they have institutionalized and those that need to develop and institutionalize, have greater power of argumentation and negotiation with the head of the Executive Branch and others interested in its development.

The results of the validation of the self-assessments of the pilot CGEs were presented at the Brasilia seminar in May 2015 and it was verified that this diagnostic model allows to identify the areas that need to be improved and, at the same time, periodically monitor the evolution of the actions , which is of utmost importance to ensure the expected impact. Thus, other internal control bodies showed interest in self-assessment and measure their level of internal audit capacity.

At the CONACI meeting, which was held at CGU's headquarters in May 2015, 12 internal control bodies were registered to evaluate 10 of the states: Federal District, Espírito Santo, Goiás, Mato Grosso, Pará, Paraíba, Paraná, Rio de Janeiro and Santa Catarina, and 2 of the Municipalities: Fortaleza and Maceió.

The representatives of the 12 internal control bodies (maximum of 3) were present in Brasília from October 28 to 30, 2015 and learned about the tool and how to make the self-assessment and what evidence to collect. The self-assessments were then made by each body by November 30 and sent to the pair for review by December 30.

This report corresponds to the validation of the self-assessment done by the CG of the Federal District and reviewed by CGE de Goiás. The Self-assessment was completed in June.

The validation was made a posteriori by Maria João Kaizeler, specialist in financial management (FMS) of the Department of Mobilization and Management of Public Resources (PRMM) of the World Bank's Global Governance Practice (GGODR), based on the analysis of the responses self-assessment, comments from peer review, analysis of evidence documentation (mostly normative legal), and reading responses from stakeholder interviews. For further validation it would be necessary for the specialist to participate in the interviews and to analyze on the spot the documents that justify and validate the evidence base.

Self-assessment and validation supports CGDF in developing a strategy and action plan with the path to achieving a more efficient internal audit function in the short and medium term.

The general highlights and recommendations for action in the short term are detailed in section 2.2. The action plan for the short-term priority recommendations is in section 2.2.3.

The final summary of the self-assessment is attached as Annex C to this report. It should be noted that CGDF has suggested some activities to support capacity improvement. These suggestions are incorporated in section 2.3 which presents The 6 Elements of IA-CM: Conclusions and Areas for Improvement.

The following considerations were important to ensure the success of the assessment and validation:

- Support from CGDF's top management (controller and directors) and stakeholders;
- Involvement of Internal Auditors in all phases;
- Action plans that reinforce sustainable processes that can be realistically implemented.

Factors related to the external environment, such as those found in Brazil regarding governance structures, risk management, financial management and people control and management, as well as those verified in the State and CGDF, regarding institutional capacity and resource level should be considered when developing strategies and action plans to support the key macroprocesses (KPA's). In this sense, in 2016, CGDF contributed to the institutionalization of international management practices, within the framework of the state government of the Federal District, through the elaboration of regulations such as Risk Management, Coso, Code of Ethics, and Administrative and Civil Responsibility.

## 1.2 The IA-CM validation process

The detailed methodology for independent validation of the Control Body Self-Assessment can be found in Annex B. The methodology includes the tasks to be performed before, during and after validation and the main expected results (B.1). Also included in the annex are: the CGDF list of persons and other external stakeholders to the CGDF who were interviewed (B.2); the main lines of questionnaire for the interview trades (B.3); and the list of important documents to be collected as evidence (B.4).

## 1.3 The Internal Audit Capability Model (IA-CM)

The IA-CM is an internationally recognized tool that identifies the rationale for an effective internal audit function in the public sector. It is a universal model with comparability around principles, practices and processes that can be applied globally.

The model identifies 5 progressive levels of capacity, tied to leading practices: Level 1 - Initial; Level 2 - Infrastructure; Level 3 - Integrated; Level 4 - Managed; Level 5 - Optimized. Each capability level identifies key Macro Processes (KPA's) and key practices that should be implemented / institutionalized within the six elements of an internal audit activity identified in the model. Os seis elementos do IA-CM são:

1. Services and Role of Internal Audit
2. People Management
3. Professional Practices
4. Gestão de Performance e Accountability/Responsabilidade
5. Culture and Organizational Relationship
  
6. Governance Structures

Further details on the structure of the IA-CM can be found in Annex A.

## 2. Summary of IA-CM Diagnosis

2.1 The ability of an internal audit function is influenced by the external control environment, the institutional framework and the infrastructure of the organization where it is inserted, and the capacity of the internal audit activity itself. For this reason, this section begins by presenting the general context of the internal control environment of Brazil and specifically of the Federal District. Section 2.2 provides general priority IA-CM recommendations along with the 1-page IA-CM matrix resulting from the CGDF self-assessment. The CGDF Action Plan is also included. Section 2.3 provides a more detailed description of CGDF's current status with respect to each of the six elements of the IA-CM and highlights the various areas for improvement that resulted from the assessment.

### 2.1.1 Control Environment

### 2.1.2 Federative Republic of Brazil

The Federal Constitution of 1988 is the main document that establishes the structure and mandate of the various control entities in Brazil.

There are three levels of government in the Brazilian federation: the federal government, 26 states and the federal district where the capital Brasília is located), and 5,570 municipalities.

The federal government exercises control over the central government.

The 26 Brazilian states and the Federal District are semi-autonomous, with entities that are self-governing with relative financial independence. Each state has its own governance structure, which mirrors the structure of the federal level. The 1988 Constitution allows states to maintain their own taxes and charges, and obliges the regular allocation of a percentage of taxes collected locally by the federal government. The executive role is maintained by the governor and his appointed secretaries.

The municipalities are the third level of the Federative Republic of Brazil. Each municipality has its own organic law and is allowed to collect taxes and taxes. The municipalities are governed by perfect nominees and by a city council.

With respect to control entities, the Federal Constitution of 1988 provides that the external control of the federal public administration is the responsibility of the National Congress, with the assistance of the Federal Audit Court (TCU). The TCU plays its auxiliary role to the National Congress in two main ways. First, it issues a prior opinion of the government's year-end accounts as a technical contribution to the work of the Joint Planning, Budget and Control Committee. Secondly, it has an advisory function to provide permanent advice to the National Congress on budget execution. The Federal Constitution of 1988 gives the National Congress and congressional commissions the possibility of requesting the TCU to carry out specific inspections and audits.

There is also a State Court of Accounts (TCE) in each state and the Federal District. Each TCE reports to the Legislature of its state. They are the entities responsible for conducting financial, compliance and operational audits and special reviews of budget execution and the quality of government expenditures at the state level. There are 27 TCEs (and six TCEMs).

With regard to internal control, the Office of the Comptroller General (CGU) is responsible for combating acts of corruption and for increasing transparency within the federal public administration. It is located within the Office of the President of the Republic and has four main functions: promoting transparency and citizen involvement;

ombudsman; internal control; and internal audit. Internal auditing in Brazil's federal direct public administration is highly centralized within CGU's Federal Office of Internal Control. Each direct federal public administration organization is supported by an "internal audit division" within the Federal Internal Control Secretariat. In addition, in each Ministry, there is a Special Adviser of Internal Control, who is part of the CGU's career, but is appointed by and reports to the Ministry manager.

Some entities of direct public administration have their own internal audit units (CISSET). These include the Office of the President of the Republic (CISSET also audits the Office of the General Controller of the Union) and the Ministries of Foreign Affairs and Defense and the Single Health System. The CGU has 26 regional offices, one in each state.

The CGU also provides functional guidance and support to indirect public administration organizations. Federal Law No. 10,180 / 2001, which deals with the organization of planning, budgeting, financial management, accounting and internal control systems of the federal public administration, requires all indirect public administration organizations to establish their own internal audit units. This requirement was introduced in 2001 as part of the restructuring of the internal audit function of the federal public administration.

At the state level, states have established their own internal control bodies (CGEs), but their capacity and modus operandi differ. Some enjoy the status of a ministerial position, while others are still a department in the governor's office or the State Treasury.

Some municipalities also established internal control bodies (CGMs).

### 2.1.3 State of DF

The Internal Control System of the Federal District referred to in Article 80 of the Organic Law of the Federal District was created by Law No. 830 of December 27, 1994 for the purposes of:

- evaluate the fulfillment of the goals set in the multi-annual plan, the execution of government programs and the budgets of the Federal District;
- to prove the legality and evaluate the results regarding the effectiveness and efficiency of budgetary, financial, accounting and asset management in the organs and entities of the Administration of the Federal District, as well as the application of public resources by private law entities;
- exercise control over the deferral of advantage and the way of calculating any integral part of the remuneration, salary or salary of the Members or servants of the Administration of the Federal District;
- exercise control of credit operations, guarantees and guarantees, as well as the rights, assets and indebtedness of the Federal District;
- to evaluate the cost-benefit ratio of income and incentive waivers, remissions, installments of debts, amnesties, exemptions, allowances, benefits and the like of a financial, tax, credit and other nature.; and
- support external control in the exercise of its institutional mission.

**The Controller General of the Federal District**, in order to comply with its legal competences and the execution of its specific activities, has the current organic and hierarchical structure set forth in Decree No. 36,877 of November 16, 2015. In this way, it acts in the supervision, in the treatment and guidance of data and information available on the Transparency Portal; supervision and coordination of the internal control system; corrections and administrative audits; supervising and coordinating the services of the public ombudsmen of the Federal District; in



the defense of public patrimony and transparency; prevention of corruption; in the verification of the constitutional principles in the acts of the Public Administration; as well as in the determination of indications of administrative irregularities.

Mission: To guide and control the correct application of public resources, through a transparent management and with the participation of society.

Vision: To be recognized as a permanent body of excellence in the control of public management, with transparency and social participation.

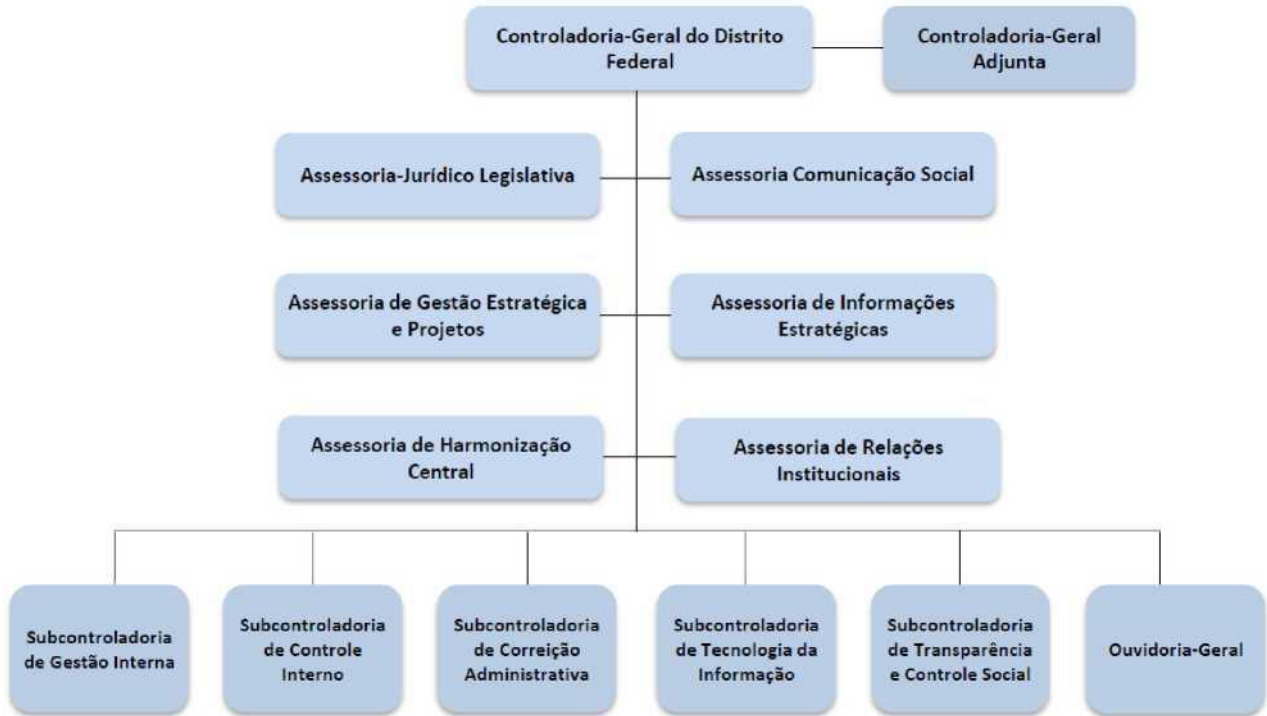
The values chosen as representative in the fulfillment of its mission are: ethics, honesty, honesty, impartiality, morality and legality, all under the same principle - Transparency - guided by a participatory management, focused on the citizen, seeking legality and greater interaction with society.

Reference legislation:

- Arts. 70 and 74 of the Constitution of the Federative Republic of Brazil of 1988 (Constitutional Forecast of the Internal Control System);
- Arts. 77, 80 and 88 of the Organic Law of the Federal District of 1994 (prediction of the Internal Control System within the Federal District);
- The arts. 48 and 49 of the District Complementary Law on 1/1994 (Organic Law of the TCDF determines the obligation to carry out an audit by the Internal Control Body);
- Resolution No. 38/1990 of the Federal District Court of Accounts (TCDF) (regulates the taking and reporting of annual accounts of directors and administrators of expenses);
- District Law n 830/1994 (Creates the Internal Control System of the Federal District);
- District Laws Nos. 3,105 / 2002 and 3,163 / 2003 (Assigns competencies and responsibilities with the creation of the General Office of the Federal District with the status of Secretary of State);
- ■ District Law No 4,448 / 2009 (creates the career of Internal Control Audit - and other District infraconstitutional rules).
- Ordinance No. 226/2015 - CGDF (disciplines CGDF's control actions in direct and indirect administration - consolidates procedures and demonstrates workflows, presents specific auditing products, AI communication channels and reinforces access The inclusion of the format of this normative for internal audit and inspection manuals in the 2017 planning is foreseen).

In compliance with Law No. 4,448 / 2009, art. 18, the execution of control actions is the exclusive prerogative of the members of the Internal Control Audit career of the Federal District, which is legally defined as a typical State career.

The structure of the Comptroller General of the Federal District is as follows:



In August 2016, the Central Harmonization Unit was created, in the form of advice to the Office of the General Controller, inspired by the European internal control model, Public Internal Financial Control (PIFC). The unit, in addition to proposing methods for institutionalization of activities and macroprocesses required to meet the IA-CM model, will work with collaboration and harmonization purposes to improve the governance system of the Federal District,

The **Internal Control Subcontrol** - SUBCI is the area responsible for carrying out control actions within the Executive Branch of the Federal District, through audits and inspections that result in the analysis and inspection of government actions and programs.

The SUBCI is structured so that the execution of control actions is focused on risks and in the large groups of

CNE 06

Coordenação de Inspeção de Pessoal  
 CNE 06

Coordenação de Inspeção de Licitações e Contratos Especializados  
 CNE 06

Coordenação de Inspeção em Ajustes entre Entes Públicos e Privados  
 CNE 06

Coordenação de Auditoria de Gestão de Riscos  
 CNE 06

Coordenação de Auditoria de Monitoramento das Ações de Controle  
 CNE 06

execution of the public expenses.

In January 2017 there was an administrative restructuring at CGDF to segregate and identify the internal audit and inspection activities. The General Audit Coordination and the General Coordination of Inspection were created.

O que é auditado:

- ✓ Budgetary and Financial Execution.
- ✓ Equity of public institutions.
- ✓ Expenditures and public accounts.
- ✓ Acts on server-related issues (pension processes, pensions, reforms and staff-related guidelines).
- ✓ Other actions and programs.

Under Decree No. 36,877, of November 16, 2015, it is incumbent upon the Internal Control Subcontrol, an organic unit of command and supervision, directly subordinated to the Controller-General of the Federal District:

- I. exercise internal control, within the scope of the Executive Branch, regarding the functions of controlling and auditing government;
- II. to monitor and supervise the legality, legitimacy and cost-effectiveness of budgetary, financial, accounting, equity, operational, personnel, subsidy and resource administration procedures arising from the renunciation of revenues of the organs and entities of the Executive Branch of the Company. Federal District, government programs and public policies;
- III. to prove the legality of governmental management and evaluate the results regarding the efficiency and effectiveness of budgetary, financial, accounting and asset management in the organs and entities of the Executive Power of the Federal District, as well as the application of public resources by private law entities;
- IV. exercise control over the deferment of advantage and the way of calculating any integral part of the remuneration, salary or salary of the members or servants of the organs and entities of the Executive Power of the Federal District;
- V. V. evaluate the fulfillment of the goals established in the Pluriannual Plan - PPA, of the Annual Budgetary Law - LOA, and of the Law of Budgetary Guidelines - LDO;
- VI. support external control in the exercise of its institutional mission.
- VII. examine and approve the Annual Plans of Internal Audit Activities of the entities of the Indirect Administration of the Federal District;
- VIII. to guide the public manager on matters related to the conformity of administrative acts;
- IX. to subsidize the Controller-General in verifying the consistency of the data contained in the Fiscal Management Report, as established in the Federal Constitution, in the Organic Law of the Federal District, and in Article 54 of Complementary Law No. 101 of May 4, 2000;
- X. verifying and evaluating the adoption of measures for the return of total personnel expenses to the extent described in Articles 22 and 23 of Complementary Law No. 101 of 2000, as the case may be;
- XI. to verify the adoption of measures for the renewal of amounts of consolidated and movable debts within the limits referred to in article 31 of Complementary Law n. 101, of 2000, when applicable;
- XII. to verify the allocation of funds obtained from the sale of assets, in view of the constitutional restrictions and those of Complementary Law No. 101 of 2000, when applicable;
- XIII. to propose a determination of irregular and unlawful acts and facts of vices and illegalities, practiced by public or private agents, in the use of public resources of the Federal District, including the determination of denunciations and fulfillment of diligences, making sure that whoever uses them, justifies its good and

- regular employment in compliance with the laws, regulations and standards emanating from the competent administrative authorities;
- XIV. to represent to the Controller-General the cases of noncompliance with deadlines, as well as the failure to attend to the proceedings by the organs and entities of the Executive Power of the Federal District;
  - XV. examine and certify the take-up and annual accounts of the authorizing officers, in accordance with the specific rules on the matter;
  - XVI. audits and inspections of a budgetary, financial, accounting, equity and operational nature, including special funds and programs;
  - XVII. examine and certify the special accounts held by the Executive Branch of the Federal District;
  - XVIII. examine and approve the processes of funds supply of reserved character;
  - XIX. regulate, discipline and coordinate the performance of the Internal Control Units, without prejudice to the hierarchical linkage to the organ of the administrative structure to which it belongs, and in accordance with its specific legislation;
  - XX. provide information, in accordance with what is established in the Law on Access to Information, regarding its area of competence;
  - XXI. promote the performance of training and updates of procedures related to internal control, public audits and other work processes within its competence;
  - XXII. approve procedures manuals related to your area of operation;
  - XXIII. approve the standardization, systematization and standardization of the operational procedures of its area of activity;
  - XXIV. formulate policies and define management guidelines related to their area of activity;
  - XXV. approve the annual audit schedule; and
  - XXVI. develop other activities assigned to it in its area of activity.

§1º The audit function referred to in item I of this article shall be exercised, within the scope of the Direct Administration, of the Autarchies and Public Foundations of the Federal District, exclusively by the Internal Control Subcontrol of the Controllershship-General.

§2º The support for external control provided for in item VI of this article consists in the provision of information and referral of the results of internal control actions carried out within the scope of the Comptroller General, without prejudice to the provisions of specific legislation.

In order for the execution of control actions to be focused on risks and in the large execution groups of public expenditures, the structure of the SUBCI is as follows:

1. General Audit Coordination: subdivided in Risk Management and Monitoring of control actions
2. General Coordination of Inspection: subdivided into personnel, government accounts, bids and contracts. It is important to mention that more than 60% of CGDF's workforce was allocated to perform work on previous and concomitant audits.

Since the first CGDF restructuring in 2015, when the Risk Management area was established, the performance of internal auditing has been closer to management, including risk management consulting based on internationally recognized standards (ISO 9001: 2011 - guidelines for auditing Management Systems and Internal Control -

Integrated Framework - 2013 of the Committee of Sponsoring Organizations of the Treadway Commission - COSO).

Additionally, under the technical and normative supervision of the Federal District Comptroller General's Office, the Internal Control Units (UCI) were created in the organizational structures of the Secretaries of State in compliance with the provisions of Decree 32,752 of February 4, 2011. observe the guidelines for protection of public assets; reliability of accounting, financial and operating information; promotion of operational efficiency and effectiveness; stimulating adherence to the policies of the Administration; streamlining procedures and optimizing the allocation of human, material and financial resources; suppression of controls and other administrative rites that are evidenced as merely formal, such as duplication and superposition of efforts, or even the cost of which exceeds the benefits achieved; and mitigation of the risks inherent to the.

The heads of the UCI's were trained in risk management and will assist the work of CGDF in the implementation of the project in the bodies and entities of the GDF.

Regarding the Indirect Administration, Decree No. 32.840 / 2011 provided for the technical supervision and normative guidance of CGDF on the audit units integrated to the organizational structures of the Indirect Administration of the Federal District. The decree provides that these units must meet the following:

- I. forward, for analysis and approval, the annual planning of corrective, audit and ombudsman activities, by October 31 of the previous year to which it refers;
- II. forward, within 30 (thirty) days after completion of the work, the results of corrective, audit and ombudsman activities;
- III. observe the standardization, systematization and standardization of correction, audit and ombudsman procedures;
- IV. to observe, in the composition of the teams of the correctional, audit and ombudsman units, the training and technical profile compatible with the competencies, duties and activities required for the performance of their respective functions, as well as the requirements contained in art. 2e of this Decree; and
- V. to carry out correction, audit and ombudsman work determined by CGDF.

It is important to emphasize that the Decree also provides that the appointment or appointment of the person responsible for the duties of a corregedoria, audit or ombudsman in the entities referred to in art. 1e should be assessed and approved in advance by CGDF.

CGDF has acted in a way to increasingly close the relationship with the indirect administration units. Since 2015, a Coordination of Modernization, Management and Internal Control Units has been created, accompanying and guiding the work of the auditors of these units.

In the last organizational restructuring that occurred in January 2017, this work will continue to be carried out by the Relationship Audit Board with the decentralized audit and internal control units.

On April 6, 2017, CGDF created the Health Sector with administrative structure in the State Department of Health of the Federal District. The unit should operate according to guidelines and references adopted by CGDF. This fact contributes to the improvement of the governance system of the Federal District.

## 2.2 Highlights, Recommendations and Plan of Action

### 2.2.1 abstract

Based on the independent validation of CGDF's IA-CM self-assessment, CGDF has some activities and processes that still need to be implemented and sustained to achieve Tier 2 - Infrastructure. All KPAs up to and including those that are at a certain level should be institutionalized to achieve this level. In this case, some Level 2 KPA need reinforcement.

CGDF still depends to a large extent on the specific competencies of the individual auditor and has not institutionalized sustainable and repeatable processes sufficient to move from Level 1 - Initial to Level 2. At level 1, the Governor and the State face the risk of not being able to count, or routinely benefit, from the added value of the internal audit. Level 1 is not a desirable level if internal audit is to contribute reliably and consistently to improved operations. In this sense, the CGDF has collaborated in a relevant way for the construction of a scenario of strengthening of the internal control system of the Federal District.

Regarding the opinion of CGDF's Controller General, the work of the Internal Control Secretariat is adding value to the DF in two main dimensions, one direct and one indirect. In the case of prior and concomitant audits, the results are immediate and represent, invariably, resource savings and better quality of service delivery - in this sense, CGDF produces results as a direct result of its own actions. Indirectly, management improvement is induced through the implementation of the risk management project, by treating the processes of each GDF unit with a view to mitigating the various risks inherent to each activity.

According to the Controller-General, the work of preventive control suffers from the difficulty of measuring results. This is because its great virtue is to prevent the misuse of the public resource and to ensure quality in the provision of the public service. Since preventive action is an innovation, there are still procedures to be redefined, such as job registration, which has gained a much more dynamic aspect in relation to the planning that was previously produced for the execution of each inspection work. More than that, however, it is necessary to make an evaluation of the actual results that the new model has produced, to decide to maintain this system, or by some type of adjustment that is necessary. For this purpose, in January 2017, the CGDF was created, the Audit Department for Performance and Results of Control Actions.

In terms of audit culture, it has a negative impact on the effectiveness of internal auditing, because it is usually dissociated from concern about the effectiveness of control actions. In this sense, the change in the "momentum" of the audit - from later to preventive - generates mistrusts and insecurities, because it is a very new field in which the auditor starts to take more risks, due to the proximity that establishes with the acts management. To this end, CGDF has held several awareness-raising and managerial training events with the objective of bringing them closer to the control and clarifying the roles of management responsibilities, with regard to pre-emptive controls and lines of defense.

When guaranteeing the Independence of the CGDF / Internal Audit, with regard to the relationship of the GDF's representative - the Governor - with CGDF, the organization's culture has guaranteed, over the years, the minimum independence in the performance of its actions, mainly due to the existence of an audit career that is largely the guarantee of independence of auditors. In 2016, there was a major advance in relation to the issue with the publication of the code of ethics for the career of internal auditors at CGDF, as required by international auditing standards.

The Controller-General also considers that there are areas where CGDF / Internal Audit can improve. CGDF has made great progress in relation to personnel audit, budget line that consumes more than 80% of GDF resources

and is already carrying out preventive and follow-up work on the theme, which has generated savings relevant to the treasury.

The **Deputy Controller-General of the Federal District** (SUBCI) considers that the change of structure occurred in November 2015 enabled SUBCI to focus its activities on preventive audits, since it focuses on critical processes of public administration, making them compatible with the economic categories of public expenditure. In this way, the SUBCI can now turn to other issues in a more effective way, such as programs, actions, activities and processes of government, public debt, assets, instruments of partnerships with private initiative, results public works, provision of essential services, etc..

The way of acting has changed and the preventive action is the mark of the new model of action. The analyzes are made from the beginning of the process of supplying inputs, services, works and other categories. In addition, the promotion of risk management in the district administration, in accordance with ISO 31000: 2009, under the responsibility of the General Comptroller's Office, according to a decree issued by the Governor, is a differential that is changing Management for the better, emphasizing that at the same time SUBCI seeks to institute efficient administrative internal controls, using as reference the COSO 2013. The good results are real, such as risk management and implementation phase in the Hemocentro and METRÔ. Acting in public-private partnerships, especially in the Consortium that is responsible for the new Administrative Center and in the relationship between CODHAB and Caixa Econômica Federal, they also produced excellent results to the point of generating substantial savings for DF.

Regarding the guarantee of Independence of CGDF / Internal Audit, the Deputy Controller-General considers that the activities of SUBCI, pursuant to Law no. 4448/2009, are exclusive of the Internal Control Audit career, considered typical of the state. The law provides for independence of the audit work. In addition to the Law, SUBCI has the autonomy to propose planning of control actions and to open service orders, based on criteria of materiality, criticality and relevance. In addition, auditors apply and defend the principles of the code of ethics of internal auditing career audit servers, including independence and impartiality.

When asked about improvement points, the Deputy Controller-General highlighted the need to improve the monitoring of the results of control actions and the construction of a business plan linked to strategic planning. These shortcomings were met by the actions developed in 2016 and early 2017, namely the structuring of a performance board and results of control actions. The Business Plan was prepared and consolidated information considered relevant to management. It also recorded that, with the GDF's decision to implement the IACM model, a strategic plan was built with well-defined indicators and presented an action plan for level 2 of the IA-CM model specific to produce the products needed for the model. Finally, he pointed out that the organizational culture change being promoted in the SUBCI will contribute greatly to the progress made. Regarding areas in which CGDF / Audit capacity showed a great evolution: monitoring of results of control actions, conducting preventive audits, risk-based auditing, creation of a Harmonization Committee, and implementation of key IA-CM processes. However, it may evolve in the performance of operational audits.

It is the opinion of the Deputy Controller-General that there is a support environment for internal auditing in the Federal District, and proof of this was the materialization of CGDF's restructuring in November 2015, the inclusion of the IACM model in the Government's strategic planning and the results agreement signed with the Governor, the recent decrees issued by the excellent Governor of the Federal District, which institutionalize the Code of Ethics, the regulation of the Anti-Corruption Law and the definition for preferential use of good management practices (application of ISO 31000 and COSO 2013 under GDF).

It is important to note the various positive attributes that were observed during validation by **respondents external** to CGDF. From the answers to the questionnaires it is possible to understand that the Internal Audit adds value to

the related parties. This value is due both to the aspect of the offer of guidelines and training, to the recommendations emanating from the conclusive audit reports and to the support to the implementation and monitoring of risk management in the DF government units. In the interview with SEPLAG, the representative explained that "SUBCI / CGDF is adding value to the Federal District Government through the development of control procedures and actions, such as:

- a. Guidance, control and inspection actions carried out in the organs and entities of the GDF;
- b. the maintenance of the Internal Control Units in the bodies and entities of the GDF through the provision of an Internal Control Auditor to provide managers with preventive guidance, which implies the early identification of risks and consequent correction of failures and irregularities, enabling the improvement of procedures and the improvement of administrative practices.
- c. In addition to important advice regarding compliance with accounting, financial, budgetary, operational, equity and human;
- d. I would like to highlight the previous work on guidelines that is being provided to the Secretariat for Government Procurement / SCG / SEPLAG focused on the smooth progress of bidding and corporate contract management activities;
- e. evaluation of the execution of government programs in terms of effectiveness and efficiency, as well as verifying the economicity and proving the legality of their actions, and finally analyzing the results, actions that make it possible to subsidize decisions, make recommendations, report to society and extract learning with the possible flaws pointed out.
- f. implementation and maintenance of the Internal Control Units Portal that allows the SUBCI / CGDF have access to managerial data registered by the UCI's allowing the orientation and monitoring actions developed by each of these units;
- g. act in the defense of the public patrimony and in the increase of the transparency in the public management;
- h. implementation and monitoring of risk management in the units of the Government of the Federal District. "(SEPLAG-DF)

Despite the recognized value, some suggestions for improvement were presented by the interviewees:

1. "Although the work of prevention, guidance and support to the ICUs is being carried out, there is still room for improvement, which could be implemented if there were more people in the Central Control Body." (Military House of the Federal Government)
2. "... this Military House has already met with CGDF to begin implementing its risk management, understood as an instrument that will clarify the risks involved in management and control, predicting risks and reducing their impacts." (Military House of the Federal Government)
3. "I suggest to review the need for numerous recommendations regarding the assessment of responsibilities contained in the annual accounts, special audits and inspections reports, evaluating the cost / benefit of the appraisal procedure, since with the publication of Decree 37.906 / 2016 that transferred the competence of the establishment of special accounts for direct and indirect administrative organs of the administrative complex of the Federal District, we do not have a specific sector composed of servers trained to carry out so many assessments, some of which prove to be ineffective. the need for the SUBCI to provide an Internal Control Auditor to answer by the UCI / SEPLAG on the occasion of the statutory departures of the Head of the UCI / SEPLAG, since the function is exclusive of the career and so we can count on the permanent orientation of this technician. , start the implementation of risk management in this Secretary. " (SEPLAG-DF)...
4. "As an integral part of the Central Internal Control Body, it is salutary that there is greater interaction with all the Executive Units of the Executive Branch of the Federal District, thus improving direct advisory services to managers." (SEFAZ-DF)



5. "We suggest constantly encouraging the inclusion of the Internal Controls of the indirect Administration in the control actions developed by SUBCI, in order to prepare and update the servers that perform these activities in the indirect Administration, aligning their control activities with those of the Direct Administration, for their Internal Control Units. " (EMATER)...
6. "There should be a closer approximation to the Internal Audits of the GDF Indirect Administration and prioritization of work that has a preventive focus on improving management." (Terracap)
7. "There is no denying the benefits that the implementation of risk management models can provide to Management, however, such modeling must be applied within a broader Corporate Governance context otherwise it will not produce the expected effects." (Terracap)....
8. "... in order to contribute to the improvement of the Unit's work, we made the following suggestions:
  - To direct the auditors to observe the particularities / differences between the Direct Administration and the direct administration bodies, especially regarding the application of legislation, bidding, contract management, public budget.
  - At certain times, the CGDF instituted regulations, systems and procedures that later suffered discontinuities, such as SQD and SAEWEB, recently reactivated. In this sense, we recommend that these procedures be better discussed with the ICUs before their elaboration and implementation.
  - Open up more opportunities for managers to provide the necessary clarifications and justifications in order to balance the audit notes, since misunderstanding or misunderstanding of a questioning can become an unnecessary caveat.
  - Reduce the gap between the regularity audit in the Company's accounts and the conclusion / submission of the final report, since the work, as already mentioned, subsidizes the appreciation of the rendering of accounts by the shareholders.
  - To further strengthen communication with ICUs and create new training opportunities in order to improve audit work, reduce the number and severity of detected problems, and contribute to improving internal control of the organs and entities of the Federal District. " (CAESB)

To combat the problems, and to respond to suggestions for improvement of the interviewees, CGDF has taken a set of measures, namely:

- ✓ In January 2017, the area of relationship with the decentralized internal audit and control units was restructured;
- ✓ A strategic timetable for the implementation of risk management was developed in units of high complexity that will be fulfilled in the coming years.
- ✓ Training and internal discussions were made to customize the procedures related to: recommendations regarding the determination of responsibilities contained in the annual accounts reports, special audits and inspections;
- ✓ CGDF has been acting in a manner closer to the management and has held several meetings and events to train and raise awareness of the manager, identifying and segregating the roles of each actor in the internal control system.
- ✓ The Promotion of the inclusion of the Internal Controls of the indirect Administration in the control actions developed by SUBCI, in order to prepare and update the servers that perform these activities in the indirect Administration, aligning its control activities with those of the Direct Administration, by its Internal Control Units was considered in the Results Agreement signed with the Governor, as well as in the institutional strategic planning of CGDF;
- ✓ The use of SAEWEB became mandatory under the SUBCI;
- ✓ In addition to the preliminary report, an IAC - informational instrument of control was created that gives management a sense of the work that is in progress but has not been finalized;
- ✓ The scope of the work is currently more adequate to meet the mandatory activity and to have more speed

in relation to the term.

The 1-page matrix of the IA-CM, showing the positioning of the CGDF in the model, can be found in figure 2.2.1. The matrix identifies KPAs that are institutionalized; those in institutionalization - short and medium term; those that the CGDF could consider institutionalization - medium and long term; and KPAs not fully evaluated in CGDF self-assessment.

Following the matrix, the report identifies in section 2.2.2, the actions suggested for CGDF to take in the immediate future to help strengthen the internal audit. CGDF responses and action plans are included in Section 2.2.3.

Section 2.3 below provides a more detailed description of the current state of CGDF with respect to each of the six elements of IA-CM and highlights the various areas of improvement resulting from validation.

Figura 2.2.1 Posicionamento na Matriz IA-CM

Níveis/Elementos	Serviços e Papel da AI	Gerenciamento de Pessoas	Práticas Profissionais	Gerenciamento do Desempenho e Accountability	Cultura e Relacionamento Organizacional	Estruturas de Governança
<b>Nível 5 Otimização</b>	AI reconhecido como agente- chave de mudança	Liderança no envolvimento com órgãos profissionais	Melhoria contínua das práticas profissionais	Relatórios públicos sobre sua eficácia	Relações eficazes e constantes	Independência, Poder e autoridade sobre as atividades
		Projeção da equipe	Planejamento Estratégico			
<b>Nível 4 Gerenciado</b>	Asseguração da governança, gestão de risco e controle	AI contribui para o desenvolvimento da gestão	Estratégia de Auditoria alavanca a gestão de risco da organização	Integração de medidas de desempenho qualitativas e quantitativas	CAE assessora e influencia a alta gestão	Supervisão independente da atividade de AI
		AI apoia órgãos profissionais				CAE reporta-se à autoridade principal
		Planejamento da mão de obra				
<b>Nível 3 Integrado</b>	Serviços de assessoramento	Construção de equipes e competências	Arcabouço de Gestão de Qualidade	Medidas de Desempenho	Coordenação com outros grupos de revisão	Supervisão gerencial da atividade de AI
	Auditorias de desempenho	Staff profissionalmente qualificado	Plano de Auditoria baseados em risco	Informação sobre custos	Componente integral da equipe de gestão	Mecanismos de financiamento
		Coordenação da mão de obra		Relatórios de gestão		
<b>Nível 2 Infraestrutura</b>	Auditorias de Conformidade	Desenvolvimento profissional individual	Arcabouço de processos e práticas profissionais	Orçamento operacional de AI	Gerenciamento dentro da atividade de AI	Acesso total às informações, ativos e pessoas da organização
		Pessoas preparadas são identificadas e recrutadas	Plano de Auditoria baseado nas prioridades da gestão e dos stakeholders	Plano de Negócios de AI		Fluxo de relatórios de auditoria estabelecido
<b>Nível 1 Inicial</b>	Ad hoc não estruturadas; auditorias isoladas ou revisão de documentos e transações com finalidade de aferir conformidade; produtos dependem de habilidades específicas de indivíduos que estão nos cargos; ausência de práticas profissionais estabelecidas; falta de estrutura; falta de capacidade; inexistência de KPAs.					

**It is important that the following actions be initiated in the short term to develop an audit more effective and professional internships and support institutionalizing and sustaining KPAs at level 2 -Infrastructure.**

The list below identifies the specific recommendations in order of priority that CGDF should initiate, as fast as possible.

#### Professional Practices

- Develop an Internal Audit Manual and develop the policies, practices and programs necessary to ensure that internal audits are carried out with rigor and due professional care. This Manual and policies should contain sufficient information to guide the auditors in the planning, execution, reporting and follow-up of internal audit results and to define the guidelines and models for preparation of the work papers;
- Follow international professional internal audit standards;
- Implement the quality assurance program in individual audit work to ensure that the audit work is reviewed and deficiencies, if any, are healed; and
- Prepare and implement an annual internal audit plan to ensure that audits are carried out based on management priorities and risk assessment.

#### People management

- Invest in training, namely in on-the-job guidance and training for servers to understand and work as professional internal auditors;
- Identify the competency requirements of auditors at their various levels (eg junior or senior auditor, team leader, audit manager), document the existing responsibilities and competencies required in job descriptions, and determine training, development and skills needed at each level;
- Develop training plans tailored to individual needs;
- Develop and institutionalize a performance appraisal system that includes, where appropriate, incentives for performance excellence; and
- Analyze whether salary / compensation levels can evolve as the auditor career progresses.

#### Services and Role of Internal Audit

- In the area of compliance auditing, ensure that internal audit focuses on auditing the compliance and adherence of an area, process, or system to policies, plans, procedures, laws, regulations and contracts, rather than focusing only on transactional auditing.

#### Culture and Organizational Relationship

- Evaluate CGDF's organizational structure (including the operation of the Subcontrollers) and recommend to the Governor the most appropriate structure to ensure CGDF's strategic and operational objectives are met and governor requirements are met; and
- Since some of CGDF's functions appear to be more functions of management control than oversight functions, to implement processes and practices to ensure that the professional internal audit function exists and their independence and objectivity are assured.

#### Performance Management and Accountability

- Develop a framework for performance management and accountability processes that includes performance, monitoring and reporting measures, a comprehensive cost information system, and important reports for the management / government decision making with performance and financial reporting.

#### Governance Structures

- Evaluate and report on the adequacy of resources to carry out an adequate internal audit plan that provides the necessary guarantees to the governor that the resources are sufficient to enable coverage of critical risks within a reasonable time frame; consider developing and implementing a

process to identify the impact of resource constraints and communicate the impact to the Governor;  
and

■ Consider and encourage the creation of an Internal Management Control Committee made up of senior managers from the Secretariats (for example Superintendents) to support and defend the importance of internal controls and internal audit.

## 2.2.1 ACTION PLAN LEVELS 2,3 AND 4 – SEE THE OTHER SUPPORTING DOCUMENT

## 2.3 The six elements of IA-CM: Conclusions and Areas for Improvement.

### 2.3.1 Services and Role of Internal Audit.

Regarding the Services and Role of Internal Audit element, it is verified that CGDF needs to ensure that some sustainable and repeatable processes are developed to institutionalize Level 3 - Integrated. CGDF has evaluated KPAs as Performance Audits and Performance Audits, with KPA Advisory / Development Services being developed.

KPA - Compliance Audits, has most of the institutionalized activities. According to the CGDF's self-assessment, the Internal Regulation of the Controllershship provides for the nature of the services and the attributions of the areas. There has been an organizational restructuring recently, which meant, in February 2017, the updating of the regiment.

According to CGDF, the identification of the audit objectives, scope and methodology (including sampling method) and development of the detailed audit plan are already institutionalized practices. The risk management consultancy area has already made considerable progress in communicating with managers (for example, by means of an audit engagement letter), since the joint order, context establishment, validated and signed by the managers; the relevant authorities / criteria are identified; the managers' acceptance of the audit criteria and the documentation of the control structure are practices contemplated by the consulting approach. The new structure and new ordinance in force, advocate the performance based on the systemic evaluation of the controls what has been done since then.

With respect to the activities of applying the specific audit procedures; Document the procedures performed and their results; Evaluate the information obtained; To arrive at specific conclusions and to make recommendations, the CGDF stated that Decree 226/2015 provides for these practices. Throughout 2016, these practices were consolidated and improved.

Não se viu evidência de existência de um Manual de Auditoria que especifique e detalhe a natureza das auditorias de conformidade realizadas no âmbito estadual. Apesar da Portaria da CGDF conter os procedimentos e fluxos de trabalhos da SUBCI, os mesmos estão sendo formatados como um manual, que deverá ser concluído em 2017. O Manual deverá ser desenvolvido de forma a especificar a rotina de planejamento operacional de cada atividade de auditoria e orientar o auditor através de minutas de papéis de trabalho.

In order to ensure efficient communication and monitoring / monitoring of audit results, CGDF created, in September 2015, the Audit Coordination of Monitoring and Risk Management. As evidence, CGDF indicated Administrative Rule No. 226/2015 - CGDF, which defines the parameters and competencies for conducting monitoring.

It appears that despite the nature of the services to be provided for in CGDF's law and internal regulations, in practice CGDF's service is still predominantly based on inspections. Note that Internal Audit is different from Inspection and when declaring they are doing inspection then this means that they do not actually perform internal audit. The nomenclature adopted (Inspection), as well as the definition contained in Ordinance 226/2015, may cause a misinterpretation of CGDF's internal audit work. In fact, by analyzing each of the characteristics that define and differentiate internal audits of inspections, according to the table below, CGDF incorporates in its work items that are referenced to the internal audit service. It can not be denied,

however, that it is better to specify this type of work in the manuals, definition of work roles, as well as standardization and implementation of new procedures.

The table below summarizes the main differences between the two types of service:

<b>Inspeção</b>	<b>Auditoria Interna</b>
<b>Verifies documents, inventory, and assets (tests detailed)</b>	<b>Verifies Control Systems (tests of control)</b>
All (100% of selected period)	Based on the results of the control tests, the Internal Auditor decides whether to perform detailed tests and the number of tests
<b>Results: each error, even if insignificant, should be included in the</b>	<b>Results: The report includes all both negative and positive</b>
<b>Responsible persons are reported not the reasons</b>	<b>The Reports include the reasons (causes), conclusions and recommendations</b>
<b>Post-post checks (ex-post) - mainly yes / no for verification of accordance with the law</b>	<b>Ex post checks for assurance, but also to advisory</b>
From outside the entity	From within the entity
From financial activities	Of all activities
Focused on the individual	Focused on systems
Objective: to detect violations and impose sanctions	Objective: to evaluate internal control systems and recommend improvements
Review the past to ensure financial and budgetary discipline	Review the future to help management

In order to fill this situation, in January 2017 there was an administrative restructuring at CGDF to segregate and identify the internal audit and inspection activities. To this end, the General Audit Coordination and the Inspection General Coordination were created.

CGDF's services seem to focus more on transactional adherence to laws and procedures, rather than on the adequacy of the system or process; for example in the verification of individual contracts, rather than in the verification of the overall contracting process for compliance assessment and compliance with policies, laws and regulations.

With respect to compliance audits, additional practices need to be implemented to ensure that this KPA is sustainable. For example, the focus needs to be on developing audit work guidelines, repeatable audit programs, and Job Template templates / templates that ensure that:

- Internal auditing focuses on auditing compliance and adherence of an area, process or system to certain policies, plans, procedures, laws, regulations and contracts, rather than transactional auditing;
- Value added compliance audits are performed;
- due professional care is exercised;
- Audit programs are performed completely and consistently; and

- the conclusions drawn from the audit are adequate and comparable

At a minimum, sustainable processes and practices should be implemented so that CGDF has the guaranteed infrastructure and can begin the development of Level 3 - Integrated activities. According to the self-assessment, level 3 activities are already being developed in view of the fact that level 2 remnants are in the process of consolidation and adequacy.

In its self-assessment, CGDF states that it has institutionalized the KPA - Performance and / or Operational Audits and justifies informing that the nature of the evaluation services provided is provided for in article 15 of Administrative Rule no. 226/2015 and Decree No. 36.877, of November 16, 2015, which provides for the administrative structure of the Comptroller General of the Federal District.

From the answers to the questionnaires it is possible to understand that the Internal Audit adds value to the related parties:

1. "The management of this Military House realizes that, through the Control Units, the SUBCI of the District Controller General has been acting closer to the Managers, providing models of previous controls in order to prevent deviations and improprieties in Management." (Military House of the Federal Government)
2. "... this Military House has already met with CGDF to begin the implementation of its risk management, understood as an instrument that will clarify the risks involved in management and control, predicting risks and reducing their impacts." (Military House of the Federal Government)
3. "The SUBCI has offered guidance and training, assessing impacts of decisions, areas where management can improve and where administrative controls and procedures should operate with greater and lesser intensity." (Military House of the Federal Government)
4. Considering the new form of participatory management, where the SUBCI will act step by step with the jurisdictional ones, in the follow-up of the management of the internal processes, it will allow a better use of the resources, making the public services more efficient. to METRÓ-DF clearly demonstrates the proposed change in the performance of this Control Body. The shared creation of the Risk Management Committee meets the proposed changes. (Subway)
5. "SUBCI has been working to optimize the methodology for conducting audits of regularities in the Annual Accounts and Annual Accounts. We note that the notes contained in the CGDF reports have contributed to the improvement of several procedures, in particular , accounting, budgeting, bidding, contract management and inspection, among others. In this exercise, CGDF has been tightening its partnership with the Internal Control Units (UCI's), through courses on improvement, issuance and dissemination of instructions regulations and ordinances, exchange of information on legislation of interest to the organs." (CAESB)

Given the results of the self-assessment and the responses to the questionnaires, CGDF is advised to continue to devote part of its resources to consulting and advisory services, promoting greater transparency and supporting managers in understanding internal controls and good management practices.

In 2016, CGDF's operations were consolidated through risk management consultancy. There is a strategic timetable for the implementation of risk management in units of high complexity that will be fulfilled over the next few years. Considering that it refers to level 3, it is programmed for the current exercise the manualization of these activities that have already been carried out with the detailed description of these services



CGDF should also consider the following in future audit work:

- more proactive, and preventive audit;;
- more analytical and advisory role;
- more focus on efficiency, effectiveness and economy of public systems, processes and operations, rather than procedural practices; and
- more focus on results-based management and audit.

### 2.3.2 People Management

For the Person Management element, CGDF has some level 2 - Institutional infrastructure activities, namely those related to KPA. Prepared people are identified and recruited, and some KPA - Individual professional development activities still need to be institutionalized.

The entire CGDF Technical team is recruited by public tender.

In the Federal District, as in Brazil in general, public servants, including government auditors, are hired through a public tender. The duties of auditors are defined by law, as are their salary levels. With the exception of a requirement for a university degree, there are no other defined selection criteria (specific experience, training, skills or personal attributes) for access to the career of Government Auditor.

In DF there is no institutionalization of the identification of the knowledge and skills to designate the professionals who will perform the audit tasks, and the curriculum mapping (talent bank) is currently under development.

CGDF has, over the years, provided courses for the servers, but it is not necessary to implement a training linked to a plan or another document / system that manages the necessary training for the server to work on the internal audit. That is, a plan of personal training and professional development is lacking.

Thus, in the short term, it is important that CGDF consider the following in the area of people management:

- Invest in training, including on-the-job guidance and training for employees to understand and work as professional internal auditors;
- Identify the competency requirements of auditors at their various levels (eg junior or senior auditor, team leader, audit manager), document the existing responsibilities and skills required in job descriptions, and determine training, development, and skills needed at each level;
- Develop training plans tailored to individual needs;;

According to the self-assessment, the knowledge, skills, institutional and specific skills required for the servers, aimed at performance in the specific work processes of each unit. In addition, it is in the process of contracting consulting to assist in the work of management of competences that is being carried out by personnel area.

It may be difficult in the short term for CGDF to change hiring and retention practices. However, the following actions can be taken:

- Identify additional selection criteria (eg specific educational and training prerequisites) to complement the public tender process;
- Institutionalize the performance appraisal system that includes, where appropriate, incentives for performance excellence; and

- Analyze whether salary / compensation levels can evolve as the auditor career progresses.

It is also important that, regardless of budgetary constraints, CGDF should prepare an annual audit plan and coordinate the development of the audit plan with the audit resources available to it and determine whether additional resources are required.

### 2.3.3 Professional Practices

In terms of the Professional Practices element, it is verified that CGDF has some of the activities of level 2 - Institutional infrastructure, namely those related to KPA Process Framework and Professional Practices and KPA audit plan based on management priorities and stakeholders.

As for the KPA - Process Framework and Professional Practices, the Internal Regulations, as well as Administrative Rule No. 226/2015, were updated and began to recognize the mandatory nature of the IA, the Code of Ethics and the Rules of Procedure in the Internal Regulation of audit. The Internal Auditors' Code of Ethics was approved by Ordinance 233 of 10/24/2016 and published in DODF on 10/25/16.

Although the CGDF has an internal regulation and an ordinance to instruct and give the general guidelines for the elaboration of the work programs and to have an Audit Management System (SaeWeb) which, according to CGDF, contemplates the routines of all phases of the audits, there was no evidence of an audit manual and normative instructions establishing the methodology to be used and standardizing the audit work. CGDF intends to format the Manual in 2017. It is important that CGDF, in the format of the manual, include policies, processes and procedures that will guide auditors in the planning, execution, reporting and follow-up of the implementation of internal audit recommendations and Working Papers guidelines.

The Audit Manual should include the audit standards as well as the definition of IIA and the Code of Ethics.

With regard to professional practices, it would be useful for CGDF to:

- follow all professional internal audit standards (IPPF standards of the IIA); and
- implement the quality assurance program in individual audit work to ensure that the auditor's work is reviewed and where deficiencies, if any, are remedied.

CGDF indicated that the KPA - audit plan based on management priorities and stakeholders is institutionalized, since there is an audit plan based on Management Priorities and Stakeholders in force published for 2016. The annual audit plan for 2017 will be updated. In fact, this Plan is sent to the DF Court of Auditors. It is important to mention that risk management consultants consider the issues considered as risks and priorities of management when formalizing risk matrices.

CGDF shall develop an annual audit plan as follows:

- Identify all relevant state auditable entities and document the universe of audit;
  
- In collaboration with the Governor and other top State Managers and / or other stakeholders, determine the time period to be covered by the plan (ie annual, multiannual, or a combination);
  
- Through consultations with the Governor and other top State Managers and / or other stakeholders (eg ECA), identify the areas / themes that are considered as priority issues to be addressed by CGDF;
  
- Identify audit work, including cyclical audits, to be included in the plan and all other services that CGDF should provide to the State;
  
- Determine the audit objectives and indicative scope for each audit engagement as well as for any other services, if applicable;
  
- Determine the overall (human, financial, material) resources required to implement the plan, including the amount of resources for each audit work, other services to be provided, and any additional resources that may be required to meet other management and / or interested parties that may arise during the period covered by the plan;
  
- Determine the mix of human resource capacities needed to meet the plan;
  
- Obtain approval of the plan by the governor and the resources needed to implement the plan.

#### 2.3.4 Performance Management and Accountability

For this element, Performance Management and Accountability, CGDF needs to develop processes and practices to implement Level 2 - Infrastructure.

There is a specific budget for CGDF in the Annual Budget Law. A Plan of Action will be undertaken with a view to raising the level of evaluation of the CGDF in the IA-CM standard according to the Strategic Objective stated in the Institutional Strategic Planning 2016-2019. The CGDF carried out a cost survey with the objective of establishing a realistic budget for the activities and resources identified in the business plan of the AI activity, considering the fixed and variable costs, which allow AI to carry out its activity with professionalism and due diligence. This budget is under review.

By the answers to the questionnaires there are some recommendations that suggest improvements in the Management of Performance and Accountability:

1. "I suggest to review the need for numerous recommendations regarding the determination of responsibilities contained in the annual accounts, special audits and inspections reports, evaluating the cost / benefit of the appraisal procedure ..." (SEPLAG-DF)..

It should be noted that, according to CGDF, the reporting models are already under review to be more concise.

In summary, CGDF needs to put into practice a framework of performance management and accountability processes that includes, for example:

- establish realistic budget for AI activity;
- measures of performance, monitoring and reporting;
- Comprehensive cost information system; and
- Important reports for management / government decision making with performance and financial information.

### 2.3.5 Culture and Organizational Relationship

With respect to this element, Culture and Organizational Relationship, the CGDF has a large part of the activities of level 2 - Infrastructure, institutionalized.

Structurally, the CGDF is comprised of: Deputy Comptroller General; Legal Advice - Legislative; Social Media Advisory; Central Harmonization Advisory, Strategic Information Advisory, Strategic Management Advisory and Projects; Institutional Relations Advisory; Subcontrol of Internal Management; Subcontrol of Internal Control, Subcontrol of Administrative Correction, Subcontrol of Information Technology Subcontrol of Transparency and Social Control; and Ombudsman General.

The CGDF is an independent independent body that is part of the Federal District Government, with Secretary status, which performs the four basic macro functions: Transparency, Ombudsman, Correction and Audit.

With the organizational restructuring of January 2017, the areas of internal audit and inspection were segregated and identified. In this way, processes and practices can best be applied to ensure that the professional internal audit function exists and its independence and objectivity are assured.

It should be noted that some answers to the questionnaires give some recommendations that suggest a need for restructuring or improvement of organizational relationship:

1. "Although the work of prevention, guidance and support for ICUs is being carried out, there is still room for improvement, which could be implemented if there were more people in the Central Control Body." (Military House of the Federal Government)

In order to satisfy the suggested recommendations, CGDF has restructured and created a relationship management department with decentralized internal audit and control units.

CGDF has made efforts in the relationship with the other secretariats that also report to the Governor to reinforce its role as a member of the management team, without compromising its independence and objectivity.

Continued collaboration with other review, research and advisory groups has been helpful in sharing relevant information on issues of mutual interest and coordinating activities to ensure appropriate government coverage. It is important that through this collaboration the critical role that CGDF plays in providing independent and objective assurance services to the governor is appreciated.

CGDF has collaborated with TC-DF in several works, but still has to establish formal processes that support common activities and nurture a transparent and cooperative relationship. This can help facilitate communication channels and encourage the complementarity of CGDF's work with that of TCDF. In addition to sharing the internal audit plans, which is considered good practice, it also shares other relevant external and internal audit information. CGDF is currently building a more effective communication to minimize duplication of efforts and encourage TCDF trust in CGDF's work.

### 2.3.6 Governance Structures

In relation to this element, the CGDF evaluated as having all KPAs of Level 2 - Infrastructure and a KPA - Level 3 funding mechanisms institutionalized.

The Legislation provides full access to all the information, resources and people of the organization. The mechanisms to follow when refusing them, are set out in the Procedural Ordinance that updated the Administrative Rule 226.

With regard to the existence of an established flow of audit reports, the Procedural Ordinance and internal regulations already establish the purpose, authority and responsibility of the IA activity. The mission statement and vision for the AI will be included in the manual that is currently being formatted. The regiment is approved by top management. It should be noted that CGDF's mission and vision were defined in the IEP 2016-2019 and include mainly the internal control activities of SUBCI.

In terms of Financing Mechanisms, the CGDF shall evaluate and report on the adequacy of resources to carry out an adequate internal audit plan that provides the necessary guarantees to the governor that the resources are sufficient to enable coverage of critical risks within within a reasonable time. The CGDF should consider developing and implementing a process to identify the impact of resource constraints and communicate the impact to the Governor.

CGDF may also consider and encourage the creation of an Internal Management Control Committee composed of senior management from the Secretariats (eg Superintendents) to support and defend the importance of internal controls and internal audit.

To ensure its independence (which has, simultaneously with the AI activity, ombudsman activities and

transparency considered more than management control) and support its ability to effectively deliver its mandate statewide, CGDF may want to consider , in the long term, the institutionalization of KPA, Independent Supervision of AI Activity, at Level 4 - Managed. For this purpose, the creation of an Independent Audit Committee may be considered to advise and support the Chief of the CGDF, including functions such as:

- revision of the risk-based internal audit plan, which includes both assurance activities and consulting activities;
- review CGDF's budget and resources plan and the adequacy of its organizational structure;
- receive communications from Secretaries of State and senior management on CGDF's performance;  
and
- conduct inquiries to determine if there are inadequate scopes or resource limitations for CGDF.

Such a Committee can also strengthen the concept of social control and transparency.

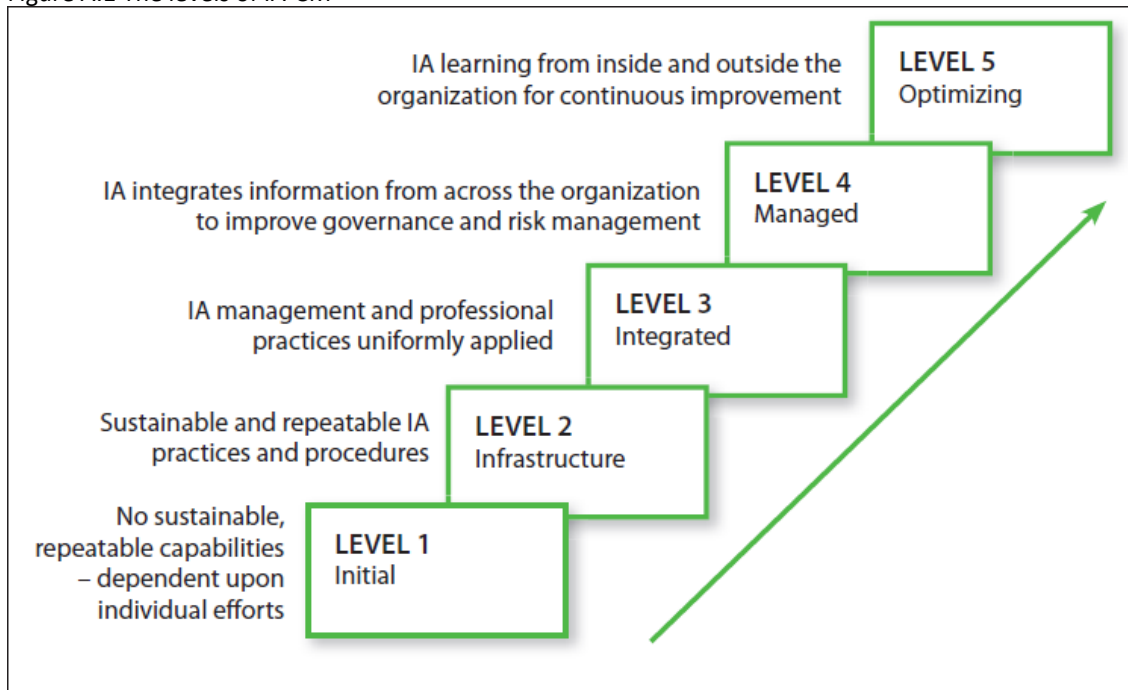
#### Annex A: The Model IA-CM

The IA-CM model was developed to identify the fundamentals needed for effective internal auditing in the public sector and consists of 5 progressive capacity levels tied to industry leading practices.

The IA-CM shows the steps to progress from a typical internal audit level of a less established organization to a strong and effective internal audit activity generally associated with more mature and complex organizations.

Each of the five capacity levels describes the characteristics and elements of an AI activity at that level. The levels illustrate the stages through which an AI activity can evolve when it defines, implements, measures, controls, and perfects its processes and practices. The implementation of repeatable and sustainable processes at a given level provides the basis for progress to the next level. It is a "building by block" approach to creating an effective internal audit function.

Figure A.1 The levels of IA-CM



The IA-CM also identifies six essential elements for an AI activity:

1. Services and role of internal audit - Services include provision of assurance and counseling services as well as services obtained from external service providers. The role is to provide independent and objective assessments to assist the organization in achieving its objectives and improving operations.
2. People Management - The process of creating a work environment that enables people to perform to the best of their abilities. People management includes job descriptions, recruitment form, performance standards, professional development, coaching, coaching and career development.
3. Professional Practices - Reflects the complete scenario of policies, processes and practices that allow the AI activity to be performed effectively and with the professional proficiency and professional zeal due.
4. Performance and accountability management - Refers to the information needed to manage, manage and control the operations of the AI activity and to account for its performance and results.

5. Organizational culture and relationship - includes the organizational structure and internal management and relationships within the AI activity itself, as well as the relationship of the Chief Audit Officer to senior management (eg, the relationship of the Controller to the Governor / Mayor).
6. Governance structures - The subordinate (administrative and functional) relationship of the Chief Audit, and how the AI activity fits within the organization's organizational and governance structure

Key macroprocesses (KPAs) for each of the six elements were defined for capacity levels. KPAs are the main building blocks that determine the level of capacity achieved by the AI activity. Each KPA describes a set of related activities that, when performed collectively, achieve a purpose and produce immediate results and long-term results.

Figure A.2 presents the IA-CM graphically as a one-page array. The vertical axis represents capacity levels - with the ability to increase AI activity from the bottom up. The internal audit elements are displayed on the horizontal axis. The KPAs for each level and for each element are identified in the relevant boxes for the appropriate level. There are 41 KPAs in IA-CM.

The colors in the matrix describe the extent or influence that AI activity has on the elements. By moving from left to right in the matrix, the ability of AI activity to institutionalize KPAs independently decreases. Likewise, AI activity has potentially less ability to independently institutionalize KPAs and ability levels to move upwards from Levels 2 through 5. This change occurs because organization and the environment will tend to increase its influence on the capacity of the AI activity to institutionalize the KPAs at the higher capacity levels.



	<b>Services and role of IA</b>	<b>people management</b>	<b>professional practices</b>	<b>performance management and accountability</b>	<b>Organizational and culture relationships</b>	<b>Governance structures</b>
<b>Level 5 Optimizing</b>	AI reconhecido como agente chave de mudança	Liderança no envolvimento com órgãos profissionais Projeção de Mão de Obra	Aperfeiçoamento contínuo das Práticas Profissionais	Relatório Público sobre sua efetividade	Relações efetivas e permanentes	Independência, poder e autoridade
			Planejamento de AI estratégico			
<b>Level 4 managed</b>	Asseguração da governança, gestão de riscos e controles	AI contribui para desenvolvimento da gestão AI	Estratégia de Auditoria alavanca a gestão de risco da organização	Integração de medidas de desempenhos qualitativas e quantitativas	CAE assessora e influencia a alta gestão	Supervisão independente das atividades de AI
		AI apoia órgãos profissionais Planejamento de mão de obra				CAE reporta-se à autoridade principal
<b>Level 3 Integrated</b>	Serviços de assessoramento	Construção de equipes e Competências	Arcabouço da Gestão da Qualidade	Medidas de Desempenho	Coordenação com outros grupos de revisão	Supervisão gerencial da atividade de AI
	Auditorias de Desempenho	Staff profissional qualificado e Coordenação de Mão de Obra	Planos de Auditoria baseados em Risco	Informação sobre custos e Relatórios de Gestão	Componente integral da equipe de gestão	Mecanismos de Financiamento

<b>Level 2 Infrastructured</b>	Auditoria de Conformidade	Desenvolvimento Profissional Individual	Arcabouço de processos e práticas profissionais.	Orçamento Operacional de A I	Gerenciamento dentro da Atividade de AI	Acesso total às informações, ativos e pessoas da organização
		Pessoas Preparadas são identificadas e recrutadas	Plano de Auditoria baseado nas prioridades da gestão e dos stakeholders	Plano de Negócios da AI		Fluxo de relatórios de auditoria estabelecido
<b>Level 1 Inicial</b>	Ad Hoc não estruturada, auditoria isoladas ou revisão de documentos e transações com finalidade de aferir conformidade; produtos dependem de habilidades específicas de indivíduos que estão nos cargos; ausência de práticas profissionais estabelecidas; falta de estrutura; falta de capacidade; inexistência de KPAs					

The darker shaded green areas represent the KPAs that can normally be institutionalized by the AI activity itself. Clearer shaded areas require structures and management processes beyond internal audit to achieve individual KPAs.

In an effective and mature AI activity it would be expected to achieve at least Level 3 - Integrated. An IA activity at level 3 will generally conform to the International Standards for the Professional Practice of Internal Auditing (Standards) and focus its efforts on issues of capacity, independence and objectivity.

Thus, the IA-CM offers a tool that the public sector organization can use to:

- determine your internal audit requirements according to the nature, complexity and risks associated with your operations;
- assess your internal audit capability against the requirements you have determined; and
- identify any gaps between these requirements and their internal audit capability. Having identified these gaps, an organization can then resolve the most significant and work towards developing the appropriate level of internal audit capability.

- A number of principles underlie IA-CM:

- Internal Audit is an integral component of effective governance in the public sector and as such helps organizations achieve their goals and is accountable for their results.

- - In assessing the capacity level of an internal audit activity, three variables should be considered: the internal audit activity itself, the organization and the overall environment in which the organization operates.
- - The internal audit activity is directly related to the actions taken by the Chief Audit to establish the processes and practices necessary to achieve and maintain the internal audit capacity and the measures taken by the organization's management to establish a supportive environment for the audit internal.
- - Not all organizations require the same capacity or sophistication of internal audit. The appropriate level will be commensurate with the nature and complexity of the organization and the risks to which the organization may be exposed. "No one size fits all".
- - The internal audit should take into account the principles of opportunity cost and be delivered in a profitable way (taking into account the benefits obtained and the cost involved).

## Annex B: The Independent Validation Methodology

### B.1 Before, During, and After Self-Assessment

#### **Before Self-Assessment:**

1. CONACI sent a letter to all its members explaining the model and requesting registration of interested parties;
2. Head of Audit of the CGE (the controller) expressed interest in making the diagnosis of its internal audit capacity;
3. CONACI gathered the information of the interested parties and sent a report to the World Bank;
4. Each of the Control Bodies defined the team, composed of 3 servers, that would conduct the self-assessment;
5. The CONACI / WB IA-CM Thematic Group organized and provided training on the IA-CM that took place at the WB headquarters in Brasilia from October 28 to 30, 2015;
6. The CONACI / BM Thematic Group of IA-CM selected who would do the peer review and reported the main dates;
7. The teams from each control body received training on the IA-CM Internal Audit Capability Model and agreed with the selected reviewers and with the suggested dates.

#### **During Self-Assessment:**

During the self-assessment of the team responsible for Self-Assessment had the following tasks (as of 11/30/2015):

1. Communicate with the Chief of AI activity and other stakeholders explaining the purpose of the CGE diagnostic project using the IA-CM model and the IA-CM specific validation exercise.
2. Obtain and review the relevant documentation of IA activity pertaining to the six elements of IA-CM: the Services and the Role of Internal Audit, People Management, Professional Practices, Organizational Performance and Accountability, Culture and Relationship , and Governance Structures. Much of the information is found in the legislation governing AI activity, in its statute, in the manual of professional practices and in organizational policies. Any recent evaluations, internal or external (eg QAR), were also obtained.
3. Prepare a list of key stakeholders (for example, the board of directors, external auditors, clients, etc.) and prepare briefs on issues of perceiving the effectiveness of Internal Audit;
4. Use the IA-CM Tool to respond to questions about the level of institutionalization of Activities and KPAs and upload evidence of assertions made....
5. Obtain and analyze other relevant information pertaining to the organization itself and any environmental factors that may influence the effectiveness of the IIA activity (eg, legislative system, government reforms, financial management regime, governance maturity, tradition of external audit, whether there are central determinants or internal inhibitors for auditing, etc. );
6. Summarize the Internal Control System of the State / Municipality and the result of the Self-Assessment and prepare the 1 Page Matrix with the result of its diagnosis;
7. Submit the report, summaries, and evidence for Peer Review .

During the self-assessment the review team had the following tasks (as of 12/30/2015):

1. Review the evidence and document the statements made regarding the level of institutionalization of activities and achievement of KPAs related to the six elements of IA-CM: services and the Role of Internal Audit, People Management, Professional Practices, the Performance and Accountability Management, Culture and Relationship of the Organization, and Governance Structures;
2. Suggest improvements and stronger evidence when identified and when relevant.

**After Self-Assessment:**

1. Refine the IA-CM with any necessary changes after validation;
2. The Self-assessment team should prepare a strategy and action plan with the path to achieve a more efficient internal audit function in the short and medium term;
3. The team should send thank-you letters to the AI Chief and the other participants;
4. Prepare a report on the results of IA-CM validation and send to the IA Chief. The report should include, at a minimum, interviewees, revised sites and documents, IA-CM refinements resulting from validation, common themes for IA-CM application and interpretation, AI activity background for the six audit elements and examples of evolution / best practices and suggestions for improving AI activity.

## B.2 Main Stakeholders and Interviewees in the Diagnosis

The Working Group responsible for self-assessment of the IA-CM in the CGDF prepared, according to technical guidance from the World Bank, a questionnaire evaluating the Internal Audit carried out by the Controllershship and sent to the stakeholders of greater relevance. Questionnaires were addressed to members of the CGDF Board of Directors, as well as the occupants of the most relevant positions in the scope of control and of the State, which are:

- Henrique Morais Ziller - Controller-General of the Federal District
- Marcos Tadeu de Andrade - Deputy General Controller of the Federal District
- Lucio Carlos de Pinho Filho - Internal Control Subcontroller and Self-Assessment Team Member
- Liane Vasconcelos de Araújo Angoti - Audit Coordinator and Member of the Self-Assessment Team
- Luciane Rodrigues Soares - Audit Coordinator and Member of the Self-Assessment Team
- Paulo Ribeiro Lemos - Audit Coordinator and Member of the Self-Assessment Team
- Leany Barreiro de Sousa Lemos - Secretary of the State Planning, Budget and Management Department of the Federal District (SEPLAG-DF)
- Wilson José de Paula - Assistant Secretary of the Federal District Department of Finance (SEFAZ-DF)
- Wilton de Melo - Deputy Chief of the Military House of the Governorate of the Federal

District

- Marcelo Dourado - Chief Executive Officer of the Metrô of the Federal District (Metrô)
- Luís Claudio de Freitas - Internal Controller Terracap
- Argileu Martins da Silva - President of the Technical Assistance and Rural Extension Company of the Federal District (EMATER)
- Karlos Vicente Vasconcelos Pereira (Chief Controller - Substitute CAESB DF)
- Adalton Cardoso Flores (TCDF's External Control Secretary);
- Agnaldo Moreira Marques (Secretary of Audit of TCDF)

The statements of the interviewees relate the qualities of the Central Internal Control Body, as well as the points in which it will be necessary to improve the way the Controllership operates.

In relation to internal stakeholders, it is worth highlighting the analyzes of the Controller-General and the Deputy Controller-General, who discuss in a structured way questions about how the CGDF / Internal Audit operates, such as the support environment for internal auditing , on the audit culture, and on the points of improvement. Further detail of the answers can be found in section 2.2.1.

### B.3 Top Interview Questions .

**Objective:** To obtain data on whether the CGE / Internal Audit meets the needs of top management and other stakeholders involved in supporting governance, risk management and control processes; and what improvements, if any, are required by CGE / Internal Audit.

**Issues include:**

- For the Controller / Auditor General and Superintendent / Coordinator / Directoro Is there a support environment for internal auditing in the State / Municipality? o Are there facilitators or an audit culture influencing positively or negatively impacting the effectiveness of internal audit? o What are the main practices demonstrated by CGE? How are they supported / institutionalized in CGE? In other words, how is the CGE / Internal Audit and is there guarantee that these practices will continue to be applied (eg, legislative or political mandate)? How is the independence of CGE / Internal Audit guaranteed?Are there areas where the CGE / Internal Audit could improve? Are there specific areas where the capacity of CGE / Internal Audit could evolve? o There are sufficient resources for the CGE / Internal Audit to reasonably guarantee that the Ministry / State's governance, risk management and control processes are effective?
- Client Secretaries (Health, Education, Infrastructure, etc.)
  - o How do you consider internal audit to create value? How could you create more value for your entity? How was the audit work last year; which it considers could have been better?
  - o Are there areas where CGE / Internal Audit could improve? There are specific areas in which the capacity of the CGE / Internal Audit could evolve?

- Head of Human Resources.
  - How does the Ministry / Government / CGE recruitment process and its panics work?
  - What are the challenges / constraints in the human resources policy of the State?
  
- Head of Finance - Understanding the CGE budget and budget allocation mechanisms.
  - Is the Budget segregated between Superintendencies / Boards? ◦ Is there a specific budget in the LOA for the AI activity? ◦ What are the constraints / challenges in the state budget policy?
  
- TCE, Regional CGU, Public Prosecutor - Interview with other oversight / supervision entities (eg Evaluation, Investigations, Compliance, etc.) to explore collaboration / coordination and relationship with CGE.
  - What is the relationship of the CAE (Head of Audit - Controller and / or Superintendent) with the TCE, with the Regional CGU, with the Regional Public Prosecutor? How do these relationships stand? How do these relationships contribute to the effectiveness of internal audit? What is the quality of the relationship? CGE / TCE; CGE / CGU; CGE / MP; ◦ Is there collaboration between the various entities? How does the collaboration work? How could you improve collaboration?
  - Are meetings held and exposed common problems? Are audit plans shared and discussed? Are the audit findings set? Do you do Integrated Audit work? How often? ◦ Are there areas where the CGE / Internal Audit could improve? There are specific areas in which the capacity of the CGE / Internal Audit could evolve?
  
- Governor / Civil House.
  - Is internal audit adding value to the Ministry / State? How this "value added" is evaluated / measured?
  - How is the independence of CGE / Internal Audit guaranteed?
  - Are there areas where CGE / Internal Audit could improve? Are there specific areas where the capacity of CGE / Internal Audit could evolve?
  
  - There are sufficient resources for the CGE / Internal Audit to reasonably guarantee that the Ministry / State's governance, risk management and control processes are effective?

## B.4 Important Documentation for Self-Assessment and Validation

### Governance Structures

- Any federal or state legislation that establishes or regulates internal control and internal audit (jurisdiction, assignments, internal audit standards, etc.);
- Contract / Term of Reference, which establishes the CGE;
- Code of Ethics / Confidentiality Code / Conflict of Interests of the Union / State / Ministry;
- Regulation / Terms of Reference of the Audit Committee of the CGE, if any.

#### Culture and Organizational Relationship.

- Ministry / State Organization Chart;
- CGE Organization Chart.

#### Performance Management and Accountability

- CGE Annual Business Plan;
- CGE Strategic Plan;
- CGE Annual Report;
- ■ Performance measurement framework (performance measurement framework);
- Key Performance Indicators.

#### Professional Practices.

- CGE Professional Practice Procedures / Procedures Manual;
- CGE Policies;
- Details of the Quality Assurance and Improvement Program, including review of supervision and signature of working documents;
- External evaluation reports made;
- Processes related to the identification of the universe of the audit and the annual risk assessment exercise;
- Annual / Multi-Annual Audit Plan;
- Customer Satisfaction Surveys.



## People management

- Job Description;
- Personnel and selection policy;
- Training and development policy;
- Internal Audit competency framework;
- Training and Development Plan;
- Workforce / Workforce Plan;
- Details of the evaluation system and performance management

## Services and the Role of Internal Audit

- Detailing the work paper system; Templates / templates of audit programs pex. Internal control questionnaires, audit work plan, audit reports, etc .;
- Guidance documents for internal audit, such as: audit manual;
- Policy / Standard Operating Procedure for monitoring audit recommendations
- Examples of issued audit reports

## B.5 Documentation evidence of the Federal District Self-Assessment

[INTERNAL REGULATION STC.pdf Ordinance 226 / 2015.pdf DECREE N ° 31.453](#)

[/2010.pdf](#)

[DECREE N ° 31.452-2010 -REGULAMENTA GTIT AND AQ.pdf LAW N ° 4426/2009 -](#)

[AQ and GTIT.pdf LAW N ° 5.190 / 2013.pdf REGIMENTO INTERNOSTC.pdf](#)

[TABLE REMUNERATION - Commissioned Charges.pdf Internal Control Audit](#)

[TABLE REMUNERATION.pdf FEDERAL CONSTITUTION 1988.pdf LC 1/94 pdf](#)

[DECREE N ° 36.705-2015 - CREATION COMRI..pdf](#)

[STRATEGIC PLANNING 2012-2015.pdf](#)

[DECREE N ° 36.877-2015 - STRUCTURE CGDF.pdf](#)

[LEI 4448-2009.pdf](#)

[LEI 3105-2002.pdf](#)

[LEI 830-1994.pdf LODF.pdf](#)

[DECREE No. 34.367-2013 - UCI.pdf](#)

[DECREE N ° 36.236-2015 - STRUCTURE ADM GDF..pdf](#)

## Annex C: Self-assessment summary using the IA-CM in the CG of the Federal District

This document is a summary of CGDF self-assessment using the IA-CM model. It lists the main findings and actions to be undertaken based on the evaluation conducted in November and December 2015.

### 1. The Model

The Institute of Internal Auditors has developed tools that can be used by the public sector to measure an organization's ability to conduct its core activities and internal oversight functions, referred to as the Internal Audit Capacity Model (IA-CM) for the public sector. The IA-CM's goal is to help organizations assess what their competencies are and to determine how they can evolve to higher levels of the model. Once at the highest level, it is expected that the organization will have advanced technical, behavioral and political skills to the point of being considered a reference of excellence in the Internal Control function.

The IA-CM is based on six elements and five levels. These elements represent managerial aspects that must be observed as one seeks to improve the effectiveness of supervision and consulting activities in internal control units. The five levels represent an abstract way of classifying how good organizations are in each of the six managerial aspects and how good they can become. The elements of the model are defined as follows: (1) Services and Role of Internal Audit; (2) People Management; (3) Professional Practices; (4) Performance Management and Accountability; (5) Culture and Organizational Relationship; (6) Governance Structures. The elements and levels together are organized in matrix form. In each cell we can have various aspects to be observed. Each aspect is called KPA (Key Process Area) which is the most elementary unit of organizational assessment. The evaluation process involves taking each KPA for analysis and verifying how well your activities, products, results / benefits, and practices are consistent with the organizational reality. For each analysis, areas for improvement and strategies can be documented to later establish change projects to put them into practice.

### 2. Result

The summary of the results of the evaluations carried out according to the IA-CM Self-Assessment Model is presented below, by levels of the model

#### Level 2 - Infrastructure

The result of the evaluation of the KPA "Audit of Compliance", of the element "Services and the role of Internal Audit" was considered by most of its activities, institutionalized based on the attendance of the three activities: institutionalization of the regiment, and audit documentation and reporting of results.

Regarding the KPA "Individual Professional Development" element "People Management" there are provisions to be implemented in some activities because although there is determination of training for all servers, there is not yet for each individual. The people management area is studying competency management for implementation at CGDF.

For KPA "Identified and Recruited Habilitates" the "People Management" element was considered mostly institutionalized, since only the activity of identifying the knowledge, skills and other skills

required to perform auditing tasks needs to be improved, and will be based on the implementation of skills management.

In the same way the KPA "Management plan based on management priorities and stakeholders", the element "professional practices" was considered institutionalized in view of the fact that most activities are institutionalized. In the consulting work, it is already common practice to consult managers on areas and topics considered as priority issues to be addressed by the IIA, as well as the identification of the cyclical audits to be included in the plan. In May / 2016, the Code of Ethics for Servants of the Federal District Government was published and in October / 2016 the Code of Ethics for the Internal Control Career. In relation to the implementation of the processes necessary to ensure the quality of individual audit work, the Quality Assessment Program was established in 2016 within the scope of the SUBCI as well as the Quality Assessment Committee. Currently the CGDF is drafting the Manual of Quality Assessment with a forecast until May / 2017 to carry out the first evaluation.

The "Internal Audit Operational Budget" in the "Performance Management and Accountability" element was considered under development since the costing has been carried out, but a more realistic budget has yet to be developed for the activities and resources identified in the business plan , considering fixed and variable costs.

In the KPA "Internal audit business plan" the element "performance management and accountability" can be institutionalized considering that it was elaborated contemplating the services, including support and administrative services required for the effective delivery of the activity are performed by auditors, among others .

In the KPA "Management within the Internal Audit activity" the element "culture and organizational relationship" was considered institutionalized considering that both the formal structure and responsibilities are well defined in the CGDF, in addition to the use of the SAEWEB audit system. However, there is still a need to improve activities to support organizational needs and the reporting relationships of people within the unit. It is important to mention that CGDF has developed its communication plan to foster continuous and constructive communication within the AI activity.

The KPA "Full Access to Information of the Organization, Assets and People" in the element "Governance Structure" can be considered Institutionalised in view of all the activities are in the Procedures Ordinance, in addition to being supported in specific regulations applicable to CGDF's performance , since it refers to the establishment of procedures to be followed when the manager decides not to disclose documents necessary for AI work.

Similarly the KPA "flow of audit reports established" in the governance structure element can be considered institutionalized considering the last update of the internal bylaws and the Procedures Ordinance.

### Level 3 - Integrated

In KPA "Performance and / or operational audits," the "Services and internal audit role" element is institutionalized.

In the KPA "Advisory Service", the element "Services and role of internal audit" is under development in view of the need to develop policies and procedures as well as describe the methodology and type of advisory service that has been applied.

In KPA "Workforce Coordination", the "People Management" element can be institutionalized considering that the activity is done in practice but is not systematized.

In KPA "Team Building and Competence," the "People Management" element is under development considering that professional development opportunities, rewards, specific training for leadership and behaviors will be addressed in the server training plans.

In KPA "Qualified Professionals", the "People Management" element can be institutionalized in the CGDF considering that the activities of performance evaluations, training and training plan, incentive policies to obtain certifications and participation in relevant professional associations will be implemented .

In the KPA "Quality Management Framework", the "Professional Practices" element can be institutionalized considering that CGDF plans to implement quality in policies, practices and procedures.

In the "Risk Based Audit Plans" KPA, the "Professional Practices" element is institutionalized in view of the fact that the CGDF Project for Modernization of Audit Techniques through the Implementation of Corporate Risk Management is complying with its goals established in Planning Strategic. Also in 2015, the creation of a Coordination for analysis and monitoring of risks, in addition, were published the ordinances related to the Policy and the Risk Management Committee of CGDF, which contemplate the Standard ABNT NBR ISSO 31000: 2009 and Coso 2013. The new CGDF structure reinforced this project, which has been receiving positive management feedback.

The KPAs "Cost information", "Performance measures" and "Audit reports" can be institutionalized in view of the CGDF's intention to establish procedures for cost analysis. It should be noted that performance measures are already established for all areas of the CGDF, published in Strategic Planning (2016-2019) and mechanisms of management reports are being developed, through the gestaodf system.

The KPA "Essential component of the management team" can also be institutionalized in view of the fact that senior management is committed to sharing plans and reports with the audit team, as well as the information of the AI plans and activity are exchanged with the senior management. However, the working relationship and coordination of the work of the external auditors in the name of management has not yet been evaluated.

The KPA "financing mechanism" has been considered institutionalized but needs to be improved by the fact that there is determination of the resources needed to perform the audit, and when there are resource limitations, it is possible to identify the impact.

The KPA "Management Supervision of the Internal Audit Activity" in the element "Governance Structure should be discussed in 2017 considering that the best option for such supervision and counseling will be considered.

#### Level 4 - Managed

The KPA "Governance, Risk Management and Control Assessment" in the "Services and Audit Role" element is institutionalized in view of the fact that the CGDF Project for Modernization of Audit Techniques through the Implementation of Corporate Risk Management is fulfilling with its goals set forth in Strategic Planning. Also in 2015, the creation of a Coordination for analysis and monitoring of risks, in addition, were published the ordinances related to the Policy and the Risk Management

Committee of CGDF, which contemplate the Standard ABNT NBR ISSO 31000: 2009 and Coso 2013. The new CGDF structure reinforced this project, which has been receiving positive management feedback.

KPAs "Internal audit activity supports professional classes" and "Internal audit contributes to the development of management" can be institutionalized. It is noteworthy that in these KPAs there are activities that are not yet evaluated and in development.

The KPA "Manpower Planning" can be institutionalized considering that activities are in development to connect recognized skills with the framework of competencies, identification of resources, skills, training and tools needed to deal with areas of greater importance and risk. However the communication activity to management and other key stakeholders the priorities and strategies of the AI activity was not evaluated.

In the KPA "Audit Strategy Leverages Organization Risk Management", the "Professional Practices" element is well advanced since the CGDF Project for Modernization of Audit Techniques was institutionalized through Corporate Risk Management Implementation, is complying with established in Strategic Planning. Also in 2015, the creation of a Coordination for analysis and monitoring of risks, in addition, were published the ordinances related to the Policy and the Risk Management Committee of CGDF, which contemplate the Standard ABNT NBR ISSO 31000: 2009 and Coso 2013. The new CGDF structure reinforced this project, which has been receiving positive management feedback.

In KPA "Integrating Qualitative and Quantitative Performance Measures" the "Performance Management and Accountability" element can be institutionalized as it is CGDF's intention to develop comprehensive measures and performance systems and targets, combining risk, cost, quality and acceptable results. continuous monitoring to improve performance.

CAE Advises and Influences Top Management "," CAE Reports to the Highest Level Authority "and" Independent Supervision of Internal Audit Activities, "" Leadership Involvement with Professional Organizations, "" Workforce Projection / "Audit Planning Strategy," "Public Report on its Effectiveness," "Effective and Permanent Relationships," "Independence of Power and Authority of the Internal Audit Activity," have not been evaluated still.

Already the KPA "Internal Audit recognized as a key change agent" can be institutionalized as it is CGDF's intention to communicate how AI results contribute to better business processes and to the achievement of the organization's strategic objectives, as well as enhancing personal skills and knowledge of AI professionals in cutting-edge technology, business process, and industry-specific practices.

The KPA "Strategic Internal Audit Planning" can be institutionalized as it is CGDF's intention to conduct a comprehensive assessment to identify gaps in practices, tools and skills that need to be addressed to respond to emerging and current issues and risks to the organization as well how to stay informed about the organization's internal and external environments to identify and assess emerging trends, issues, and risks.

#### Level 5 - Optimization

At level 5 most KPAs were not evaluated. Two of them have already been discussed with some development activities, but not yet institutionalized: "Internal Audit recognized as a key change agent" and "Strategic Internal Audit Planning".

It is important to note that level 5 was not included in the CGDF Strategic Planning and was not considered a priority in the structuring projects scenario.

### **3. Actions to Improve Performance**

The Controller General of the Federal District, a specialized agency of the Direct Administration with status equivalent to that of the Secretariat of State, had its structure created through Decree No. 36,236, dated January 1, 2015 with the following competencies:

- Supervision / coordination of the internal control system; correction and audit and of the services of the public ombudsmen of the Federal District;
- verification of irregularities and verification of the constitutional principles in the acts of the Public Administration;
- defense of public assets and transparency;
- prevention of corruption;
- supervision in the treatment and guidance of data and information of the Transparency Portal

The Internal Control Subcontrol (SUBCI) of the Comptroller General of the Federal District (CGDF) is the area responsible for carrying out control actions within the Executive Branch of the Federal District, through audits and inspections that result in the analysis and inspection of actions and government programs.

control form the scenarios in which the actions carried out and under development in the CGDF, listed below, are included, which consider the internalization and implementation of good management practices:

- Implementation of Model IA-CM (2016-2019);
- Deliveries of the Results Agreement (2016);
- Compliance with the Institutional Strategic Plan - PEI (2016 - 2019);
- Institution of Operational Plans for Auditing (2016);
- Elaboration of the Internal Audit Business Plan (2016);
- Implementation of Risk Management; (2016)
- Evaluation of the Maturity of Internal Controls of the Federal District (2016);
- Improvement of the work of the ICU (2016);
- Conduct of Risk Based Audit - ABR (2017);
- Analysis, modeling and optimization of organizational processes;
- Organic restructuring and normative updating with emphasis on concomitant and preventive actions.