Highlights of Infrastructure Assurance

Brasília/DF
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SFC (Federal Secretariat of Internal Control) AND BOARD OF DIRECTORS

INFRASTRUCTURE SECTORS AND SEGMENTS

Social Politics
Infrastructure
Economy and Production
State-owned enterprises
Planning and Governance

LOGISTICS
(highways, railways, ports and airports)

ENERGY
(electricity, mining, oil and gas)

URBAN DEVELOPMENT
(housing, urban mobility and sanitation)

WATER RESOURCES
(water supply and exploration of hydrographic basins)

ENVIRONMENT
INFRASTRUCTURE CONTRACTS AUDITED BY CGU

- **Federal Government** → **Autarchy or Public company** → **Private company**
  - Direct construction contract

- **Federal Government** → **State or Municipality** → **Private company**
  - Resource transfer contract

- **Federal Government** → **Regulatory Agency** → **Private company**
  - PPP contract (concession, permission, authorization)
HIGHLIGHTS OF PROBLEMS IN PUBLIC INFRASTRUCTURE WORKS

1) Precarious previous studies (geological, geotechnical, archaeological, topographic, volumetric, environmental and feasibility)
2) Incomplete and poorly designed projects (draft, basic and executive)
3) Delays in scheduling due to poor planning, delays in environmental licenses and expropriation
4) Badly elaborated referential budgets (overprice and absence and composition error)
5) Precarious enforcement of contract
6) Administrative (lack of penalty on contracts) and judicial impunity
EXAMPLE CASES

1) São Francisco River Integration Project (PISF)

- The largest water infrastructure Project (transposes São Francisco River’s water to northeastern)
- Extension of 477 km (296 miles) and benefit 12 million people in 390 counties and 4 states
- 96% executed; Execution started in 2007 and shall be concluded in 2018
- Initial cost R$4.2 bi and Final cost R$10.7 bi.

- Uncertainty about the impact of operating cost (precarious feasibility study)
- Energy expenditure with operation pumping water can unfeasible economically the project
- Potential loss of R$ 37 million due to overprices and overcharges
EXAMPLE CASES

2) Corumbá Water Production System Expansion IV

- Project cost R$117 million
- Important water resource system due water shortage
- R$5 million of collusion on referential budget and overprices
- Joint action of CGU, PF and MPF (“Decantation Operation”) increasing the damage to R$20 millions

3) North-South Railway and West-East Integration Railway

- Cost R$8.5 billion and 5.725km (3.557 miles)
- Initial conclusion schedule on December 2012 and actually without prevision (needing bid 42% of rails)
- Precarious planning and basic and executive projects deficient
- Failures in geological and geotechnical studies (increasing cost in R$727 million)
- Environment licenses and expropriation delays
- R$146 million of inappropriate readjust indexes and overcharged
CONCLUSIONS

1) 2 cases CGU were only a control body
2) Problems resulting from public agents conduct
3) Administrative responsibility of agents (dismissal and replacement defaulted values)

1) In Corumbá case we have joint participation of the CGU, PF and MPF
2) Operation resulted by the CGU audit and damage was increased
3) Responsibility in administrative, civil and criminal spheres (public agent may be arrested and in some cases to identify others involved, whether public or private

All these results show a possibility of renegotiation (contracts, additives, postpones, value, rebalancing, etc), and consequently the possibility of fraud and corruption
CONCLUSIONS

Highlight the internal regulations of the CGU converges with the international regulations on the performance of the governmental internal audit

1) Joint Normative Instruction MP/CGU nº 01/2016 - provides for internal controls, risk management and governance within of the Federal Executive Power
2) Technical Reference for Internal Government Audit: examinations are carried out by evaluation and consulting

“Ex ante” evaluation - Card Reform Program (subsidizes the acquisition of construction materials for low-income families to improve or expand their homes)

1) Consulting to Presidency to discuss the regulations to be implemented
2) Need correction of failures in composition of subsidies adopting limited amounts by SINAPI (National System of Costs Surveys and Indexes of Civil Construction) - possibility of reducing approximately R$ 100 million in the value’s Program
Legislative changes as an instrument of challenging corruption in the public works environment:

1) Law on Access to Public Information (Law Nº 12.527/2011) and Portal Act (Law Nº 131/2009);
2) Conflict of Interest Act – (Law Nº 12.813/13);
3) The Anti-Corruption Act - (Law Nº 12.846/13);
   • The National Registry of Inappropriate/Dishonest and Suspended Companies (CEIS);
   • Leniency Agreements;
   • Process to investigate and verify responsibilities (PAR);
   • Encouraging the implementation of Integrity and Compliance programs in companies;
   • It awards competence to CGU to fight against transnational bribery.

New tools to public works contracts
• The possibility of demanding performance bonds with step in forecast;
• The execution of contracts according to the design build model;
• The creation of a national public works registry (in the deployment phase).
Thank You!