

# Highlights of Infrastructure Assurance

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**Brasília/DF**

**June 12<sup>th</sup>, 2018**

## SFC (Federal Secretariat of Internal Control) AND BOARD OF DIRECTORS



Social Politics



Infrastructure



Economy and Production



State-owned enterprises



Planning and Governance

## INFRASTRUCTURE SECTORS AND SEGMENTS



**LOGISTICS**  
(highways, railways, ports and airports)



**ENERGY**  
(electricity, mining, oil and gas)



**URBAN DEVELOPMENT**  
(housing, urban mobility and sanitation)

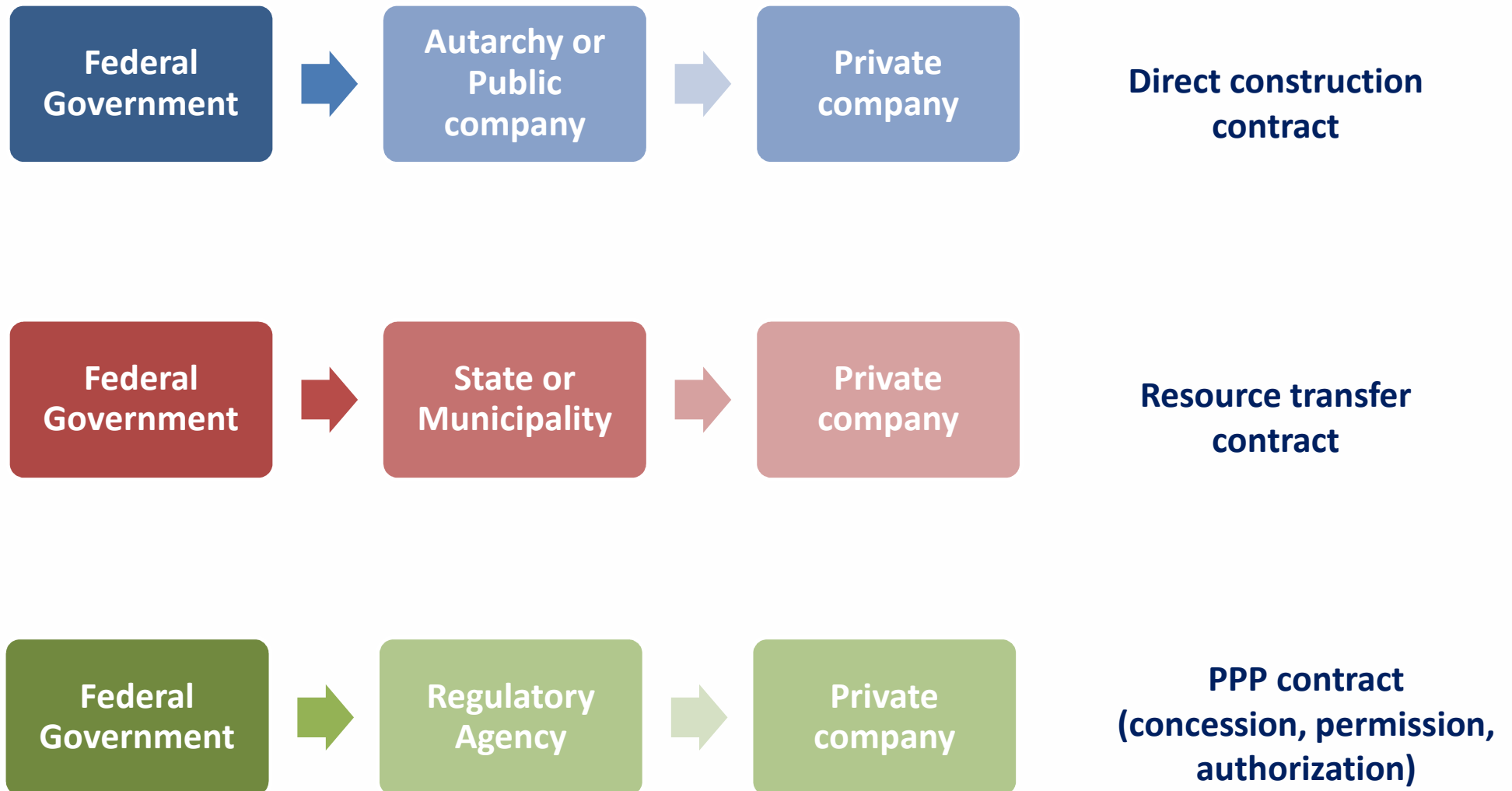


**WATER RESOURCES**  
(water supply and exploration of hydrographic basins)



**ENVIRONMENT**

## INFRASTRUCTURE CONTRACTS AUDITED BY CGU



## **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 milion
- 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)
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- 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!

