

BRAZIL: PROMOTING ACCOUNTABILITY AND ENHANCING PROGRAMMES AND POLICIES THROUGH THE INSTRUMENTAL USE OF EVALUATIONS CARRIED OUT BY THE BRAZILIAN COURT OF AUDIT

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INTRODUCTION

The Brazilian Court of Audit (TCU) is an autonomous and specialized organization that supports the legislative branch at the federal level, performing the external control of public administration.

Over the past two decades, particularly after the approval of the Federal Constitution of 1988, TCU improved and developed instruments of control in order to put into practice its responsibility of ensuring the effective control of public expenditures. These changes in control procedures must be interpreted in the context of global movements of administrative reform.

Similar to actions taken by other countries, TCU reviewed its instruments of control in order to make them compatible with new legal demands and dynamics of public administration. As a result, since the 1990s TCU has been carrying out performance audits, which are independent and objective examinations of economy, efficiency, efficacy and effectiveness. These audits have been conducted not only with respect to programmes, but also to

government organizations and activities. The audits' purpose is to make recommendations that contribute to enhancing public management. TCU systematically follows up on these recommendations in order to ensure their implementation.

The objective of this paper is to use case studies to demonstrate the factors that favour the instrumental use of the results of performance audits carried out by TCU. These factors are based on the adoption of a strategy that is geared towards a participatory evaluation and is focused on the problems and needs of the stakeholders in charge of the decisions that ultimately affect the implementation of the programmes' and policies' results.

PERFORMANCE AUDIT AND EVALUATION OF PUBLIC PROGRAMMES

Performance audit, a tool that quantifies the results of governmental action by controller agencies, shows characteristics similar to programme evaluation mainly due to the need of meeting methodological requirements (Rist 1990, pp. 8-9).

To Rist (1990), evaluation tended to develop normative methods and auditing expanded the scope of its work seeking causal analysis. The two functions therefore share common interests, promoting interaction.

Similarly, Barzelay (1997), in a comparative analysis of the performance audits of OECD member countries' government institutions, noted that performance audits present similar characteristics to programme evaluations. This led him to conclude that this form of auditing is, in fact, programme evaluation, because "it entails making or reviewing instrumental judgments" (Barzelay 1997, pp. 241).

Evaluation, according to Weiss (1988), encompasses many definitions. However, all definitions share the notion of judgement of merit based on criteria following specific methods. For Weiss, evaluation is "a systematic assessment of the operation and/or the outcomes of a programme or policy, compared to a set of explicit or implicit standards, as a means of contributing to the improvement of the programme or policy" (Weiss 1988, p. 4).

Weiss' proposed definition reveals that the purpose of evaluation comprises the goal of the work (why is it being conducted?) and the use of its results (to whom is it relevant?). According to evaluation standards established by the Joint Committee on Standards for Evaluations on education, an evaluation's purpose is defined by its objectives and how the results are intended to be used (Sanders 1994, p. 137).

It is important to note that different purposes require different forms of use (e.g. evaluation of programme effectiveness versus evaluation of its implementation) and have implications on evaluation design; on data measurement, analysis and interpretation; on the form of the report's presentation; in results dissemination; and on the criteria for judging the quality of the evaluation (Patton 2008).

Evaluations serve different interests and intended users, although it is not recommended to meet all purposes within the limits of a single study, though it is possible for a study to address different types of questions.

To reduce the complexity that characterizes the field of evaluation, Patton (2008) proposed six possible approaches, categorized according to the evaluation purposes in order to meet the needs of those interested in its use. The approaches are: summative evaluations (judgement); formative evaluations (improvement and learning); accountability; monitoring; developmental and knowledge generating.

Evaluations that have accountability as a purpose are those whose goal is to examine compliance and identify faults, i.e. to “seek to examine the extent to which a programme observes the legal regulations, guidelines, standards or other formal expectations” (Mark, Henry and Julnes 2000, p. 13).

For Patton (2008), in the public sector, financial and programme audits are intended to examine the government programmes’ compliance to their purpose and legal procedures. In the United States, for example, legislative audit agencies’, controllers’ and other entities’ programme evaluation units are responsible for ensuring that programmes are being properly implemented and are effective (Patton 2008, pp. 121-122).

Similarly, in Brazil performance audits are intended to promote the improvement of public management, provide incentives for organizational learning, promote of change in the public sector and offer new information. Further, performance audits should identify problems that are beyond the mandate of the auditing entity, call attention to other challenges, and favour the inclusion of the topic on the political agenda.

CHARACTERISTICS OF PERFORMANCE AUDITS

Performance audits have characteristics that differ from those of traditional audits. These characteristics are the selection of the object to be examined (which has greater flexibility), the methodology employed and the form of communication of the results. In addition, this type of auditing requires creative and analytical capacity of the auditor. By its nature, it is more open to judgements and interpretations, since their reports are argumentative discourses (Brazilian Court of Audit 2010).

The criteria for selection of the object to be investigated incorporate the analysis of four attributes: added value, relevance, materiality and vulnerability (Brazilian Court of Audit 2010).

Once the object or subject of performance auditing has been selected, the next step is to plan the audit itself. This phase of the process comprises the definition of the scope and goals of the audit, based on the identification of the main problems that affect the programme’s performance. It also addresses issues to be investigated, criteria for analysis, methodological strategies, procedures for data collection and the expected results of the audit. In the execution phase, data is collected and analysed to develop findings and conclusions (Brazilian Court of Audit 2010).

Identifying main programme stakeholders of programmes and involving managers and their team at the beginning of the audit is another performance audit characteristic. It enables the audit team to correctly identify weaknesses, threats and risks that compromise the programme’s performance and ability to achieve results. Further, such preliminary steps will enhance the likelihood that the audit’s recommendations will be implemented.

The planning matrix report summarizes the auditing project. The matrix is submitted for discussion and validation through an expert panel, which checks the logic and thoroughness of the audit methodology used, guides the audit team, provides specialized and independent opinions on the project and checks for significant potential benefits.

The expert panel can comprise people from universities and research centres, consultants of the National Congress with interest in the audit’s topic, representatives from the Minister-Rapporteur and government internal control, planning and budgeting departments, auditors with expertise in the area examined and representatives of non-profit organizations.

After the completion of data analysis, the results are summarized in a findings matrix, which is then subjected to a second Expert Panel for validation that might include members from the first panel.

The second panel's primary purpose is to check the findings' consistency in order to ensure that sufficient evidence was collected, the analysis was adequate and the proposed recommendations are relevant.

After the expert panels have completed their reviews, the audit team submits the planning and findings matrices for the auditees' final considerations and support. A preliminary version of the report is then forwarded to managers for comments, which are incorporated into the final version of the report to be analysed by the TCU.

Once the audit report has been approved, TCU adopts different dissemination strategies to reach external stakeholders, the National Congress, public organizations, state and municipal governments and civil society.

In order to measure the benefits generated by performance audit, TCU has institutionalized systematic follow-up of its deliberations. Follow-up highlights and measures the use of audits as characterized by the adoption of actions. The main objective of follow-up is to verify the extent to which the process of assessment and the recommendations in the final audit report were used by managers to improve the design and implementation of the public programme.

CASE STUDY: PERFORMANCE AUDIT CARRIED OUT IN THE PROGRAMME OF UNIVERSITY FOR ALL AND IN THE STUDENT FINANCING FUND FOR COLLEGE EDUCATION

The University for All programme (ProUni) facilitates low-income population's access to college education. The programme grants scholarships to undergraduate students in private universities, provides tax exemptions to institutions that join the programme (including Social Contribution on Net Income, Contribution to the Financing of Social Security and the Social Integration Program).

Programme scholarships cover full costs for persons with a per capita household income less than one and a half of minimum wage, or 50 percent of college costs covered for those that have per capita household income of less than three times minimum wage.

The Student Financing Fund for College Education (Fies) is an operating accounting fund managed by the National Education Development Fund, an agency of the Ministry of Education (MEC). It provides funding to students regularly enrolled in private college courses with positive review in the MEC index (courses that achieve greater than or equal to three points on the MEC National Evaluation System of Higher Education–Sinaes).

These programmes spent approximately \$900 million in 2008 on scholarships. About \$200 million of these funds came from tax exemptions and the remainder from fiscal budget resources. The \$200 million would have been paid as taxes without the implementation of the programme.

Audit problem

TCU previously found that 50 percent of undergraduate positions available in private colleges were unfilled in 2006, after the completion of the acceptance processes. In contrast, public universities had only 8.5 percent of spots unfilled.

In addition to access issues, TCU found low quality of education and high dropout rates. These issues jeopardized the government's goals for higher education in Brazil.

The objectives of the audit and its main results are described in Table 1.

In response to these findings, TCU formulated a set of recommendations to improve both ProUni and Fies. Changes resulting from these recommendations can already be seen.

Evidence of use

Three years after the audit was conducted, many modifications were made in both ProUni and Fies. In June of 2011, Law 12.443 changed ProUni by regulating tax exemptions received by private colleges. These exemptions became calculated by the actual number of scholarship-receiving students enrolled at the institution. Media attention to this issue highlighted by the audit was important to changing the programme.

Initially, there was little media coverage of the audit report. However, in 2011 one of the largest newspapers in the country published an article based on the report, which produced great impact on the public. The Minister of Education was summoned to congress to discuss the issue. Months later, the legislative change occurred.

When TCU released the report in 2010, the media published the findings on the programme's poor internal controls, which were insufficient to prevent students who did not meet the criteria from receiving scholarships. For example, cross-data analysis revealed that some scholarship-receivers of the ProUni had very expensive cars. In response, MEC entered into an agreement with the Secretariat of Federal Revenue in Brazil in order to exchange information and better focus the programme.

Thus, arrangements for two of the most important aspects pointed out by the TCU were adopted: the question of lack of correlation between the tax exemptions received by private colleges and the number of scholarships effectively awarded. The report also highlighted the need to improve internal control by increasing cooperation between the MEC and the Secretariat of Federal Revenue.

Regarding Fies, Law 12.202/2010 was reviewed to allow for the reduction of the outstanding debt of the students who, after the completion of the course, engaged in teaching activities in public schools for at least 20 hours per week (if the student received a degree relating to the teaching activity), or physician activity with a Family Health Team working in priority regions.

The Law also extended financing to students who attend technical schools. These changes are in line with recommendations of TCU to improve access to and completion of courses in strategic areas of technological and social development for the country.

MEC began to allow loans throughout the entire year, not during specific months as observed during the audit. This was also a TCU recommendation related to programme schedules.

The legislation also improved the programmes in areas that were not directly specified in the audit report, but which were related to the raised issues. Law 12.243/2011 modified the value of ProUni's additional scholarship to finance educational expenditures of students enrolled in full-time courses. The value of the scholarships became equivalent to that granted by the Department of Federal Police for undergraduate research fellowships. In January 2010, Law 12.202 raised the maximum FIES funding from 70 percent to 100 percent

TABLE 1. AUDIT OBJECTIVES AND RESULTS

OBJECTIVES	RESULTS
Analyse if the forms of implementation of ProUni and Fies reflected goals and norms of the programmes	Decreased use of scholarships offered by ProUni in 2005 (77 percent) and the first half of 2008 (58 percent)
	The mismatch between schedules of ProUni and Fies makes it difficult for students to access scholarships
Analyse the relation between the financial benefits private colleges received and the financial benefits those colleges granted to students who received scholarships	There was a lack of proportionality between the number of scholarships awarded and total tax exemptions—the same tax exemption was granted to private colleges regardless of the amount of scholarships actually awarded
	The difference between the cost of scholarships and the mean value of tax costs incurred by granted scholarships was about 57 percent higher than the average tuition fees charged by educational institutions
Examine the profile of the courses offered	Private colleges offered low-quality courses: 21 percent of the courses benefited by ProUni and 24 percent by Fies obtained a grade less than 3 on the MEC evaluation. 34 percent of the courses of the ProUni and 18 percent of the courses of Fies have never been evaluated
	Priority courses defined by MEC for the granting of scholarships were not adequately covered: 18 percent of students in ProUni and 13 percent in Fies attend priority courses
Analyse the systems of operational control and of monitoring the programmes	Internal controls of the programme were not sufficient to prevent students who did not meet selection criteria from receiving scholarships

Source: Brazilian Court of Audit, 2009.

of tuition. These two modifications aimed to improve access and reduce dropout rates.

Students were then able to use more than one source of funding if enrolled in more than one undergraduate, masters or doctorate programme. There still remains the possibility of extension of up to twelve months of that period. At the time of the audit by TCU, the grace period was of 12 months, and the student had up to one and a half times the scholarship period for paying back the debt.

Finally, the interest rates charged have also changed: today all courses are financed at rate of 3.4 percent per year. Previously, the rates were 3.5 percent, 6 percent or 9 percent per year, depending on the course.

CONCLUSION

The characteristics of the strategy and the approach adopted by TCU for carrying out performance audits enhance the use of audit reports' results as was shown through the evidence

presented in the case studies. Among these characteristics, it is important to emphasize the involvement of the main stakeholders in the construction of the diagnosis of problems and validation of the method and findings. Audit teams are urged to build a constructive relationship with managers and to establish communication channels with managers and their staff. This aims to ensure that primary stakeholders' need for information will be met.

The quality of evaluation should be associated with the construction of a network of relationships with stakeholders. This network facilitates discerning stakeholders' needs, values, beliefs and expectations, while also establishing effective ways of communication, including the media. Good communication with key stakeholders improves identification, examination and analyses of problems that affect the results of the programme. Those are factors that favour the use of performance audits conducted by the TCU.

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