

Controllership as a Governance Instrument in the Public Sector

Abstract

Controllership is considered a Corporate Governance instrument, to the extent that it can contribute to reduce information asymmetry and conflicts of interest, deriving from agency problems between organizational owners and managers, by making available information that permit valuing the organization and the extent to which its goals are achieved. Disclosure and accountability are basic pillars of Corporate Governance as well as Controllership. The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) developed a study on governance for the public context, considering that governance principles should be present in public entities, reflected in four dimensions, two of which related to control and to the availability of external reports (Federação Internacional dos Contadores [IFAC] (2001). The main goal in this research is to identify which information the Office of the Comptroller General (CGU) makes available on its website comply with the type and contents of IFAC recommendations for control and external reports, as governance dimensions in the public sector. Through a bibliographic and documentary research, it was verified that only information related to budgetary and financial reports comply with the type and contents recommended by IFAC. The research also revealed that information related to internal audit and annual Government accountability partially address the contents recommended by IFAC.

Key words: Governance; Controllership; Public sector.

Mônica Clark Nunes Cavalcante

M.Sc. in Administration and Controllorship (UFC), Partner and Director at S&M Consultoria em Gestão. Contact: Rua Padre Valdevino, 2000, Aldeota, Fortaleza, CE, Brazil, CEP: 60175-020
E-mail: monicaclark@yahoo.com.br

Márcia Martins Mendes De Luca

Ph.D. in Controllorship and Accountancy (USP), Professor at Universidade Federal do Ceará (UFC). Contact: Av. da Universidade, 2431, Benfica, Fortaleza, CE, Brazil, CEP:60020-180
E-mail: marciadeluca@ufc.br

1. Introduction

In a democratic society, it is a duty of the State to accomplish the common good, which is put in practice by attending to the population's needs (Coimbra, 2006). To attend to these needs, the State counts on the Public Administration, which in Brazil involves the three Powers (Executive, Legislative and Judiciary) and the three federal sphere. The responsibility of the Executive Power is to manage public resources and public service delivery, while the Legislative Power is responsible for supervising management.

The "owners" of all resources (the citizens) do not exercise their management directly, which is left to the entities belonging to the Executive Power, representing a potential agency problem, in which no security exists as to the alignment among the parties' interests. In this relation, information asymmetry problems also exist between owners and managers, the latter of who hold a much higher information level than the former. In those situations, Corporate Governance mechanisms can be used to facilitate this convergence of interests and transmit security to the owners with regard to public management outcomes.

Although Corporate Governance has stood out through this expression in a context associated with private corporations, at the end of the 1980's, related to financial scandals, some international entities, like the Organization for Economic Cooperation and Development (OECD) and the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC), extended and adapted their principles and recommendations for practice to public sector entities.

Basic pillars of Corporate Governance include information disclosure and accountability, recommended by the Organization for Economic Cooperation and Development (OECD) as well as the International Federation of Accountants (IFAC). According to Bianchi (2005, p. 72), "the essence of the Corporate Governance concept involves transparency in administration and the means it uses to reduce the information asymmetry that exists among those who produce and use the information as much as possible".

In an environment of insecurity regarding the alignment of interests and information asymmetry between agents (owners and managers), the existence of a Comptroller can represent an important Corporate Governance mechanism. The presence of control as a governance dimension in the public sector is expressed in IFAC (2001) recommendations, which conceive the function as support to the high management levels to permit the achievement of organizational objectives, through operation efficiency and effectiveness, reliability of internal and external reports and compliance in the application of laws and regulations.

In line with Bianchi (2005), the Comptroller area can contribute to mediate conflicts among agents through an information and outcome measurement system, allowing both owners and managers to have access to organizational and management performance information, and to grant transparency about the products of managers' actions, thus reducing information asymmetry among its main users. Two basic Corporate Governance pillars, information disclosure and accountability, are also principles present in Comptroller functions.

The Brazilian federal public administration has a control entity: the Office of the Comptroller General (CGU). In this context, in view of the relevance of the Comptrollership area in complying with the basic governance principles that are also applied in public management, the aim in this research is to answer the following inquiry: **Which information the CGU makes available complies with IFAC recommendations for governance practices in the public sector related to the control and external report dimensions?**

The main goal in this research is to investigate the information the CGU makes available which comply with the type and contents of IFAC recommendations (2001) related to control and external reports as governance dimensions in the public sector.

Therefore, bibliographic and documentary research procedures were adopted, through the study of specialized texts, laws, standards and websites. As regards the nature of the problem, this study is a qualitative analysis of information made available on the CGU website, based on a data collection instrument that classified the information with regard to IFAC recommendations for governance practices in the control and external report dimensions.

It should be highlighted that, every day, discussions about control and disclosure in the public sector gain increasing attention in the Brazilian context, mainly due to the convergence process of the accounting practices in force in the Brazilian public sector towards international accounting standards, based on the Brazilian Ministry of Finance Decree 184, issued on 8/25/2008, and on the set of Brazilian Accounting Standards applied to the Public Sector (NBC T SP), issued by the Federal Council of Accounting. This justifies research to enhance discussions on the theme, analyzing information made available by the CGU on control and external reports as governance dimensions in public management.

This research has been structured in five topics, including this Introduction. Next comes a literature review to contextualize the agency conflict, governance, Comptrollership and control in federal public management. In the third topic, the methodological procedures are described, followed by the presentation of the research results. Finally come the final considerations.

2. Theoretical Framework

2.1 Agency Conflict and Corporate Governance

Among the foundations of Corporate Governance, the agency conflict stands out, whose conceptual bases are rooted in the work by Berle and Means (1932, as cited in Fontes Filho, 2003), present in organizations due to the separation between property (principal) and management (administrators), which happens when the agents affiliated with organizations present conflicting interests.

Jensen and Meckling (1976), who presented Agency Theory in a more comprehensive way and defined an agency relationship as “a contract in which one or more people - the principal -, hire another person - the agent - to perform some task on his behalf, involving the delegation of authority for decision making by the agent”. Departing from the premise that individuals cannot desire to maximize a utility function that is not theirs, the environment of the agency conflict is created.

To mitigate these problems, Corporate Governance mechanisms emerged, committed to guaranteeing greater information disclosure and protection to the owners. According to Camargos (2007, p. 4), “historically, Corporate Governance started in the United States, in the framework of the recovery of large corporate managers’ disclosure and responsibility for accountability and monitoring”.

Covering a broad conceptual base, Corporate Governance has been defined as a system, a set of principles, standards, models and practices, involving issues related to control and power structures in organizations, the role of the board of administrators, stockholder value creation and the role of corporations in society. In line with the OECD (2004), Corporate Governance is considered a system that contributes to companies as well as to the economy, so as to reach the level of confidence needed for the appropriate functioning of a market economy.

In Brazil, the first Corporate Governance Code was elaborated in 1999 by the Brazilian Corporate Governance Institute (IBGC). In its fourth edition, the IBGC Code of Best Corporate Governance Practices (2009) is based on the principles established by the OECD, that is, transparency, equity, accountability and corporate responsibility.

Information disclosure and accountability figure as Corporate Governance principles and practice in different Brazilian and international entities’ recommendations, including the OECD (OECD, 2004), IBGC (2009), World Bank (THE WORLD BANK, 2009) and PSC/IFAC (IFAC, 2001).

2.2 Governance in the Public Sector

Initiated in the private company context in recent decades, Corporate Governance debates have developed in the context of disclosure and accountability, as bases to guarantee a more protective environment to company owners regarding the achievement of organizational objectives.

Assessments of governments' roles in society, developed in different countries in recent years, have altered definitions of political-administrative relationships in the public sector, which entailed further accountability charges on governments.

In 2005, the OECD presented a proposal for best governance practice guidelines focused on public companies, based on the principles defined for the private sector, incorporating dimensions and needs that are typical of these public companies and the State, as the comptroller. These principles are (OECD, 2005):

- Guaranteeing a legal and effective regulatory framework for public companies;
- the State acting as the owner;
- equitable treatment of stockholders;
- relation with stakeholders;
- disclosure; and
- responsibilities of board of administrators.

The PSC/IFAC extended the analysis of the Corporate Governance theme to the public context through Study No. 13, including orientations on governance principles, guidelines and recommendations for public-sector entities (IFAC, 2001). According to IFAC (2001), in some jurisdictions, the expression "corporate" can be interpreted as a term characteristic of the private sector. To avoid any interpretation problem on its use in the public sector, the study used the expression "governance" to describe what normally refers to the private sector as "Corporate Governance".

IFAC (2001) acknowledges the complexity of applying the governance theme to the public sector and indicates that public sector entities are also subject to accountability to different stakeholders. Public sector stakeholders include ministers, government officials, parliament members, contributors and the public in general, "each of whom takes legitimate interests in public entities, but does not necessarily hold rights" (IFAC, 2001, p.1).

Despite different institutional arrangements among countries, PSC/IFAC (2001) defined three governance principles applicable to public entities, which are: disclosure, integrity and accountability; incorporated some concepts of conduct into these principles which should permeate the public sector, proposed in the Nolan Report, which the Committee for Standards of Public Life in the United Kingdom elaborated in 1995: abnegation, integrity, objectivity, accountability, disclosure, honesty and leadership. The study proposes a set of principles and conducts for public entities, distributed in four governance dimensions (IFAC, 2001):

- Standards of behavior – related to the practice of leadership to determine organizational values, standards of behavior and culture;
- Organizational processes and structure – related to how top management is indicated, responsibilities are defined and the organization gains reliability;
- Control – related to the establishment of controls, so as to support the achievement of the entity's objectives, operational efficiency and effectiveness, reliable reports and compliance with laws and regulations;
- External reports – related to how top management in the organization demonstrates its accountability for public finance management and performance in resource use.

Based on each of these dimensions, IFAC proposed governance recommendations as good practic-

es for public entities to follow. According to IFAC (2001), with a view to efficient service delivery, public entities need to align management flexibility with effective governance and accountability, guaranteeing the achievement of government objectives as a whole and of different stakeholders' legitimate interests.

Like the control dimensions, the “disclosure” and “accountability” principles are permanently present in good governance practice recommendations, for the private as well as the public sector.

In many countries, the responsibility for defining the governance framework in the public sector is shared between the Legislative and Executive Powers, delegated by civil society (IFAC, 2001). The Legislative Power is responsible for standardizing, approving and supervising policies, plans and budgets formulated by the Executive Power, the latter responsible for action management and accountability. According to IFAC (2001), the Executive Power is responsible for:

- Commitment to the economy and efficiency of actions;
- maintenance of an appropriate internal control system;
- application of appropriate public accounting policies;
- safeguarding of public assets;
- measurement of program effectiveness; and
- presentation of performance reports and accountability.

In Brazil, public management rests on determinations established in the Federal Constitution, whose ideological bases are the principles of equality among all men and popular sovereignty, the organization of the State of Right and independence of the Powers in the Republic (Brasil, 1988). Based on democracy and the accomplishment of fundamental rights, it is the task of the Democratic State of Right to accomplish the common good, which takes form in the response to the needs of the people. Clear examples are safety, health, education, justice, housing, food, leisure and culture (Coimbra, 2006).

It is the function of public management to respond to the population's collective needs. In Brazil, public management involves the direct and indirect administration of the three Powers at the three levels of the Federation – Union, states, Federal District and cities –, and has to comply with the principles of legality, impersonality, morality, publicity and efficiency. The Legislative Power is responsible for external supervision, practiced through the National Court of Auditors (Brasil, 1988). As established in Decree-Law 200/67, direct administration involves ministries and secretaries, while indirect administration comprises authorities, foundations, public companies and mixed corporations, entities with a characteristic legal status who deliver services they were attributed by the State.

One illustration of the application of Corporate Governance (private sector) and its extension to public sector entities, in direct as well as indirect administration, is presented in Figure 1.

		Public Entities		
		Private Entities	Direct Administration	Indirect Administration (State)
Agents	Principal	Stockholder/owner	Citizens	Immediate controller: Government
	Managers	Executives	Public policy makers and managers	Executives
Aims	Of the principal	Profit, return on investment, going concern of the company	Social wellbeing	Maximization of value for society
	Of the managers	Remuneration, acknowledgement	Political interests	Political and administrative interests
Instrumentos de GC (to align interests)	a) Incentives	Financial benefits associated with results (participation in profits, bonus)	Difficulty to measure results (complexity of aims) and associate benefits	Difficulty to identify elements to assess the success of entities and managers' performance
	b) Monitoring of managers' behavior	Role of board of administrators (representing owners), with power to nominate and fire directors and define their compensations	Legislative Power and its supervisor (Court of Auditors) – with the institutional role of approving PPA, LDO and LOA and supervise Executive management	Role of board of administrators, with government-indicated representatives, is subordinated to the political orientations of the group that controls the organization

Figure 1. Particularities of Corporate Governance in private and public sectors

Source: Elaborated by the authors based on IFAC (2001) and Fontes Filho (2003).

The information in Figure 1 reflect the complexity of governance applied to the public sector, as appointed in the IFAC study (2001), and consider the characteristics of the institutional and legal environment of Brazilian public management.

While the agents involved in the conflict of interests addressed in agency theory are company stockholders/owners and their executives in the private sector, in the public sector, these actors are less personalized, as they comprise citizens as a whole, as “owners”, represented by the governmental controller in state-owned companies, and decision-makers, public managers and executives as managers, in accordance with Figure 1.

The aims also gain further complexity in the public when compared to the private context. While, in private entities, owners seek to maximize wealth, return on their capital and the company’s going concern, the “owner” of public resources aims for social wellbeing and the maximization of public services’ value, objectives that are complex to measure.

In terms of governance instruments to align interests and reduce information asymmetry, quantifiable incentives are used in private companies, such as profit-associated financial benefits. In public entities, on the other hand, due to the complexity of the aims and of the consequent measurement of their achievement, the use of incentives is also difficult. Also, while the board of administrators acts as the owner’s representative in private companies to monitor management, what the government is concerned, citizens delegate this responsibility to their elected representatives, through the constitutional public resource management supervision competency attributed to the Legislative Power. In federal state-owned companies, the board of administrators, indicated by the respective ministry, is subject to the resulting political influences, which also turns monitoring more difficult or questionable.

2.3 Comptrollership and Governance

The control function is considered an internal dimension of a governance system (IFAC, 2001). According to Bianchi (2005), organizational control is considered the key to good governance and Corporate Governance practices should be guided by controls that allow the stakeholders in the organization to give preference to the disclosure of administrative actions, guaranteeing that conflicts of interest will not interfere in the organizational capacity to obtain economic results.

One of the basic functions of Comptrollership is to provide information to support the decision process in the context of an organization and to cooperate with managers to achieve effective actions (Mosimann, 1999). Therefore, authors, like Weibenberger (2009) and Maas and Matejka (2009) for example, argue that Comptrollership comprises a set of highly sophisticated tasks.

The functions of Comptrollership involve a wide range of dimensions, highlighting its role to articulate with planning; support the management process; assess organizational results; verify deviations and suggest corrections; practice accounting, financial and equity control; suggest improvements aimed at cutting costs; analyze the appropriateness of material and human resources, internal control, risk control, supervision and internal auditing (Mosimann; Fisch, 1999; Oliveira; Perez Junior; Silva, 2002; Peter, 2007; Suzart; Marcelino; Rocha, 2009).

According to Borinelli (2006), Comptrollership is that entity in the organization's formal system responsible for controlling the management process and providing operational, economic, financial and equity information, demanded to advise other organizational units, in the attempt to integrate the managers' efforts to achieve a synergetic and optimized organizational result, as well as for the external agents who relate with the company with a view to decision making. In that sense, Comptrollership is closely related with the principles and practice of good governance.

Roehl-Anderson and Bragg (2004) appoint that control is one of the essential functions of Comptrollership, and is responsible for measuring and correcting the institution's performance, so that plans and objectives can be accomplished. According to the authors, the function of control is not just to give information feedback to different company areas, in a retrospective perspective, but also to map systems, examine operational issues and put in practice improvement processes to eliminate problems, in a prospective organizational view, adopting preventive activities to correct the organization's trajectory.

According to IFAC (2001), to serve as one of the governance dimensions in the public sector, control should adopt practices that involve the following areas:

- a) Risk Management: defined as a measure of uncertainty on the achievement of organizational objectives. Risk should be identified, evaluated, corrected and monitored. Risk management involves the understanding of organizational objectives; the identification of risks associated with the accomplishment of these objectives; the assessment of the probability and potential impact of specific risks; the development and implementation of programs and procedures to correct the identified risks; and the monitoring and assessment of the risks and related programs.
- b) Internal Audit: responsible for guaranteeing the systematic review, evaluation and report on the appropriateness of management, financial, operational and budgetary control systems, mainly including:
 - relevance of the policies, plans and procedures established and their financial effects;
 - review of operations and programs, in order to verify whether the results are consistent with the objectives and targets sets and whether the operations and programs are being performed as planned;
 - extent of asset safeguards with regard to waste, administrative inefficiency, frauds or other causes;

- reliability and integrity of financial and management information and measures to identify, measures, classify, register and act on this information;
 - economy and efficiency in the application of resources; and
 - integrity of computer systems.
- c) Audit committee: which should be held responsible for the independent review of control structures and external audit processes.
- d) Internal controls: need to be established in organizations, be operative and have their activities declared in the organization's annual reports. These controls are responsible for reasonably guaranteeing the achievement of organizational objectives in terms of operational effectiveness and efficiency (involving basic operational objectives, performance measures and resource safeguards); reliability of financial reports and compliance with applicable laws and regulations.
- e) Budget: represents an essential element of financial planning, process control and assessment in public-sector entities, as an instrument for resource allocation with a view to achieving the established objectives.
- f) Financial management: should support managers to administer the limited resources and use them economic and efficiently to deliver services.
- g) Training: activity that contributes to the performance of the workforce. It influences financial statement quality to the extent that it is directly related to the ability to obtain and maintain qualified professionals.

In addition to the control functions, IFAC (2001) also appoints external reports as a dimension of public-sector governance, and recommends the following related practices:

- a) Annual report: governmental entities need to publish annual reports, within a reasonable deadline after closing off the financial year, including objective accountability on their accomplishments, in comparison with forecasts, and performance perspectives. The reports should also contain:
- declaration of decision makers' responsibility for financial resource management and its statements; for the maintenance of an effective control structure and adherence to applicable accounting standards;
 - declaration about the adoption of governance standards or codes;
 - audited financial statements and auditors' opinion.
- b) Use of appropriate accounting standards: it should be guaranteed that the financial statements included in the annual reports are prepared according to the International Public Accounting Standards – IPSAS or other accounting standard frameworks, besides relevant laws.
- c) Performance measures: entities need to establish and report performance measures to guarantee and demonstrate that the resources were applied economically and used efficient and effectively. Performance measures are useful management and accountability instruments and need to permit the cost measurement of governmental programs. They are necessary for internal and external users, who need this information to assess the achievement of the entity's objectives, the way the resources were employed and investment needs. This information should be audited.

- d) External audit: governmental entities need to maintain an objective and professional relationship with external auditors. Discussion is needed between the audit committee and external auditors about the extent of confidence in the internal audit and significant issues, including financial statement review and some other activities attributed to or supervised by the audit committee.

2.4 Public Management, Control and the Office of the Comptroller General (CGU)

The redemocratization of Brazil as from 1985 entailed civil society's increased democratic pressure on the State's actions and, due to the redefinitions of the Modern State that took place in other countries, the administrative reform gained a place on the Brazilian public agenda (Cardoso, 2006). Efficiency principles in the administration of public management entities, the use of planning instruments and result assessment were aspects incorporated in the Federal Constitution (Brasil, 1988).

Some governmental planning instruments were established by the Federal Constitution (FC), particularly the Pluri-annual Plan (PPA), Budgetary Guidelines (LDO) and Annual Budgets (LOA). The PPA represents the four-year government program, which objectives and values proposed for the period, indicating resource sources and economic expense categories, per program, with targets and indicators to verify the target. The aim of the LDO is to direct the elaboration of budgets and attempts to align the LOA with the public management guidelines, objectives and targets established in the PPA. The LOA, which comprises the tax, social security and investment budgets of state-owned companies, distinguishes between annual revenues and expenses, disclosing the government's work program according to the aims and targets proposed in the PPA, in line with the LDO guidelines established in the Federal Constitution (Brasil, 1988).

Fiscal-financial control started to incorporate principles like disclosure, accountability and fiscal responsibility after the Fiscal Responsibility Act (LRF) was issued (Complementary Law 101, issued on 5/4/2000), which regulated the constitutional article on public finance. The LRF establishes the following main axes to strengthen public administration: planning, disclosure, control and responsibility in the fiscal management of public resources and accountability. As fiscal control instruments, the LRF established fiscal target monitoring instruments, financial programming and spending limits. As a measure of disclosure, the LRF determine the large-scale disclosure, during public hearings, of plans and budgets; accountability; the Summarized Budget Execution Report; and the Fiscal Management Report (Brasil, 2000).

The FC functions of supervision and internal control in public management were also reformed, incorporating more managerial aspects, including the perspective of economical public spending, besides more traditional aspects like legality and legitimacy, management efficiency and assessment of governmental targets and programs. Art. 70 in the Federal Constitution (Brasil, 1988) determines that the accounting, financial, budgetary, operational and equity supervision of the Union and direct and indirect management entities will be practiced by the National Congress, through external control, and through each Power's internal control system.

The National Court of Auditors practices external control, which the National Congress is responsible for at the federal level. As regards internal control, in Art. 74 (Brasil, 1988), the FC determines that the Legislative, Executive and Judiciary powers need to maintain an integrated internal control system.

The organizational structure of Brazilian public management control went through different phases. In 1986, the National Secretary of the Treasury (STN) was created, which started to command the financial movements of the Union and the Internal Control Secretaries (Ciset). By subordinating the central control entity to the STN, this model broke with one of the basic principles of any control system, which is the segregation between the accounting and audit functions and the financial function (Silva, 2003). In 1994, the Federal Control Secretary (SFC) was created, affiliated with the Ministry of Finance. In 2003, the Office of the Comptroller General (CGU) was funded, whose structure the SFC was integrated in.

The competency of the CGU is to direct and immediately assist the President of the Republic with regard to themes that, in the context of the Executive Power, are related to the defense of public equity and the enhancement of management disclosure, through internal control, public audit, correctness, prevention, fight against corruption and an ombudsman (CGU, 2009). Its structure comprises four entities that serve as the integrity systems of the Federal government (CGU, 2009):

- Federal Control Secretary (SFC), responsible for the Internal Control System;
- Office of the Comptroller General, responsible for the Correctness System;
- Office of the Ombudsman General, responsible for the ombudsman units; and
- Secretary for the Prevention of Corruption and Strategic Information, responsible for the prevention and fight against corruption in the Executive Power.

Through the SFC, the CGU is responsible for audits and supervisions, aimed at checking how public money is applied. Its responsibility is to evaluate the execution of the Union's budgets, the supervise the implementation of governmental programs and audit the management of the federal public resources public and private organizations and entities are in charge of. In addition, it is responsible for elaborating the President's annual accountability, to be submitted to the National Congress (Brasil, 1988).

The branches of disclosure and responsibility for accountability to citizens (owners), as the pillars of governance and Comptrollership, are expressed in the legal, regulatory and program texts about control in federal public management in general and the CGU in particular.

3. Method

Considering the study objective, in this exploratory research, bibliographic and documentary procedures are adopted, with a qualitative data approach which, according to Richardson (2008), involves understanding the characteristics of a certain phenomenon or situation, through in-depth analyses, instead of producing quantitative measures.

During the exploratory research, contact with the topics *Controllership and governance in the public sector* served as the base to accomplish the study. Thus, through a bibliographic survey, the concepts of Controllership, governance in the public sector, and particularly the recommendations of the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) were explored.

In this research, information is used that was obtained based on public sources published by the CGU. Therefore, it is a documentary research, based on the information disseminated on the CGU website and in public documents; as well as a qualitative study, to the extent that it uses content analysis to investigate the information published on control and external reports, in accordance with IFAC recommendations (2001).

The survey on the CGU website was undertaken in September 2009, by consulting the following reports:

- About the evaluation of the execution of governmental programs; annual accountability audits; special audits and operations; special account seizure processes;
- Supervisions based on drafts, related to 2008;
- CGU management, 2008;
- Evaluation of the PPA 2008-2011, related to CGU actions;
- Fiscal management for the first four months of 2009; and
- Accountability to the President of the Republic (government actions and General Balance Sheet of the Union), 2008.

The application of content analysis considered the three phases of the method, in accordance with Bardin (2004): (1) pre-analysis; (2) exploration of the material; and (3) treatment of results. In the pre-analysis, the documents were read superficially. In the more detailed exploration, information was analyzed in two phases: in the first phase, CGU information was analyzed, involving: a) the general structure of its presentation form, in terms of classification per area; b) the type of information presented in each topic group; and c) the scope of the respective information contents and approaches that are pertinent to the theme of this paper. The second phase involved the analysis of the information in comparison with IFAC governance practices in the public sector, considering the dimensions of control and external reports. Those recommendations were considered whose practices can be verified through the information available on the CGU website, regarding risk management, internal audit, budget and financial management and external reports.

To treat the data (phase 3), the information was mapped in a data collection instrument, which first registered the available reports. Then, in the available reports, the information contents were analyzed and registered, related to those aspects of governance practices recommended by IFAC, in the dimensions of control and external reports. The use of content analysis permitted identifying the absence and presence of information.

4. Analysis of Results

The information presented on the CGU website are arranged according to the area corresponding to each of the four organizational structure entities: audit and supervision; prevention of corruption; correctness; and ombudsman.

This research focuses on the information concentrated in the audit and supervision and prevention of corruption areas, which are presented on the website, addressing the following basic scope:

- a) Assessment of government programs – summarized comments are presented about aspects addressed in the supervision of thirteen federal programs, but the reports are not presented.
- b) Special audits and operations – relate to control actions applied to selected objects, in which a patterns of deviations and irregularities is identified, which can be shared with other defense entities of the State, such as the Federal Police and the Public Prosecutor. The information presented provides short comments on the nature of the actions performed.
- c) Accountability audit – aimed at checking the information provided by federal public administrators and at analyzing the management acts and facts, with a view to instructing the annual accountability process that is to be submitted to the National Court of Auditors' judgment. The information published refers to the legislation and evolution in the number of audits performed, between 2002 and 2008. The reports of each federal public management entity were not available, except for the CGU report.
- d) Special seizure of account processes – refer to the processes analyzed by the CGU involving accounts that are considered irregular, and are therefore forwarded to the National Court of Auditors for judgment. A report is made available with the following information: the name of the entity and the person responsible for executing the resources; values to be returned to the National Treasury; and the reason for the establishment of the special seizure of account process.
- e) Accountability of the President of the Republic – presents the annual performance of the federal Executive Power, accompanied by reports and financial statements. Addresses aspects of

the federal government's economic-financial policy, budgetary execution, actions of each ministry, measures taken with regard to the National Court of Auditors' recommendations and to the analysis of the main aspects contained in the General Balance Sheet of the Union.

- f) Fiscal management report – this report was established by the LRF and should be consolidated every four months, which information on total expenses on staff, consolidated debt, concession of guarantees and credit operations. The reports are consolidated by the STN and the Federal Internal Control Secretary of the CGU assesses the consistency of their data.
- g) Supervision reports based on public drafts – special supervisions undertaken in states and cities, related to the application of federal public resources. These reports are available on the CGU website.
- h) Access to the Transparency Portal – any citizen can consult information about the transfer of federal public resources to each of the states and cities and directly to the citizen, without the need for a password, like the benefits of the *Bolsa Família* program, as well as the federal government's own spending on purchases or the hiring of works or services.

		Areas/Information	Information Availability		
			Yes	Partially	No
A. Governance Dimension: Control	I. Risk Management				
	1.	Risks of uncertainty regarding the achievement of government objectives are identified and informed			X
	II. Internal Audit				
	1.	Internal audit reports		X	
	III. Audit Committee				
	1.	The existence and activity of the committee are informed			X
	IV. Internal Controls				
	1.	Its activity is informed			X
	V. Budget and Financial Management				
	1.	Budgetary execution reports	X		
2.	Financial execution reports	X			
VI. Training					
1.	Accomplishment of staff training is informed			X	
B. Governance Dimension: External Report	I. Annual Report				
	1.	Annual government accountability report	X		
	II. Use of Appropriate Accounting Standards				
	1.	The adoption of international accounting standards is informed			X
	III. Performance Measures				
	1.	Cost measurement and economy measures in the application of public resources are informed			X
IV. External Audit					
1.	Relationship between audit committee and external audit is informed			X	

Figure 2. Summarizes the information made available by the CGU, grouped in the governance dimensions Control and External Reports, in accordance with IFAC recommendations (2001)

Source: Elaborated by the authors.

The content analysis of the information the CGU publishes in compliance with IFAC recommendations (2001) demonstrates that:

a) Regarding the control dimension:

- Risk management – no specific report is available that adopts the approach recommended by IFAC towards to risk exposure related to the uncertain achievement of government objectives as a whole, in annual and multi-annual terms, in this case based on the priorities and targets defined in the PPA and LOA. The annual accountability of the President presents the results of each entity's programs and actions in comparison with the targets set in the LOA, but the level of achievement of the government objectives assumed towards citizens (owners) is not assessed, neither in global nor multi-annual terms; nor are any risks that may jeopardize them made explicit. This is not an audit report that maps risks of uncertainty regarding the achievement of objectives. Some indication of resource application risks is found in the reports on supervisions accomplished in states and cities selected through a public draft, although their scope is the verification of punctual aspects. This is not a specific risk approach report, in line with the dimension and perspective recommended by IFAC (2001).
- Internal audit – the availability of internal audit reports partially complies with the IFAC recommendations (2001), as not all reports are published, but only supervision reports on the application of federal resources in states and cities, based on public drafts. Other internal audit reports, like the management accounts of each federal entity, the assessment of governmental programs and special audits, are not available on the CGU website.
- Audit committee – the information is not made available, nor is the existence of this committee in the CGU structure identified in the terms proposed by IFAC (2001).
- Internal control – the information published by the CGU does not mention the appropriateness of the structures and internal control activities of the federal executive power's entities, in line with IFAC recommendations (2001), in the sense that governmental entities should establish and put in practice internal control guidelines and report on their effectiveness in annual reports.
- Budget and financial management – the CGU complies with recommendations in this area through the information published in the annual accountability of the President of the Republic and in the four-monthly fiscal management report, one of the reports required by the LRF.
- Training – IFAC recommends staff training as a contribution to the quality of control activities. Information on the CGU website do not specify staff training activities.

b) As regards the external report dimension:

- Annual report – IFAC recommendations (2001) are complied with through the publication of the annual accountability reports of the President of the Republic. Although the individual management reports of each entity are not published, the information is addressed in the accountability report as a whole.
- Appropriate accounting standards – no reference is made to compliance with international public accounting standards. The only information provided is that the financial statements comply with the determinations of Law 4.320/64, which sets standards for the elaboration of public balance sheets, and Federal Accounting Council Resolution 750/93 on compliance with accounting principles.
- Performance measures – no specific report exists with this approach, in line with IFAC recommendations (2001), that is, which contains the measurement of governmental program costs and demonstrates the economic application of public resources.

- External audit – no information is available on the existence of the audit committee and its relation with external audit, in line with IFAC recommendations (2001). The information available on the CGU website indicates that recommendations by the National Court of Auditors, an external control entity, are treated in the internal audit reports.

Therefore, the information made available by the CGU that fully or partially complies with the information type recommended by IFAC (2001) relates to internal audit reports; budget and financial management; and to the government's annual report. The range of content aspects IFAC recommends is not addressed through, in each of its respective dimensions, in accordance with Figure 3.

	Reports/Aspects analyzed	Information complies with aspects recommended by IFAC		
		Yes	Partially	No
A. Governance Dimension: Control	I. Internal Audit – reports inform:			
	1. relevance of policies, plans and procedures and their financial effects			X
	2. program review to verify whether the results are consistent with established objectives and planned performance		X	
	3. extent of asset safeguards regarding waste, administrative inefficiency, frauds etc.	X		
	4. reliability/integrity of management and financial information and measures to identify, measure, classify, reports and act on the information	X		
	5. economy and efficiency in resource use		X	
	6. integrity of computer systems			X
	II. Budget and Financial Management – reports evidence:			
	1. application of allocated resources in relation to established objectives	X		
2. balance in public finance	X			
B. Governance Dimension: External Report	I. Annual Report – the government's annual report informs on:			
	1. the annual results of entities' management	X		
	2. the persons responsible for budgetary, financial and operational management			X
	3. the appropriateness of the entities' internal control structure			X
	4. the adoption of governance standards or codes			X
	5. the audit report in the financial statements			X

Figure 3. Appropriateness of information published by CGU in comparison with IFAC recommendations (2001).

Source: Elaborated by the authors.

As regards internal audit, IFAC recommends that the reports inform on the relevance of the established policies and plans and their financial effects; the results of programs and actions and their consistency with the established aims and targets; the extent of asset safeguards against waste, administrative inefficiency, frauds or other causes; the reliability and integrity of financial and management information; audit measures to identify, measure, classify, register and act on this information; economy and efficiency in the application of resources; and the integrity of computer systems.

Aspects related to the way assets are used to safeguard against waste, inefficiency and frauds and to the verification of information reliability and management measures comply with IFAC recommendations (2001). As regards aspects related to program performance, compliance is only partial, as the program evaluation reports are not available on the internet, restricting the analysis of this aspect to the supervision reports of resource applications in states and cities chosen through a draft. In these super-

vision reports, although they are not focused on the performance of specific program, related management acts are verified. Compliance with IFAC recommendations (2001) is also partial with regard to the evaluation of economical and efficient resource use. The reports about supervisions in states and cities verify management actions and appoint possible anti-economical measures deriving from non-compliance with regulations, like management acts in public tenders, in which it should be kept in mind that these audits are not focused on the evaluation of economical resource application, based on cost measurement standards.

As for the budgetary and financial execution reports, IFAC recommends (2001) that reports be published that disclose the application of the resources allocated in relation to established aims and the situation in terms of public finance balance. This aspect of the recommendations is complied with in the reports made available by the CGU, established by the LRF, and in the budgetary and financial statements included in the government's annual accountability.

Concerning the government's annual report, it is verified that only the aspect related to reports on the entities' management results complies with IFAC recommendations (2001). The remaining aspects – indication of people responsible for budgetary, financial and operational management; appropriateness of entities' internal control structure; adoption of governance standards or codes; and presentation of the audit report in the financial statements – are not complied with.

The confrontation between the information published by the CGU and IFAC recommendations (2001) on governance practices in the public sector, considering control and external reports, reveals variations in the degree of compliance, whether in terms of type or contents.

5. Final Considerations

In this study, the information was investigated which the Office of the Comptroller General publishes on its website and complies with the type and contents of IFAC recommendations (2001) related to control and external reports, as dimension of governance in the public sector.

In public organizations, the application of Corporate Governance mechanisms, originally conceived in the context of private companies, gains increasing complexity due to the multiple range of its political, economic and social objectives, to different types of external constraints and to the variety and particularities of its stakeholders. The PSC/IFAC developed a study in which the analysis about the Corporate Governance theme was extended to the public context. Control and the availability of external reports were considered dimensions of public sector governance.

The research revealed the Office of the Comptroller General' explicit acknowledgement of the government's responsibility for disclosure and accountability, and a comprehensive information disclosure level related to public spending, such as information published on the Transparency Portal and in supervisory reports developed in states and cities, chosen through a public draft.

Nevertheless, the study showed variations in the compliance level of the information the CGU discloses with the type and contents of IFAC recommendations (2001). Information related to internal auditing, budgetary and financial reports and annual government reports complete or partially complies with the information type in IFAC recommendations (2001). The information that does not comply with the type recommended by IFAC (2001) is related to risk management, to the audit committee, to internal control activities, to training and the use of international public accounting standards.

Information that complies with the recommended type and with content aspects relates to budgetary and financial reports. Information related to internal audit and annual government accountability reports partially address the contents recommended by IFAC (2001).

It should be highlighted that, although in an initial form, this research signals relevant aspects of information disclosure on the CGU website, regarding to the type and contents of IFAC recommendations (2001) related to control and external reports, while governance dimensions in the public sector reveal

the importance of the theme as future research foci. Thus, with a view to future studies, a similar analysis of the information disclosed by Brazilian state and municipal Comptrollership Offices is recommended. In addition, a broader study of the information disclosed by indirect administrative entities is suggested.

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