

TCU'S AUDIT ON THE GOVERNMENT RESPONSE TO THE PANDEMIC

10 LESSONS LEARNED





FEDERATIVE REPUBLIC OF BRAZIL
FEDERAL COURT OF ACCOUNTS

MINISTERS

Minister Bruno Dantas, President
Minister Walton Alencar Rodrigues
Minister Benjamin Zymler
Minister Augusto Nardes
Minister Aroldo Cedraz
Minister Vital do Rêgo
Minister Jorge Oliveira
Minister Antonio Anastasia

DEPUTY MINISTERS

Minister Augusto Sherman
Minister Marcos Bemquerer
Minister Weder de Oliveira

PUBLIC PROSECUTION OFFICE WITHIN THE TCU

Cristina Machado da Costa e Silva, Prosecutor General
Lucas Rocha Furtado, Deputy Prosecutor General
Paulo Soares Bugarin, Deputy Prosecutor General
Marinus Eduardo de Vries Marsico, Prosecutor
Júlio Marcelo de Oliveira, Prosecutor
Sergio Ricardo Costa Caribé, Prosecutor
Rodrigo Medeiros de Lima, Prosecutor

TCU'S AUDIT ON THE GOVERNMENT RESPONSE TO THE PANDEMIC

10 LESSONS LEARNED

BRASÍLIA 2020

© Copyright 2020, Federal Court of Accounts

<www.tcu.gov.br>

The full or partial reproduction of this publication is allowed with no changes to its content, provided that reference is made to its source and there is no commercial use.

Cataloguing Data

L131a BRAZIL. Federal Court of Accounts

TCU's audit on the government response to the pandemic / 10 lessons learned

Brasília: TCU - Brazil, 2020.

40 p. (Institutional Publication)

1. Public Policies 2. Control 3. Assessment 4. Analysis 5. Framework.

CDU 02

CDD 020

INTRODUCTION

Faced with the emergency challenge posed by the COVID-19 pandemic, the TCU was mobilized to follow up on the federal government's key initiatives to combat the pandemic and its ramifications in a timely and coordinated manner.

As a result, as soon as the pandemic was detected in Brazil, in March 2020, the TCU approved the "Special Plan for Following-up of Actions to Combat Covid-19 and its Consequences" (PEA), allowing the audit work to begin immediately. The audits were aimed at preventing irregularities in the implementation of emergency expenses as well as highlighting risks and opportunities in the various actions taken by managers to deal with the crisis in an efficient manner.

In addition, in April 2020, the TCU launched Coopera, a special action plan to address the Covid-19 crisis. Coopera included other measures to combat the pandemic, such as partnerships with other agencies to support actions and exchange knowledge and technical training, in addition to the PEA inspections.

In total, 38 audits were conducted to monitor federal government measures such as sanitation and health, welfare support, and the maintenance of essential public services.

The Court's action proved critical in the face of the Covid-19 crisis, and it provided important lessons for future emergency situations.



SUMMARY

O1.

Page 9

The Emergency Audit Plan provided agility and timeliness to TCU's crisis response, which were key to audits' results

O2.

Page 11

Social distancing required full digital solutions, remote work, as well as adapting audit standards and team management approaches

O3.

Page 13

Continuous dialogue with public managers, press and society improved audits results.

O4.

Page 16

Health measures effectiveness to protect lives depends on political leadership, guiding strategies, priority budget allocation and emergency procurements.

O5.

Page 19

Social protection measures were adopted quickly to keep families livelihood

O6.

Page 22

Job protection measures were cost-effective, based on good data, and financed by companies and government.

O7.

Page 25

Companies support was focused on small and medium enterprises, and on sectors more impacted.

O8.

Page 28

The fiscal and monetary measures adopted to stabilize the economy were swift and effective, but had a substantial impact on the deficit and public debt.

O9.

Page 31

Essential infrastructure services provided without interruption to the population.

10.

Page 34

Preparedness for crisis: The Covid-19 Pandemic was unprecedented and required specific governance solutions to get timely and legitimate decisions from several political and management level.

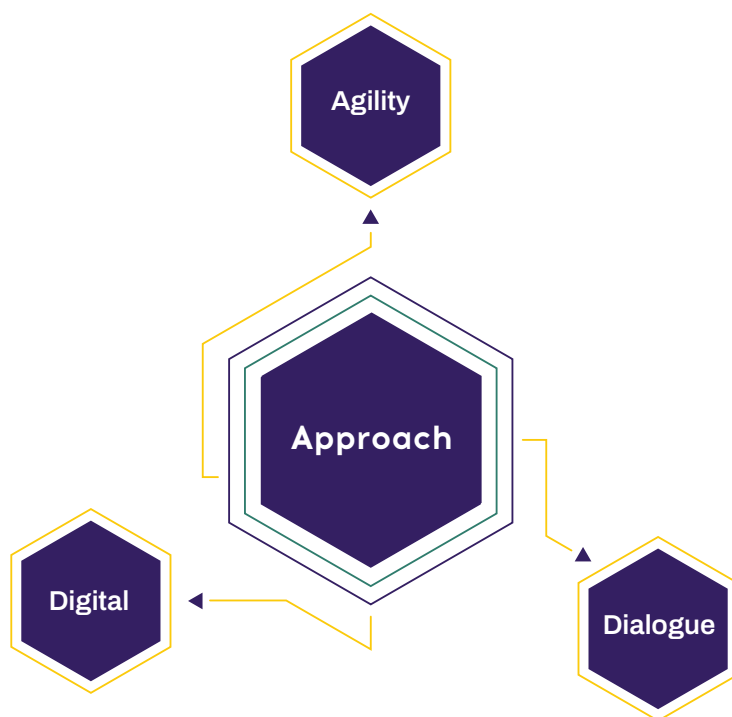


MAIN AUDIT APPROACHES

The monitoring carried out by the Court of government actions to confront the pandemic were marked by a timely action, the effort to expand the dialogue with the actors involved and the use of digital solutions.

From the action of the TCU in relation to each of these aspects, strenghts and lessons learned were identified.

Infographic A · Main Audit approuches



1 • THE EMERGENCY AUDIT PLAN PROVIDED AGILITY AND TIMELINESS TO TCU'S CRISIS RESPONSE, WHICH WERE KEY TO AUDITS' RESULTS.

STRENGTHS

- Agile formulation of an Emergency Audit Plan, in which more relevant and higher risk actions were prioritized.
- Quick reorientation of teams to work on the Emergency Audit Plan, in a coordinated manner and with close monitoring by the General Secretariat for External Control.
- Adoption of simplified audit procedures, based on agile methods.
- Quick and simplified communication between the teams with the managers and reporters.
- Acting in stages, with the elaboration of periodic reports.
- Agility in TCU decisions.

LESSONS FOR THE FUTURE

- The institutionalization of simplified procedural rites increases legal certainty in the relationship with managers.
- Simplified forms of communication with managers, both for obtaining information and documents and for expressing audit findings, to provide agility to the process.
- The use of agile and simplified auditing methods, safeguarding the methodological rigor of the work, can contribute to achieving better results in specific cases, even in normal times.

2 • SOCIAL DISTANCING REQUIRED FULL DIGITAL SOLUTIONS, REMOTE WORK, AS WELL AS ADAPTING AUDIT STANDARDS AND TEAM MANAGEMENT APPROACHES

STRENGTHS

- TCU had already started its digital transformation process and already had technological solutions that made it possible to immediately migrate to remote work.
- Agile action to adapt and make work processes more flexible, review regulatory acts, train auditors, acquire technological solutions, make equipment and furniture available for auditors, create new communication channels and establish a new system for managing people and supervising actions.

LESSONS FOR THE FUTURE

- The articulation with State and Municipal Courts of Accounts and other control bodies enhances the results of the Superior Control Institution's performance.
- Holding online events and meetings allows the participation of actors who could hardly contribute in person, which makes the debates more diverse and rich.
- The transmission of events and meetings on specific works contributes to bringing ISC closer to society, strengthening social control.
- In situations of uncertainty and the need for quick definitions, dialogue with managers through less bureaucratic alternative channels contributes to the quality and timeliness of the decision-making process.

3 • CONTINUOUS DIALOGUE WITH PUBLIC MANAGERS, PRESS AND SOCIETY IMPROVED AUDITS' RESULTS.

STRENGTHS

- The continuous and open dialogue with the manager in the monitoring of actions contributed to greater agility in risk management, problem solving and failure correction.
- **Transparency and social control were strengthened through:**
 - Holding online events open to all civil society, on specific audits or broader issues related to the performance of control;
 - The creation of a Coopera program hot site with information about the in-response work carried out and the assessed processes.

LESSONS FOR THE FUTURE

- The articulation with State and Municipal Courts of Accounts and other control bodies enhances the results of the Superior Control Institution's performance.
- Holding online events and meetings allows the participation of actors who could hardly contribute in person, which makes the debates more diverse and rich.
- The transmission of events and meetings on specific works contributes to bringing SAI closer to society, strengthening social control.
- In situations of uncertainty and the need for quick definitions, dialogue with managers through alternative channels of response and bureaucracy contributes to the quality and timeliness of the decision-making process.

PRIORITIZED POLICIES

During the pandemic, the government implemented emergency policies for six main goals.

The emergency budget summed up more than USD 100 billion in cash transfers, procurements, credit for small and medium-sized enterprises etc.

The TCU created an emergency audit plan called COOPERA, to prioritize the transparency, accountability and effectiveness of the emergency policies.

Infographic B • Prioritized Policies



4 • HEALTH MEASURES EFFECTIVENESS TO PROTECT LIVES DEPENDS ON POLITICAL LEADERSHIP, GUIDING STRATEGIES, PRIORITY BUDGET ALLOCATION AND EMERGENCY PROCUREMENTS.

POLICY ASSESSMENT

Federal government ensured the rapid transfer of resources to subnational entities to finance health actions. However, the lack of objective criteria for the transfers made it difficult to target those most in need.

The Union's emergency response was hampered by **problems in planning, regulation, evaluation and control** of actions to face the pandemic.

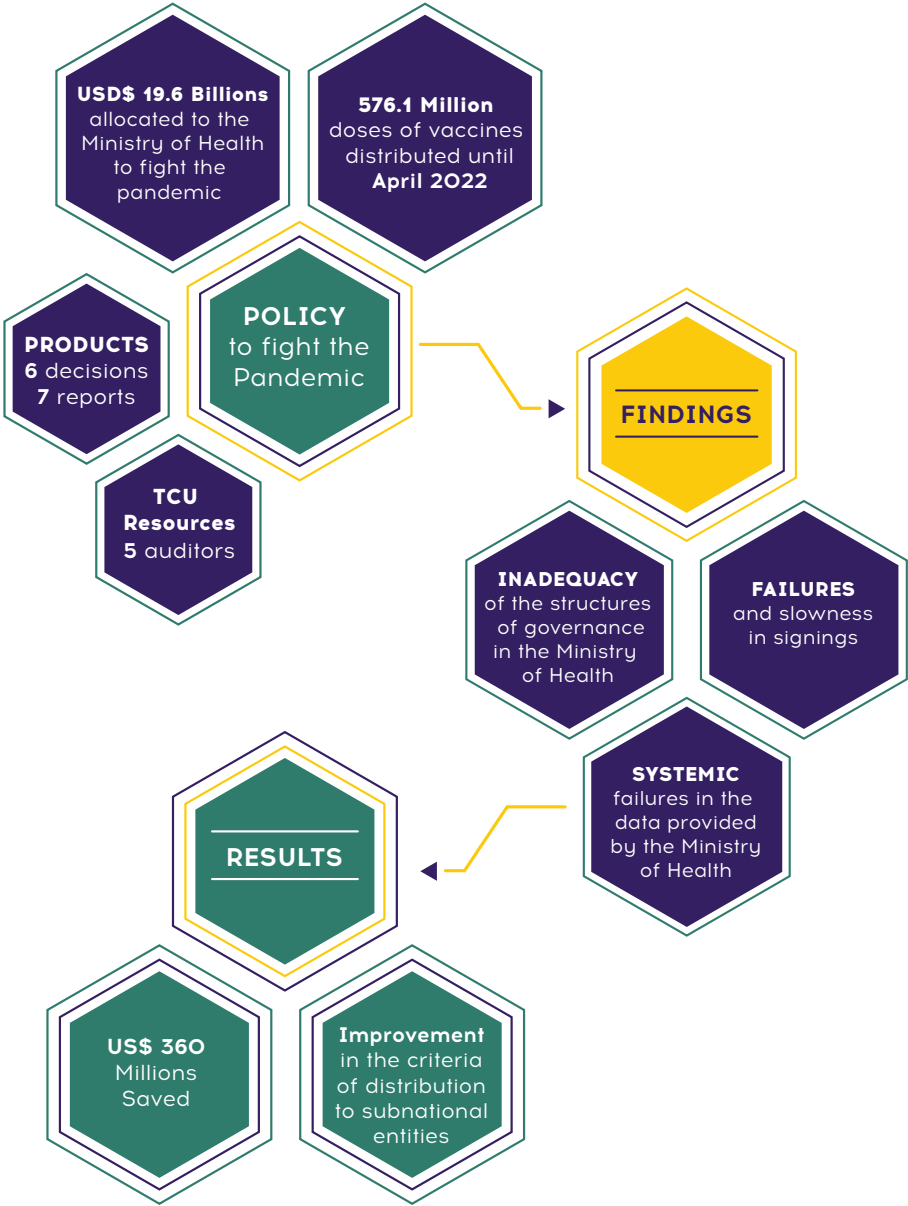
The governance of the Health Ministry was weakened by changes in senior management and the technical team in the first months of the pandemic, which jeopardized the leadership and knowledge of the body accumulated in the management of previous crises.

A **national planning strategy** was not established, with guidelines to guide and coordinate the actions of other entities in the fight against the pandemic, nor was a communication strategy implemented with the population. Gaps in the testing, vaccination and communication strategy hampered the reduction of the transmissibility of the new coronavirus.

The absence of integrated logistical planning of **inputs** resulted in delays in the acquisitions and distribution of essential inputs to combat Covid-19.

Inconsistencies in public records amplified the difficulties mentioned and prevented effective monitoring and evaluation of the epidemiological.

Infographic C • Health measures effectiveness to protect lives depends on political leadership, guiding strategies, priority budget allocation and emergency procurements.



LESSONS FOR THE FUTURE

- The role of federal government in the leadership, definition of strategies and control of national health actions is essential to enhance the performance of the Unified Health System (SUS), enabling agile and timely care in facing national health crises.
- Centralized and coordinated procurement of inputs by the Health Ministry can provide agility to the process, in addition to providing gains in scale and power of negotiation with suppliers.
- The National Immunization Program (PNI) of SUS allows you to quickly achieve the necessary vaccination coverage in urgent cases. It is necessary to improve the acquisition processes, the warehousing and distribution strategies, to maximize the PNI's capacity.
- The absorption of technology transfer, through technological ordering (ETEC), enables the national production of vaccines according to demand, making the response to the emergency more effective.
- The national health data registry must be improved, in order to ensure the timely updating and reliability of the data, in order to support the decision of health policies and to provide greater transparency for the population.



5 • SOCIAL PROTECTION MEASURES WERE ADOPTED QUICKLY TO KEEP FAMILIES' LIVELIHOOD

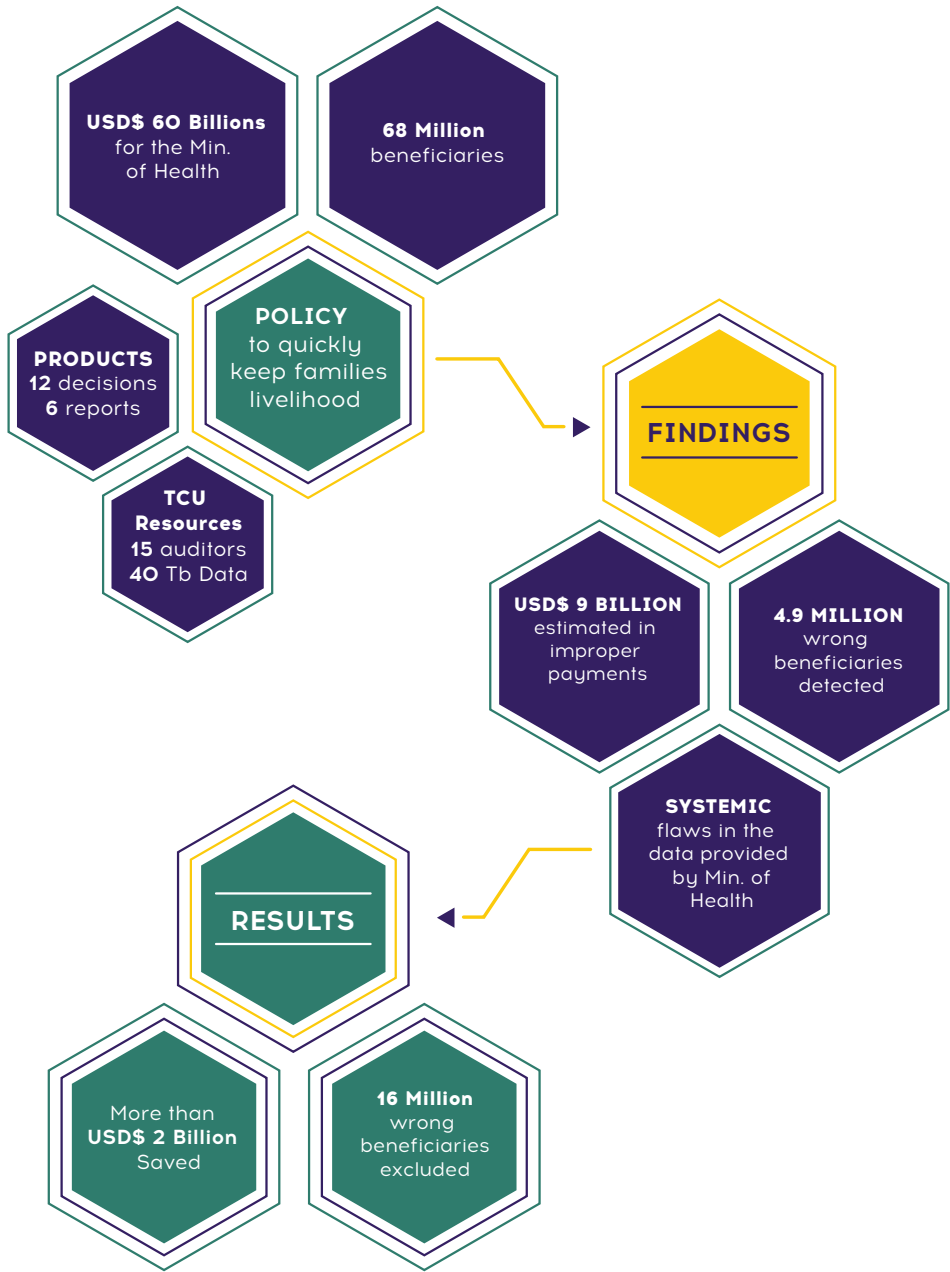
POLICY ASSESSMENT

The government established a program to transfer financial resources to protect individuals and informal workers in situations of social vulnerability, called emergency aid. Using an app and cross-referencing government data, in April 2022 there were already 50 million people receiving the aid.

The aid lasted 18 months and cost more than USD 60 billion. Data cross-checks performed by the TCU and other audit institutions at the subnational federal level helped to prevent overpayments amounting to USD 2 billion. Even so, the TCU estimated that 13% of the resources may have been improperly paid.

Based on the TCU's recommendation, the eligibility rules and emergency policy control mechanisms were improved. As an example, it started to check monthly if the beneficiaries of emergency aid had found formal employment, retirement, pension or other social benefit.

Infographic D • Social protection measures were adopted quickly to keep families' livelihood



LESSONS FOR THE FUTURE

- It is necessary to guarantee income protection for informal workers, either by formalizing work or by public policies that encourage savings for emergency situations.
- Emergency cash transfer programs require quick action to ensure livelihoods of people who have lost their income, and the use of technology allows for broad access and satisfactory coverage, despite requiring additional treatments for fraud risks.
- The risks of fraud in social benefits can be substantially mitigated through data sharing between government bodies, including tax and banking data, preserving secrecy and also the prerogative of state supervision.

6 • JOB PROTECTION MEASURES WERE COST-EFFECTIVE, BASED ON GOOD DATA, AND FINANCED BY COMPANIES AND GOVERNMENT.

POLICY ASSESSMENT

The Federal Government instituted the Emergency Benefit, an amount paid to compensate for the losses of workers with agreements to reduce working hours or temporary suspension of contract, due to social isolation measures.

The Emergency Benefit was important for the preservation of jobs, since from its institution, there was a containment in the upward trend of layoffs.

The program also presented a low percentage of irregularities, taking into accounts its extraordinary and emergency nature. However, the absolute amounts of potentially undue payments are high and require attention for their recovery.

The manager's implementation of the typologies identified by the TCU contributed to reduce the value of possible irregular payments by approximately US\$ 30 million and helped to return approximately US\$ 7 million. Even so, nearly US\$ 29 million was overpaid and still needed to be recovered by March 2021.

Infographic E • Companies support was focused on small and medium enterprises, and on sectors more impacted.



LESSONS FOR THE FUTURE

- The rapid implementation of a job maintenance program during an emergency crisis has the potential to reverse an increase in layoffs and also reduce expenses with other benefits such as unemployment insurance.
- The registration of formal work guarantees the availability of the data necessary for the agile implementation of worker protection programs, as well as timely and effective control.
- The use of the typologies developed during the inspection of the Emergency Benefit is essential to avoid undue payments, in the inspection of similar programs.

7 • COMPANIES SUPPORT WAS FOCUSED ON SMALL AND MEDIUM ENTERPRISES, AND ON SECTORS MORE IMPACTED.

POLICY ASSESSMENT

The emergency programs for credit access during the Covid-19 pandemic were successful in increasing access to credit for small and medium-sized companies (SMEs), providing higher levels of financing and lower interest rates. The programs fostered the creation of 180,000 additional jobs and they increased in more than US\$ 1 billion the labor share concerning the companies in question.

However, the programs' positive results costed a significant amount of public funds, a total of about US\$ 11 billion. Besides, lack of proper planning detained a significant part of them to reach target companies, what concentrated credit in more developed regions. Therefore, impact was hindered in sectors with greater operating restrictions.

TCU identified good international practices concerning the design of access to credit programs, which can be considered in the implementation of the National Credit Guarantee System to improve credit guarantee programs.

Infographic F • Companies support was focused on small and medium enterprises and on sectors more impacted.



LESSONS FOR THE FUTURE

Even in situations that require the immediate adoption of measures to ensure the survival of SMEs, it is recommended to follow good practices for credit guarantee programs, in order to maximize their results in terms of reach, available credit and benefits for the economy (increase in of jobs, investments, exports, etc).

The following best practices can be highlighted:

- Creating credit instruments capable of reaching less developed regions.
- Avoiding the complete coverage of credit operations by sharing the risk with financial agents, who shall be encouraged to assess creditors thoroughly before granting credit.
- Implementing supplementary measures to credit guarantees to increase the effects of a greater access to credit, such as promoting qualification, digitalization, innovation and access to new markets.
- Targeting credit to viable companies which cannot access credit due to lack of guarantees, but whose business model and projects can generate positive results.

8 • THE FISCAL AND MONETARY MEASURES ADOPTED TO STABILIZE THE ECONOMY WERE SWIFT AND EFFECTIVE, BUT HAD A SUBSTANTIAL IMPACT ON THE DEFICIT AND PUBLIC DEBT.

POLICY ASSESSMENT

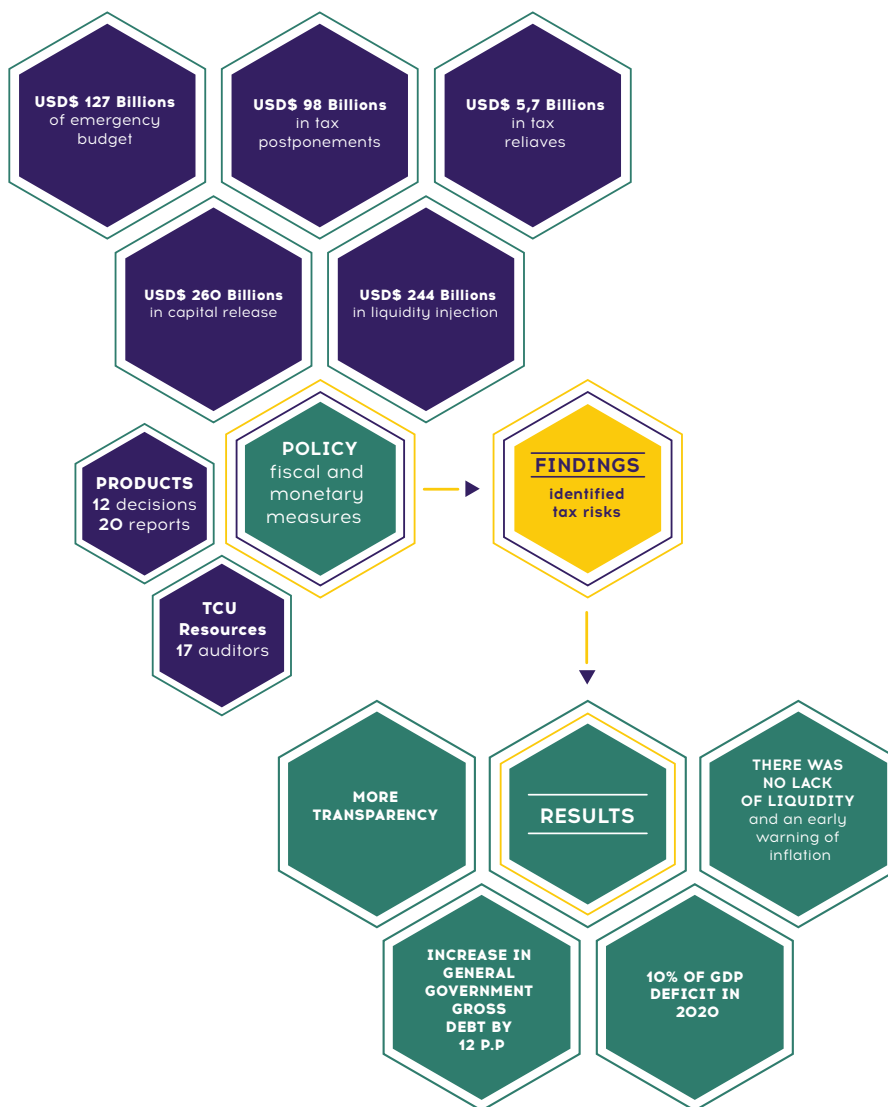
The Federal Government and the Central Bank acted quickly to stabilize the financial and credit markets while maintaining liquidity.

From a tax perspective, tax rules were relaxed to enable the financing of emergency measures in more than USD 100 Billion. On the revenue side, tax collections were deferred, and specific tax waivers were granted to sectors most affected and most essential to fighting the pandemic, with an impact of almost USD 100 Billion in revenue collection. These measures affected public debt management, requiring institutional solutions to guarantee refinancing at lower costs and terms.

Bank of Brazil contributed significantly and positively to expand credit to banks. The measures were timely and effective in maintaining the stability and liquidity of the National Financial System, increasing the credit supply capacity by more than USD 200 Billion (18.5% of GDP 2020).

The measures implemented by the Central Bank also ensured that the foreign exchange market functioned normally, without liquidity malfunctions, and maintained the stimulating monetary conditions, so that credit would serve as a channel of impulse to growth, without prejudice to the objective of keeping inflation under control.

Infographic G • The fiscal and monetary measures adopted to stabilize the economy were swift and effective, but had a substantial impact on the deficit and public debt.



LESSONS FOR THE FUTURE

- The credibility of fiscal and monetary policies increases the capacity and speed of response to systemic crises, being essential for the stabilization strategy.
- Fiscal rules need to have cohesion with fiscal policy and overcoming the crisis may require a fiscal policy with new levels of spending, especially in the areas of health and social protection.
- Fiscal and credit policies must consider monetary effects, to avoid both systemic risks above tolerable and loss of effectiveness of economic policies, affected by reduced purchasing power and increased cost of financing.
- The diversification of instruments available to the Central Bank, quickly authorized by the Legislative Branch, provided security for the monetary authority to act in the regulation of capital and in the guarantee of liquidity.
- The use of competitive solutions in the injection of liquidity can avoid deviations of purpose in the flow of credit to lend and to refinance debts of the most affected people and companies in times of crisis.

9 • ESSENTIAL INFRASTRUCTURE SERVICES PROVIDED WITHOUT INTERRUPTION TO THE POPULATION.

POLICY ASSESSMENT

The effects of the COVID-19 pandemic were challenging for the continuity and quality of public infrastructure services.

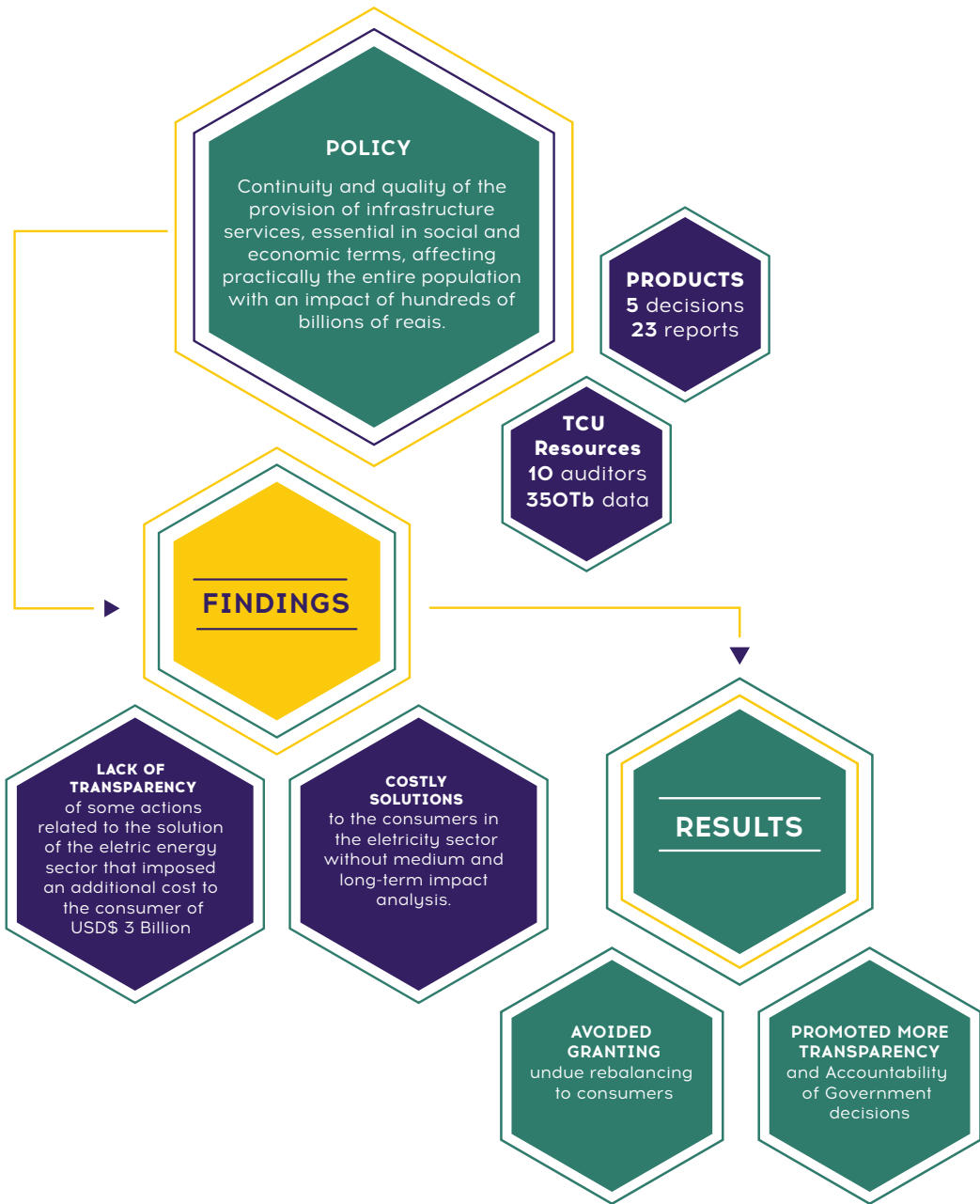
For electricity services, measures such as the suspension of supply cuts due to default have been adopted; the extension of the beneficiary base and discounts for low-income residential users; and injection of approximately US\$ 3 billion into the electricity supply chain. These measures mitigated the risk of financial unsustainability of the distribution, transmission and generation chain, given the sudden decrease in energy demand and a significant increase in delinquency.

Regarding the supply of fuels, the articulation with states and municipalities was important to prevent the blockade of transport and allowed a rapid repositioning of the attendance to the demand of cooking gas, not noticing shortages or other operational problems.

As for the infrastructure of highways and airports, the deferral of obligations of concession payments and investments, without immediate tariff rebalancing to be paid by the consumer, maintained the provision of the service in a sustainable way to dealers and users, avoiding a possible financial collapse of airlines and airport and road concessionaires in the face of reduced demand.

The sudden demand for internet services was met from investments in the order of US\$ 4 million to expand the infrastructure and connection points.

Infographic H • Essential infrastructure services provided without interruption to the population.



LESSONS FOR THE FUTURE

- Need to improve the electricity sector in order to deal with contingency situations that reduce energy consumption, whether due to supply restriction or demand decrease, affecting the conjunctural or structural balance of generation, transmission and distribution contracts.
- Seek costing alternatives so that future exceptionalities are not borne solely by the users of the service, through substantial tariff increases, with significant economic impacts in the medium/long term, without adequate impact analysis.
- The deferral of payment obligations for grants and investments, without immediate tariff rebalancing to be paid by the consumer, contributes to the maintenance of services to concessionaires and users.

10 • PREPAREDNESS FOR CRISIS

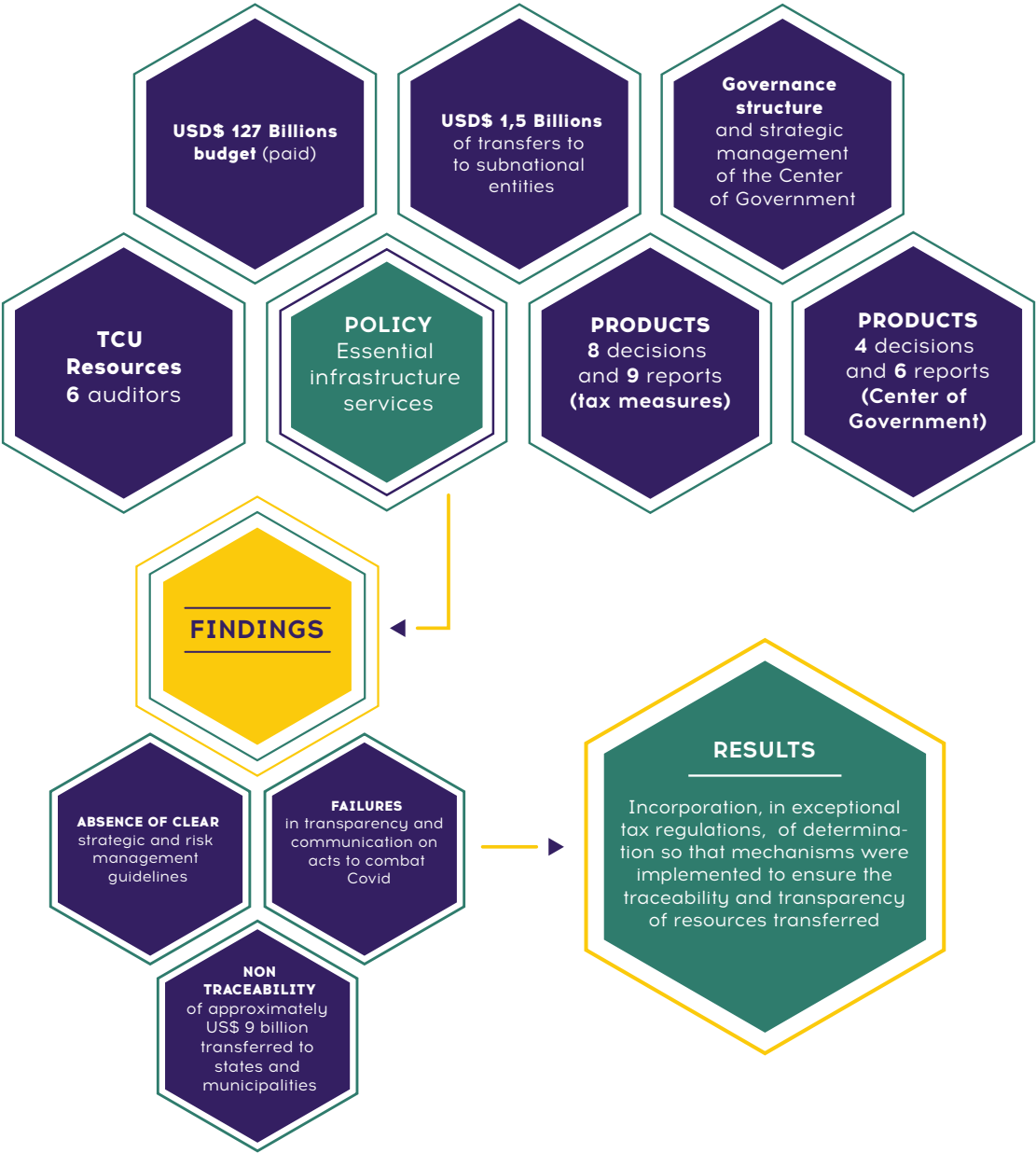
POLICY ASSESSMENT

Rapid and effective coping with the multiple effects of the crisis required the leadership and coordination of the Government Centre, through broad strategic planning that guided the actions and priorities of the various ministerial portfolios; mechanisms of articulation and control that would allow to direct, integrate and monitor actions; and the provision of resources with the urgency and amount required.

However, the Government Center's role in combating the pandemic proved to be deficient, with flaws in the governance and risk management structure. The action of the Government Center was predominantly reactive and punctual, with low coordination with subnational entities. Moreover, government communication did not occur in a fully understandable and transparent way, generating ambiguities and obscurities that hindered coordination at the federal level and articulation with states, municipalities and with society itself.

As for resources, the exhaust valves of the Spending Ceiling were triggered and other tax rules were relaxed to ensure rapid allocation and the necessary amounts. To this end, legislative measures were quickly approved by the National Congress. However, adequate mechanisms for recording and tracking resources passed on to subnational entities were not implemented, impairing the transparency, control and Accountability of the execution of approximately US\$ 9.5 billion.

Infographic I • Preparedness for crisis



LESSONS FOR THE FUTURE

- In a country with the dimensions of Brazil and organized in the federation model, the Executive and Legislative Powers must clearly define the responsibility of each entity, as well as the role of the Federal Government Center in emergency situations of national importance, the various public and private actors.
- In times of crisis, it is crucial that strategic guidelines are defined quickly and that there is flexibility and agility to adapt them, as reality requires, in order to guide actions and priorities, avoiding reactive action only, based exclusively on meeting urgent demands.
- The advent of a pandemic requires the execution of a communication plan, coordinated by the Government center, seeking articulation with subnational entities, in order to clarify the entire population regarding measures to prevent and combat the crisis.
- It is necessary to implement mechanisms that allow full traceability of the implementation of resources transferred to subnational entities, as well as to strengthen accountability and accountability mechanisms, in order to avoid deviations of purpose and ensure the timely recovery of unduly applied resources.



CONTENT RESPONSIBILITY

General Secretariat of External Control (Segecex)

EDITORIAL RESPONSIBILITY

General Secretariat of the Presidency (Segepres)

Department of Communications (Secom)

Creation and Editing Service (Secrid)

GRAPHIC DESIGN, LAYOUT AND COVER

Department of Communications (Secom)

Creation and Editing Service (Secrid)

FEDERAL COURT OF ACCOUNTS

SAFS Qd 4 Lote 1

70.042-900 Brasília - DF

Anexo III, Sala 450

Phone: +55 61- 35277322

TCU'S OFFICE OF THE OMBUDSMAN

0800 644 1500

ouvidoria@tcu.gov.br

PRINTED BY

Senge/Segedam

MISSION

Improve Public Administration
through external control
to benefit society

VISION

Be a reference in promoting an
effective, ethical, fast and accountable
Public Administration

FEDERAL COURT OF ACCOUNTS 

www.tcu.gov.br