



INTERNAL CONTROL, PREVENTING AND FIGHTING CORRUPTION

CGU actions in 2008

BRAZIL

**Presidency of the Republic
Office of the Comptroller General - CGU**

OVERVIEW

Established by Law 10683 of 28 May 2003, the Office of Comptroller-General is the arm of the federal executive branch with primary responsibility for internal control, corrective and ombudsman actions. In addition, the agency executes measures to promote transparency and prevent corruption, a centerpiece of the federal government's policy orientation and key targets plan.

Since its creation in 2003, the CGU has steadily improved its statutory structure and work processes to meet the institution's mission more efficiently.

Today, the CGU is engaged in waging a systematic effort against corruption and dedicated to controlling the application of public monies in all its forms and strands. To this end, the institution has emerged as a typical anti-corruption agency, emphasizing the formulation of strategies and policies to prevent and combat this scourge.

Structure

The basic structure of the CGU consists of four units tasked with implementing the activities related to each of the agency's areas of responsibility:

1. Internal Control → Federal Secretariat for Internal Control (SFC)
2. Corrective Actions → Office of Inspector-General (CRG)
3. Corruption Prevention → Secretariat for Corruption Prevention and Strategic Information (SPCI)
4. Ombudsman Activities → Office of Ombudsman

The CGU includes, additionally, a collegiate and advisory body, the Council on Public Transparency and Combating Corruption. The body is composed of an equal number of representatives from government and civil society. Its purpose is to debate and recommend measures to strengthen activities aimed at controlling public financial resources, promoting the transparency of the public administration and combating corruption and impunity.

Basic Guidelines for CGU Activities

- Qualification of internal controls
- Administrative accountability as an effective strategy to fight impunity
- Emphasis on corruption prevention measures
- Inter-institutional coordination
- Incentives to oversight
- Increased public transparency
- International coordination

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INTRODUCTION

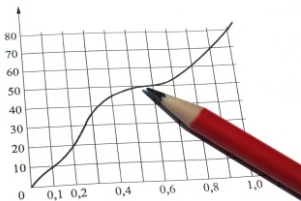
In 2008, the Office of the Comptroller General (Controladoria Geral da União – CGU) made continued progress in its determined fight against corruption and is confident that significant results were achieved. The agency's activities are guided by fundamental strategies applied since 2003, including ongoing coordination with the control and inspection agencies of the Brazilian State; encouragement of expanded social control (oversight) through partnerships with different sectors of Brazilian society; emphasis on corruption prevention measures; increased public transparency; and coordinated action with international organizations.

These strategies have enabled the CGU to give priority to measures aimed at suppressing and preventing corruption, two interrelated aspects of the same problem. Consequently, the scourge of corruption, a malady that afflicts all countries, has encountered in the Brazilian government a resolute and steadfast foe. Indeed, Brazil's tenacious efforts in this area have led to broad recognition, both domestically and abroad, of the enormous progress made in preventing and fighting corruption.

Action Guidelines

- Coordination with the other control and inspection agencies of the Brazilian public sector
- Promotion of public transparency
- Corruption prevention measures
- Partnership with society in the construction of social control (oversight)
- International coordination

The Brazilian government has expanded its fight against corruption in the public administration. The efforts undertaken by the institutions charged with defending the interests of the Brazilian State (the CGU, the Federal Police Department, the Public Prosecutor's Office and the Office of the Solicitor General, among others) have not gone unnoticed by the public at large. A national survey conducted in May 2008 by the Federal University of Minas Gerais in partnership with the Vox Populi Institute revealed that nearly 75% of respondents recognized an increase under the current administration in “the



investigation of corruption cases which had in the past remained hidden from public view.” At the international level, a similar survey by the Chilean NGO Latinobarometro found that 45% of interview subjects acknowledged

progress in the fight against corruption in Brazil, a higher percentage than the continental average.

The proactive measures taken by Brazil on the issue have garnered the recognition of specialized international agencies of the United Nations (UN), which have increasingly turned to the CGU to provide technical assistance and capacity-building in related areas to other countries.

Some of the key actions executed or enhanced by the CGU in 2008 are described below.

INTERNAL CONTROL

Inspections and Audits

In 2008, the CGU gave continuity to the Random Audit Program in Small- and Medium-Sized Municipalities (Programa de Fiscalização em Pequenos e Médios Municípios a partir de Sorteios Públicos). Launched in April 2003, this innovative and successful systematic program is now in its 27th edition. To date, 1,461 municipalities, or 26.25% of all Brazilian municipalities, have undergone audit inspections, encompassing federal appropriations of US\$ 4.58 billion (R\$ 10.3 billion). Since the program was expanded in 2004 to include examination of the application of federal outlays at the state level, eight rounds of the random audit program for states have been performed, resulting in 77 CGU reviews of nearly US\$ 3.65 billion (R\$ 8.2 billion). In fiscal year 2008, the first edition of the Special Random-Sample Audit Program was held. Under the program, 50 municipalities were submitted to thorough examinations of the Sanitation and Housing component of the Accelerated Growth Program (Programa de Aceleração do Crecimento – PAC) – a federal program launched in January 2007 –, corresponding to allocations of almost US\$ 141 million (R\$ 318 million).



In 2009, the CGU is set to extend its now Random Audit Program in Small- and Medium-Sized Municipalities, placing particular emphasis on continued enhancement and greater issue focus in order to enable the concentration of efforts on matters of special relevance and urgency through the development of more comprehensive analytical tools for the range of government activities subject to inspection. Since 2007, state capitals and large municipalities (with more than 500,000 inhabitants) have been subject to an ongoing inspection effort designated the

Audit Inspection Program in State Capitals and Large Municipalities (Fiscalização de Recursos Federais Aplicados por Prefeituras de Capitais e Grandes Municípios). In 2008, 455 audits were carried out under the initiative, covering 98% of all municipalities not included in the Random Audit Program. The CGU executed actions in 15 municipalities with more than 500,000 inhabitants and in all 27 state capitals. PAC resources accounted for almost 15% of the audited appropriations.

In 2008, the CGU placed greater priority on monitoring and examining initiatives executed under the PAC program on three distinct and complementary fronts: monitoring of large-scale works; inspection of small- and medium-sized projects in the areas of sanitation and housing through the Random Audit Program; and project inspections triggered by complaints and representations filed by the institutions charged with defending the interests of the Brazilian State. A case in point was “Operation João de Barro” – an investigation conducted by the Federal Police Department across 114 municipalities in Minas Gerais, 1 municipality in Tocantins, 1 municipality in Espírito Santo and 3 municipalities in Rio de Janeiro.

The CGU also executed control measures to assess compliance with the targets mandated in the Multi-Year Plan and to verify the execution of government programs and federal budget appropriations. The effort produced 8,051 inspections, contributing to the review of key programs implemented under the Multi-Year Plan and other public policies not contemplated in the Budget Law, in particular the PAC, Urban Environmental Sanitation, the Family Stipend Program (Bolsa Família – a conditional cash transfer program), the Family Health Care Program, Development of Vocational Training, the Educated Brazil Program, Maintenance and Upkeep of the Federal Railroad Network, Management of the Food and Nutrition Security Policy, and Basic Social Protection. Some examples of the work undertaken during fiscal year 2008 in connection with this line of action are provided below:

VEHICLE WEIGHING STATIONS

Audits of the operation of Vehicle Weighing Stations (Postos de Pesagem de Veículos – PPV). In response to the audit findings, the National Transportation Infrastructure Department (Departamento Nacional de Infraestrutura de Transporte – DNIT) held a competitive bidding corresponding to the 1st phase of the National Strategic Vehicle Weighing Master Plan (Plano Diretor Nacional Estratégico de Pesagem), which provides for the implementation of 228 weighing stations, 145 fixed and 83 mobile, within five years.

HIGHWAY INFRASTRUCTURE SERVICE CONCESSION

Monitoring effort designed to assess the performance of the National

Ground Transportation Agency (Agência Nacional de Transportes Terrestres ANTT) for purposes of verifying concessionaire compliance with the applicable contractual terms and conditions.

NORTH-SOUTH RAILROAD

Preventive inspections along three stretches of the North-South Railroad under construction by Valec Engenharia, Construções e Ferrovias S.A. The inspections contributed to correcting problems identified in the project by preventing the reoccurrence of similar failures along uncompleted sections of the railroad and the suspension of the enterprise, as required by the applicable public rail development policies.

FIRST JOB PROGRAM

Monitoring inspections of the vocational training and financial assistance provided to young people through examination of US\$ 32.1 million (R\$ 72.3 million) corresponding to the Social Youth Consortia (Consórcios Sociais Juventude) and Citizen Youth (Juventude Cidadã).

OFFICE OF GENERAL COUNSEL OF THE NATIONAL TREASURY

Control measures to verify possible cases of debt extinguishment, unadjudicated or suspended debts and the measures adopted in response to the CGU's recommendations of the previous year.

FAMILY HEALTH CARE PROGRAM

Measures implemented in nearly 200 municipalities for purposes of verifying the activities of health professionals; conditions in the basic health care units and the quality of assistance.

FAMILY STIPEND PROGRAM

Efforts undertaken in nearly 200 municipalities aimed at certifying the program's execution through verification of beneficiary eligibility criteria; the application of social control (oversight) and compliance with all applicable conditionalities.

The CGU has pressed ahead with the expansion and enhancement of its systematic monitoring of government programs and the activities of the related agencies. In addition to its strong preventive character, the initiative contributes to assisting federal administrators in identifying existing deficiencies in government actions, expanding the potential range of available corrective measures and adopting the appropriate course corrections.

With regard to the Annual Audits of the Investigation and Certification of Accounts, the CGU, in addition to working with the Federal Court of Accounts (Tribunal de Contas da União – TCU) to secure streamlined audit procedures, has performed 7,378 ordinary audits over the past six years, 1,180 in 2008 alone.

In relation to the Special Audits of federal agencies, the following measures taken in 2008 warrant mention:

BANCO DO NORDESTE DO BRASIL (BNB)

Special audit in which debt renegotiations involving discounted regular charges (those applied through the due date) in the January 2003-September 2007 were analyzed in connection with financing agreements backed with resources from the Constitutional Northeast Financing Fund (Fundo Constitucional de Financiamento do Nordeste – FNE). Key findings: extra-judicial debt renegotiations deriving from operations undertaken with FNE funds, involving the waiver of regular charges without legal grounds and in violation of the opinions of the Office of the Solicitor General (AGU), resulting in losses of US\$ 14.2 million (R\$ 31.9 million); renegotiations involving discounted regular charges for operations executed with FNE funds (potential amounts) totaling US\$ 47.3 million (R\$ 106.4 million); deficiencies in BNB's credit control systems.

NATIONAL SOCIAL ASSISTANCE COUNCIL

Analysis of the council's performance in formulating policies regarding the grant and renewal of Charitable Social Assistance Organization Certificates (Certificados de Entidades Beneficentes de Assistência Social – CEBAS) issued in the 2000-2008 period. Key findings: gaps in procedural guidelines; deficiencies related to the conformity of accounting statements to applicable legal requirements.

NUCLEBRÁS EQUIPAMENTOS PESADOS (NUCLEP)

Examination undertaken at the request of the Federal Office of Attorney General of Rio de Janeiro regarding the contracting of the NUCLEP corporation for construction of sections of Petrobrás's P-51 platform. Key findings: irregularities in the contracting of the company responsible for the construction work and successive interruptions in project execution.

BRAZILIAN POSTAL SERVICE

Continuation and intensification of the audit procedures undertaken in

2005. Analysis conducted in conjunction with the Public Prosecutor's Office revealed the existence of records of bribes payments from suppliers to an employee of the organization. The progress of the investigations into Operação Selo (Operation Stamps) – a scheme initially detected by the Federal Police Department in 2007 – and the corresponding efforts to bring the responsible agents to account and sanction the culpable suppliers were tracked. The investigations into Operação Déjà Vu (Operation Déjà Vu), brought to light by the Federal Police Department in 2008, were launched. Key finding: continued illicit payments to third parties for advantages not authorized in the legislation governing the execution of contracts.

UNIVERSITY OF BRASÍLIA (UnB)

Audit performed at the request of the university's chancellor's office to investigate alleged irregularities regarding the management of financial resources provided by the University of Brasilia Foundation and the relationships maintained with supporting foundations in the 1996-2008 period. Key findings: existence of an off-the-books payroll scheme; service providers



hired without the proper selection procedures or execution of a formal contract, and staffed with significant numbers of family members of institution personnel; overbilling and overcharging of civil construction projects; uncompleted projects; irregularities in the relationships maintained with supporting foundations; use of foundations to avoid legally mandated competitive bidding procedures and to derive private gain and payments for services not rendered.

FEDERAL UNIVERSITY OF SÃO PAULO (UNIFESP)

Special audit conducted in April 2008 to investigate the use of the Federal Government Charge Card (Cartão de Pagamento do Governo Federal – CPGF) by UNIFESP's chancellor at the time, through an analysis of available expenditure records published on the Transparency Portal for fiscal years 2006, 2007 and 2008. Key finding: of the US\$ 40,311.00 (R\$ 90,762.00) debited to the card, US\$ 27,255.50 (R\$ 61,325.00) corresponded to unauthorized charges. The amount in question was ultimately reimbursed by UNIFESP's chancellor.

UNIVERSITY EXPANSION PROGRAM / MINISTRY OF EDUCATION (MEC)

Analysis of the 53 projects prepared under the Support Program for

Federal University Restructuring and Expansion Plans (Programa de Apoio a Planos de Reestruturação e Expansão das Universidades Federais – REUNI) implemented by the Secretariat of Higher Education (Secretaria de Educação Superior – SESU), encompassing resources in the amount of US\$ 717.33 million (R\$ 1.614 billion). Key findings: approval by SESU of 38 REUNI projects encompassed within the total budget, yet not properly reflected in the fiscal year 2009-2012 Work Plans. For the remaining 15 projects, overbilling in the amount of US\$ 69.66 million (R\$ 156.73 million) was identified, as measured against the National System of Construction Cost Surveys and Indicators (Sistema Nacional de Pesquisa de Custos e Índices da Construção – SINAPI), corresponding to 26.13% of the total audited amount. Extrapolating the findings to include all estimated REUNI financial resources indicated overbilling on the order of US\$ 187.45 million (R\$ 421.77 million).

MINISTRY OF SPORTS

Special audit and inspection of the execution of the financial transfers made to the Brazilian Futsal Confederation for the 6th FIFA World Futsal Championship in 2008, performed at the request of the Federal Police Department. Potential savings of up to US\$ 1.55 million (R\$ 3.5 million). Through December 2008, the deadline for presenting the pertinent statement of accounts had not yet lapsed, such that additional savings are still possible.

FEDERAL GOVERNMENT CHARGE CARDS (CPGF)

Various audits of the use of the CPGF's by public officials, including current and former cabinet officials, were performed to verify the regularity of expenditures made with resources of the supplemental expense fund.

The CGU also performs inspections of federal resource allocations suspected in misappropriation schemes. These activities are not part of the institution's regular inspection and audit activities or random audit program. Rather, the examinations are launched on the basis of information previously collected during inspections in which a pattern of irregularity has been determined or through joint selections made with other agencies charged with defending the interests of the Brazilian State, including the Federal Police Department or the Public Prosecutor's Office. A number of these actions gave rise to special operations undertaken in tandem with the Federal Police. Some of these include: Operações Rapina e Rapina II (Operation Loot and Loot II – Maranhão), Operação Telhado de Vidro (Operation Glass Ceiling – Rio de Janeiro), Operação Hígia (Operation Hygia – Rio Grande do Norte), Operação Pasárgada (Operation Pasargada – Minas Gerais), Operação João de Barro (Operation João de Barro – Minas Gerais, Rio de Janeiro, Tocantins and Espírito Santo), Operação Toque de

Midas (Operation Midas Touch – Amapá) and Operação Nêmesis (Operation Nemesis – Maranhão).

An additional line of action involves credible complaint filings by citizens or substantive allegations published in press reports. In fiscal year 2008, the CGU received a total of 3,762 complaints and representations. Of these, 2,497 triggered specific control measures by the agency to identify and verify the factual bases of alleged irregularities in the application of federal financial resources. In 2008, 908 inspections were performed in 348 municipalities. The findings are entered in the Annual Audit Reports of Accounts Rendered of the officials responsible for the respective units/entities and forwarded to the Federal Court of Accounts, as well as the Public Prosecutor's Office, where necessary.

The Special Investigations of Accounts (Tomada Especial de Contas – TCE) is a procedural tool for investigating, assigning individual accountability and quantifying the damages to the federal public administration, as well as securing the respective reimbursements. Over the past six years, the CGU has reviewed 12,838 TCE's, corresponding to total potential reimbursements of US\$ 1.65 billion (R\$ 3.72 billion). In 2008, the CGU examined 1,446 TCE's with potential reimbursements of US\$ 285.7 million (R\$ 642.8 million) to the public treasury.

In the personnel area, the CGU performed audits involving verification of the consistency of federal payrolls or the application of audit trails in personnel systems. In addition, over the past six years the CGU analyzed and referred 447,702 Retirement, Pension and Hiring cases to the Federal Court of Accounts (TCU) corresponding to nearly US\$ 848.2 million (R\$ 1.9 billion). Through August 2008, the institution had reviewed and referred 97,000 cases relating to US\$ 238.1 million (R\$ 533.4 million) to the TCU.

Preventive Orientation

Through its emphasis on expanded preventive control measures and keen awareness of the institution's integral and active connection to the public management cycle, the CGU has fostered deeper cooperation between agency staff and federal managers at all levels and at every opportunity, with a view to marshaling efforts and enhancing the results of its enforcement work. This general orientation provided the foundation for a number of preventive control measures. Some of the most noteworthy of these are enumerated below:

- Courses, seminars, forums and discussion meetings with federal managers at all levels on issues inherent to the public management process, particularly:
 - Integration of follow-up and control measures for projects carried out

under the Growth Acceleration Plan – PAC (the centerpiece of Brazil's development strategy)

- Annual rendering of accounts
- Internal control processes, with an emphasis on application of the specific internal controls required to manage government resources and, in turn, safeguard public assets
- The Internal Audit Role of Entities of the Federal Public Administration
- Special Investigations of Accounts
- Public financial resource transfers through “Agreements” and “Appropriation Transfer Agreements,” with particular focus on the implementation of a computerized system to record, track and control the execution of allocations at every level of the public administration (federal, state and municipal)

→ Implementation of a Public Expenditure Tracking Station (Observatório da Despesa Pública – ODP), a promising initiative that employs the most advanced available information technology tools to analyze and track public expenditures. Launched in December 2008, the ODP simulates a “fine-tooth comb” approach to ascertain potential irregularities and prevent their reoccurrence. The instrument has been applied to the analysis of expenditures made through the Supplemental Expense Fund system to detect atypical and irregular circumstances regarding the use of the Federal Government Charge Card (CPGF) as well as in support of the related investigation undertaken by the Joint Parliamentary Inquiry Commission (Comissão Parlamentar Mista de Inquérito – CPMI). The ODP has also contributed to the oversight of the Comprasnet database – the federal government’s official procurement system – and to identifying specific types of potential irregularities and generating statistics and management reports on the acquisitions of the federal administration.

PUNITIVE MEASURES

In 2008, the CGU moved forward, through the Federal Office of Inspector General for Administrative Discipline (Corregedoria-Geral da União – CRG), with the efforts initiated in 2005 to strengthen and improve the federal government’s Disciplinary System, for which the agency is ultimately responsible.

The fight against impunity, a primary aim of disciplinary measures, is effected through the CRG’s singular disciplinary function. In 2008, the CGU pressed ahead with the delicate mission of investigating allegations of misconduct against public agents, while not losing sight of the advisory nature of its mandate.

Over the past six years, more than 25,000 inquiries and disciplinary procedures were launched within the executive branch, resulting in 1,969 termination sanctions against civil servants, including 1,705 dismissals, 143 discharges and 121 revocations of retirement benefits. In 2008, 347 termination sanctions were executed (284 dismissals, 28 revocations and 35 discharges). The termination sanctions handed down in 2008 were primarily motivated by the use of public office for private gain (31.83%) and administrative improbity (16.46%).

In 2008, the CGU initiated and conducted 122 administrative disciplinary procedures, including administrative disciplinary proceedings (processos administrativos disciplinares – PAD) and punitive and investigative proceedings. In addition, 40 investigations of illicit enrichment were launched and reviews of the conformity of 831 disciplinary proceedings established and executed in different agencies and entities of the federal executive branch were performed. Another 40 inspections were carried out within disciplinary units of the federal executive branch and, by recommendation of the CRG, more than 200 disciplinary proceedings undertaken.

Asset and property investigations, aimed at identifying illicit enrichment by public agents in cases involving inconsistencies between the growth in asset holdings and reported earnings, became a fixed feature of the institution's investigative work in 2008. From 2006 to 2008, the CGU launched more than 70 asset investigations spurred by case reports forwarded from the Financial Activities Control Council (Conselho de Controle das Atividades Financeiras – COAF) on suspicious transactions; the identification of inconsistencies in financial statements provided in asset and benefit filings or complaints and representations of suspicious activities and outward signs of enrichment.



With a view to vigorously punishing legal entities participating in frauds against the public administration, the CGU created the Committee for Administrative Proceedings against Suppliers and Service Providers (Comissão de Processo Administrativo de Fornecedores – CPAF) in December 2007. Established as a direct arm of the CGU, the committee determined the ineligibility of 8 companies in 2008, effectively preventing the enterprises from participating in bidding procedures or contracting with the public administration. Among the ineligible companies are a select number that garnered significant press coverage for their involvement in cases with particularly deleterious effects on national public opinion: Construtora Gautama (a principal target of “Operation Razor Blade”); the Grupo Planam (responsible for spearheading the fraudulent activities unearthed during the “Operation Ambulance Mafia” investigations, which triggered a Parliamentary Inquiry Commission widely referred to as the “Leeches CPI”); and, more recently, the group of firms investigated in “Operation Manpower,” including Conservo Serviços.

As an extension to the consolidated training program offered to members of the administrative disciplinary committees, in 2008 the CGU provided capacity-building to 1,116 federal civil servants, bringing to 5,873 the number of professionals qualified under the initiative in the past six years. On the same front, the CGU launched a management training course for 56 officials of the Ministries of Finance and Labor. The objective was to expand the capacity-building programs in administrative disciplinary law to other actors engaged in discharging disciplinary functions.

In 2007, the CGU, the Public Finance Management School (Escola de Administração Fazendária – ESAF) and the University of Brasilia (UnB) forged a partnership to sponsor a lato sensu graduate program in Administrative Disciplinary Law. The initiative was initially implemented in 2008 with the participation of 45 professionals from the CGU's disciplinary units and the Ministries of Justice (the Federal Police Department), Health (the National Health Surveillance Agency), Social Welfare (the National Social Security Institute) and Finance (the Central Bank of Brazil and the Federal Internal Revenue Service).

PREVENTIVE MEASURES

Promoting Public Transparency

The priority attached by the Lula administration to enhancing transparency is reflected in the growth of the Transparency Portal (www.Portaldatransparencia.gov.br), a direct citizen channel providing information on the application of federal fund transfers to the states, Federal District and municipalities by federal agencies, in addition to data on expenditures made using government charge cards. Launched in 2004 with an initial inventory of 80 million registries, the Transparency Portal today holds over 744 million records on federal funds totaling nearly US\$ 2.22 trillion (R\$ 5 trillion).

The Transparency Portal features a direct mail system that allows citizens to receive email notifications on the release of funds to specific municipalities of their interest and monitor the execution of the pertinent agreements. More than 17,000 citizens have registered in the system.

In December 2008, the CGU launched a new version of the Portal aimed at facilitating public access to information on budgetary executions of programs and government actions. The site's layout was modified and new features added, such as the List of Ineligible Companies (Cadastro de Empresas Inidôneas e Suspensas – CEIS); data on fund transfers to not-for-profit

organizations; information on Federal Government Charge Cards by individual user; and figures on fund transfers to entities abroad. The Transparency Portal's new layout also promotes analysis of executed expenditures. As a rule, search results can now be downloaded as spreadsheet files. All told, roughly 39,000 spreadsheets are available to the public.

These features have transformed the Transparency Portal into a recognized instrument of innovative and efficient social control (oversight) and participation without precedent even among the most developed nations. In 2008, the Portal was conferred the UN's "Public Finances and Administration" prize and the CONIP Excellence Award in Innovation in Public Management. Moreover, the citizen channel was chosen as one of the top ten initiatives of the 12th Innovation in Federal Public Management Competition.



In addition to the Transparency Portal, information on budget executions, competitive bidding procedures, contracts, agreements, daily stipends and airfare expenses in all agencies and entities of the federal executive branch is provided on the Public Transparency Site (www.transparenciapublica.gov.br), a resource launched in 2006. Through December 2008, 385 federal agencies and entities had incorporated the Transparency Site on their websites. Also in 2008, the Transparency Site was redesigned to facilitate browsing and new searches and an advanced search tool was added. Finally, an electronic page was created to make it easier to identify agencies and entities that carry the Transparency Site and to confirm the origin of the published information.

TRANSPARENCY FIGURES *

Transparency Portal

Financial resources: US\$ 2.2 trillion (R\$ 4.92 trillion)

Records: 744,870,256

Total visits: 1,469,743

Average visits/month: 122,479

Beneficiaries:

Natural Persons (including social programs): 19,733,009

Natural Persons (excluding social programs): 1,859,102

Legal Persons: 355,191

Government Programs:

Total Beneficiaries: 17,873,907

Total Programs: 535

Total Government Actions: 5,165

Transparency Website

Agencies and Departments: 200

Independent Government Organizations and Foundations: 122

Public Enterprises: 43

Total Visits: 1,296,291

Average Visits/Month: 108,024

* Data updated until December 2008.

List of Ineligible Companies - CEIS

The purpose of the Registry of Ineligible Companies (Cadastro de Empresas Inidôneas ou Suspensas – CEIS), composed currently of roughly one thousand companies under sanction by federal and state agencies, is to consolidate the list of companies penalized by specific agencies and entities of the public administration at the federal, state and municipal level, in order to ensure an enterprise subject to punitive measures by a particular government agency is not able to conceal its ineligible in an effort to transact with another government agency. Additionally, to preserve the accuracy of information each entry on the list cites the original source of the administrative sanction, which enables users to extend their search should they decide to contact the pertinent agency directly.



Social Control Training

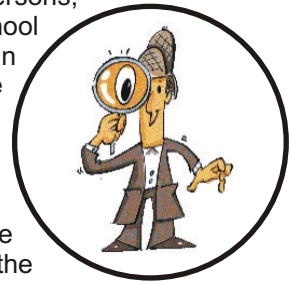
The CGU has made a significant investment in preventive and capacity-building efforts in the area of social control (oversight), having secured notable progress on different fronts in 2008.

Further, the CGU has fostered measures to promote ethics and raise awareness among citizens with respect to the youngest population segments. Efforts have included the “Criança Cidadã – Portalzinho da CGU” (“Child Citizen – Little CGU Portal”), which carries games and comic strips aimed at conveying positive messages about ethics and citizenship to children. The site also offers a space devoted to teachers with guidance on how to stimulate classroom discussion of the pertinent topics. Another initiative involved the 2nd edition of the Drawing and Writing Contest, a nationwide competition for primary and secondary school students. In 2008,

over 250,000 children from every Brazilian state submitted entries. The CGU also concluded a partnership with the Instituto Maurício de Sousa – creator of Turma da Mônica (Monica’s Gang – a popular comic strip) – to implement the “One for All, All for One – On Behalf of Ethics and Citizenship” Project. In 2009, the agency plans to promote expanded social control (oversight) through integrated actions with the Ministry of Education’s “Escola Aberta” (“Open School”) and “Mais Educação” (“More Education”) programs.



Another important front in the CGU's repertoire of measures relates to the Keeping a Sharp Eye on the Public Money (Programa Olho Vivo no Dinheiro Público), an effort launched in 2004 that has served to raise awareness and offer direction to local assembly persons, community leaders, public agents, teachers and public school students on the importance of social control (oversight). In 2008, 26 events were held in 217 municipalities. Over the last four years, 125 meetings have been organized under the initiative, directly benefiting 1,011 Brazilian municipalities and qualifying 24,000 citizens. In addition, the program has sponsored distance courses to train 6,022 citizens and distributed more than 1.6 million copies of the "Olho Vivo no Dinheiro Público" ("Keeping a Sharp Eye on the Money") brochure, which offers guidance on the proper application of public financial resources.



The CGU promoted a series of activities connected with the Public Management Enhancement Program (Programa de Fortalecimento da Gestão Pública) implemented in 2006, with a view to strengthening public financial resource management at the state and municipal levels. Municipalities participating in the program are selected by public drawing among a list of voluntary entrants. The specific measures adopted for the program activities are determined by the CGU in partnership with the selected municipalities based on their particular needs. Through December 2008, the program included 1,052 registered municipalities. The seven drawings held to date have benefited 229 municipalities, trained 2,709 municipal public agents and resulted in the distribution of more than 60,000 manuals on public financial resource management and federal programs. In addition to the activities stemming from the drawings, initiatives have been developed to provide support to the establishment and operation of internal control units in the municipalities and states, an effort that has been extended to 613 municipalities and 9 states and qualified 3,601 civil servants. Another 1,321 civil servants from around the country have received training through distance education course programs.

Stimulus to Corruption Control Studies And Research

To stimulate the development of lines of research and the establishment of corruption studies centers, the CGU executed four new basic technical cooperation agreements in 2008 with universities, including international institutions, bringing to 22 the total number of agreements concluded to date.

To this same end, the CGU made strides in 2008 toward enhancing the Online Library on Corruption (Biblioteca Virtual sobre Corrupção – BVC). The library's collection includes over 1,100 documents, among them articles,

essays, news reports, event documents, presentations and other material related to the subject.

In 2008, the CGU held the 3rd edition of its Essay Contest, the topic of which was “preventing and combating corruption in Brazil.” As a complement to the competition, the winning entries of the 2nd Essay Contest were published in a compendium titled “Prevenção e Combate à Corrupção no Brasil” (“Preventing and Combating Corruption in Brazil”).

The CGU also sponsored, in partnership with several universities and colleges, seminars, classes and workshops in every Brazilian state aimed at promoting discussion within academic circles on ways to prevent and combat corruption in Brazil. The initiative seeks to stimulate and reinforce interest in the subject within universities, promote the development of studies and research and raise awareness among students and professors concerning their role, as citizens and scholars alike, in controlling corruption.

The Revista da CGU (CGU Magazine), a bi-yearly publication, is a technical and scientific journal aimed at disseminating work on topics related to audit, inspection, ombudsman, disciplinary and corruption prevention activities for purposes of fostering analysis and discussion of issues pertaining to the fight against corruption.

Enhancing the Legal Framework

With respect to the measures taken to enhance the legal and normative framework in its field of responsibility, the CGU, following consultations with the Public Transparency Council (Conselho da Transparência Pública), introduced a draft bill on information access and actively participated in the administration’s discussions on the issue. Additionally, the institution undertook studies aimed at developing proposed legislation on the following matters (i) civil and administrative accountability of legal persons for acts committed against the public administration; (ii) the organization and maintenance of special protection programs for victims and at-risk witnesses – protection of good-faith whistleblowers and (iii) lobbying regulation. To this end, the agency organized, in partnership with the Secretariat of Legislative Affairs of the Ministry of Justice and the Executive Office of the Presidency of the Republic, the International Seminar on the Intermediation of Interests: Lobbying Regulation in Brazil, an event that brought together representatives of all three branches of government and the private sector to contribute to the development of a new draft bill on the regulation of lobbying activities or to the update and enhancement of bills currently pending in the National Congress.

OMBUDSMAN ACTIONS

The Office of the Federal Government Ombudsman (Ouvidoria-Geral da União – OGU), a branch of the CGU, has focused its efforts over the past six years on fostering the participation of all public ombudsmen in strengthening citizenship and affirmative interaction, with a view to expanding the ombudsman system within agencies and entities of the federal executive branch. To date, the initiative has contributed to bolstering and consolidating the office.

As a consequence, the number of active ombudsman offices within the federal executive branch rose from 40 in 2003 to 149 in 2008. Over the past year, 11 new units were established under the supervision of the OGU. Responses to citizen complaints also registered significant growth in recent years, from 1,764,291 in 2005 to 2,048,654 in 2008.

The substantial rise in the number of ombudsman offices throughout Brazil is tied to the public's growing demand for instruments capable of ensuring the transparency of State activities, constraining corruption and waste and increasing, in the same proportion, the morality and efficiency of the public administration through the adoption of measures designed to defend the interests of citizens before the public administration.

As an extension to the initiatives undertaken in 2006, the CGU offered free classes to more than 1,000 ombudsmen and staff personnel of ombudsman units in eight state capitals in 2008.

INTERNATIONAL COOPERATION

The CGU is charged with following up on Brazil's implementation of the provisions prescribed in each of the three international anti-corruption treaties to which the country is a party: the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention) and the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Convention). In 2008, the CGU adopted a series of measures to disseminate the terms of the conventions, including preparation and distribution of informational material; development of the UN Convention hot site (www.cgu.gov.br/onu) and continued operation of the existing hot sites: www.cgu.gov.br/oea and www.cgu.gov.br/ocde.

Within the framework of the OECD Working Group on bribery of foreign public officials, the CGU took part in 2008 in the body established to review

Argentina's compliance with the convention. As part of the Implementing Mechanism for the Organization of American States Convention against Corruption, Brazil participated in the working group tasked with reviewing Saint Vincent and the Grenadines' implementation of the regional convention, and, as part of the second stage review, delivered an oral report in December 2008 on the measures adopted in response to the recommendations received by the country in 2007.

The CGU coordinated Brazil's review process of the Second Round of Review of the Implementation of the OAS Convention on issues related to the hiring of civil servants, contracting of projects and services, protection of good-faith whistleblowers and classification of corrupt acts. Brazil's review was deemed highly positive, garnering recognition for the solid initiatives adopted.

The institution represented Brazil in major coordinating and discussion forums on topics related to internal government controls and corruption prevention, leading to a qualitative shift in the country's participation and status within those frameworks.

Of particular note was Brazil's participation in the Second Meeting of States Parties to the UN Convention against Corruption held in Bali, Indonesia, in January 2008. At the event, the UN recognized the CGU's Transparency Portal as one of the world's leading initiatives in the field of corruption prevention.

In July 2008, the CGU participated in a panel of the UN Economic and Social Council in New York organized as part of the 60th anniversary celebration of the United Nations Public Administration Program. On the occasion, the director of the CGU delivered an address on initiatives to combat corruption in support of the Millennium Development Goals.



The CGU also represented Brazil at Using Communication Approaches and Techniques to Support Anti-Corruption Efforts, a meeting organized by the United Nations Office on Drugs and Crime (UNODC) and the World Bank in Vienna, Austria, in November 2008. The CGU outlined Brazil's strategies to prevent and combat corruption. At the same time, the agency's chief officer met with the director-general of UNODC, who urged Brazil to provide consulting assistance to African and Latin American countries through technical cooperation initiatives.

In November 2008, the CGU participated in the 1st Annual Conference of Inspectors-General of the State and Finance of the Community of Portuguese-Speaking Countries (I Conferência Anual de Inspetores-Gerais do Estado e de Finanças da Comunidade dos Países de Língua Portuguesa – CPLP). Among the primary decisions taken at the event was the development of a common “Financial Control Manual” (“Manual de Controle

Financeiro"), as well as the development of a "Common glossary of terms and expressions used in internal control agencies of the CPLP." The next edition of the conference will be held in Brazil in 2009.

The CGU also took a lead role in organizing the 3rd Specialized Meeting of Government Organizations of Internal Control of the Southern Cone Common Market (Mercado Común del Cono Sur – Mercosur), which brought authorities charged with the control of public expenditures in the Mercosur countries to Brasilia in December 2008 as part of an effort to forge closer scientific, technical and operational cooperation relations.

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