

MEXICO'S SUPREME AUDIT INSTITUTION FACING THE COVID-19 PANDEMIC

ACTIONS TO STRENGTHEN GOVERNMENT CONTROL



2020

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The world faces unexpected times, as society did not foresee scenarios in which a virus could transform global dynamics, generate a severe economic contraction, increase unemployment, impact education systems and, even worse, rise poverty and inequality in every country.

The spread of SARS-CoV-2 represents a challenge for all governments; it is an unprecedented circumstance that demands extraordinary efforts and tests institutional capacities to control and mitigate the effects of a new, unknown, dangerous and highly contagious virus. At the same time, the emergency creates an opportunity for governments, in their actions, to stress their commitment to the values and principles that support the democratic model, along with accountability and transparency that feature a preponderant place.

In this context, Supreme Audit Institutions (SAIs) face a need for immediate change to adapt to a new reality, which entails significant restrictions on the interaction and displacement of people.

The Supreme Audit Institution of Mexico (ASF) implemented several strategies, addressing two main aspects: first, strengthening the auditors' work through, mainly, the adaptation of the legal framework in order to be able to audit government actions more efficiently and in real time. Second, strengthening internal organization policies, including the establishment of personnel protection measures, and administrative and organizational actions to guarantee efficient SAI's operational capacity.

STRENGTHENING AUDIT ACTIVITY



1. STRENGTHENING THE LEGAL FRAMEWORK

1.1. REAL TIME AUDITING

This is a constitutional reform that aims to provide attributions for real-time auditing; the ASF will have the possibility to audit governmental engagements in progress in order to avoid the materialization of irregularities. It should be noted that the ASF, currently, has the power to carry out this type of audits, but these are conditioned to the existence of complaints that may include supporting documentation, they only buy time, but they are not preventive.

This worldwide public health emergency has shown the need to have legal powers to carry out real-time audits for public procurement processes. This situation requires SAIs to not only focus on *ex-post* audits when the resources have already been exercised, and the possible damages have already materialized, but on follow ups, in advance, to ensure that the resources are exercised in the best way and, thus, to avoid losses in a critical circumstance.

In addition, conducting real-time audits, with a preventive and corrective approach, helps to discourage acts that are contrary to integrity; increase efficiency and effectiveness in promoting legal actions; shorten the time for law enforcement, and, most importantly, provide better elements to make budgetary and fiscal decisions.

It should be noted that, while the constitutional reform is achieved, the ASF has resorted to a figure of preventive approach or advanced audits, through agreements or special protocols, while it executes the current Annual Audit Program for the 2019 financial year.



1.2. DIGITAL AUDITS

In recent days, an initiative was presented to modify the Mexico's Auditing and Accountability Act (*Ley de Fiscalización y Rendición de Cuentas de la Federación, LFRCF*), a regulation that rules the actions of the ASF, and whose purpose is to regulate digital audits. The initiative was signed by the head of the Vigilance Commission of the Chamber of Deputies—the legislative body responsible for evaluating the ASF performance—and legislators from all the parties represented in Congress. Its approval will show a new milestone for supreme auditing in Mexico. Taking better advantage of the opportunities offered by new technologies, combined with real-time audits, will provide Mexico's SAI with more effective audit results.

The scope of the current legal framework, during COVID-19 pandemic, has put the ASF in a complex scenario. Due to social distancing measures, several institutions, such as the Supreme Court of Justice, the Superior Court of Administrative Justice, the federal government itself, as well as local and municipal governments, through suspending deadlines, have limited their activities and have promoted telecommuting, which has hindered the delivery of information from the audited entities to carry out, with opportunity, the work of *ex-post* inspection.

While this legislative reform is approved, the ASF is already using technological processes for the analysis of data in large volumes, which allows to minimize physical contact between auditors and audited entities.

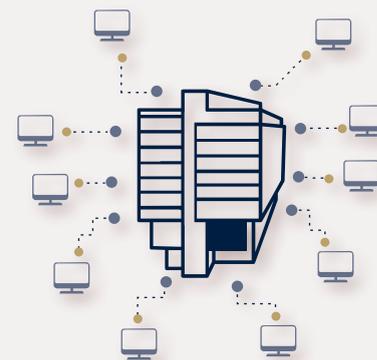


2. INCORPORATION OF NEW TECHNOLOGIES

Ever since COVID-19 pandemic started, ASF quickly implemented measures for staff to work remotely. Although auditors could continue their work from home, making use of the corresponding computer equipment and information systems, they did not have remote access to government's information systems, which would allow them to carry out scheduled audits.

This problem revealed that, as an oversight body, the ASF has a gap in the vulnerability of access to information, especially, in a crisis like the current one, in which governments must have solid systems that can guarantee that their operation and service provision continue without interruptions during a disaster. Auditors need to be able to access to all the corresponding information systems remotely, both to conduct audits and to continuously monitor the development of government actions.

In the last two years, the ASF has designed an institutional restructuring strategy, through the implementation of new auditing techniques and the incorporation of new technologies in its audit processes, in favor of transparency and accountability. However, the health crisis caused by COVID-19 forced the ASF to accelerate the implementation of non-face-to-face control processes, using technological systems in order to help decreasing the spread of the virus between auditors and the personnel of the audited entities. These systems are as follow:



2.1. ASF - Digital Mailbox

The Digital Mailbox is a technological communication tool between the ASF and the audited entities, which includes a tool for sending, signing and certifying information called “TransferASF”. It seeks to replace the use of autograph signature with the Advanced Electronic Signature, with the same legal effects. In addition, it also has a time stamp that assures the integrity of the information sent and received.

In addition, the Digital Mailbox is a tool that simplifies processes and provides immediate attention to information delivery requirements, while guaranteeing legal security and certainty in sending and receiving information through an official digital medium.



2.2. SiCAF-ASF

SiCAF-ASF will be a national platform, led by the ASF, for managing, monitoring and controlling public work and acquisitions, financed with federal resources transferred to states and municipalities. This technological tool will allow verifiable documentation and accurate data on the budgetary management of resources from the Federation and, therefore, will ease the traceability of its execution by every public body prior to the closure of the Public Account.

This platform has the necessary computer elements for the control, administration, management and registration of resources and participations, as well as those from different funds and programs. Furthermore, among other actions, the SiCAF-ASF controls the bidding processes; automatically generates contracts and electronic files; systematizes payment processes and will have geo-referenced maps on the location of public works.

The SiCAF-ASF will gradually allow, in the area of Federal Resources Transferred to States and Municipalities, the ASF to supervise 100% of the resources exerted, reducing the need to deploy audit personnel throughout the country, as well as to guarantee the presence of the oversight body in all operations related to works and acquisitions financed through Programmable Expenditure and Federal Participations, as Mexico is a federal country, since 1980, tax collection has been centralized, so the central government participates states (sub-national governments) and municipalities a percentage of what it collects.



2.3. Comprehensive appointment system-ASF

The Comprehensive Appointment System-ASF is a digital coordination tool between the ASF and the audited entities in which appointments can be assigned to carry out working meetings required during the execution of audit procedures.

This system allows the audited entities employees to keep communication with the ASF's through digital appointments and / or videoconferences, subject to prior agreement and regarding necessary issues during the audit process.



3. ADJUSTMENTS TO THE IMPLEMENTATION STRATEGY OF THE 2019 ANNUAL AUDIT PROGRAM

Although, as noted in the preceding paragraphs, the ASF has several attributions –such as to review the Public Account of the previous year; evaluate the results of financial management; check if it has been adjusted to the criteria established by the Federal Budget, and verify the fulfillment of the objectives contained in the programs, among other objectives–, the COVID-19 pandemic has forced the institution to adjust the strategy for the execution of the 2019 Annual Audit Program in order to identify key issues related, mainly, to the health sector.

Last year, when the 2019 Annual Audit Program of the Public Account was designed, it was decided to include 26 audits to the health sector, on the following areas: acquisition of drugs and therapeutic material; epidemiological surveillance program; vaccination program, and financial management of five public hospitals high-level or third-level nationals, of which three currently provide care to patients with COVID-19.

The results of these audits will make possible to determine what the situation of these health national system institutions was, prior to the pandemic, in specific and relevant aspects for adequate emergency care. Thus, it will be possible to know its installed capacity and, where appropriate, detect weaknesses or deficiencies. Similarly, this information will be a valuable resource for planning the audit program for fiscal year 2020, exploring by documentary gathering, the possibility of a preventive audit.

Specifically, for example, an analysis on the installed capacity of the public institutions responsible for providing quality medical services, by determining the correlation between the availability of infrastructure, equipment and human resources, and the insured population, thus as its georeferencing, in order to determine the willingness of each institution to provide medical services in the event of catastrophes.

Likewise, the recommendations derived from the audits previously carried out on the health sector, regarding the implementation and review of controls for the storage, treatment, care and distribution of drugs and vaccines; among have been followed up:

- Counting with supporting documentary evidence to ensure that resources reach those who need them;
- Establishment of control mechanisms for the transfer and management of resources for hospital work and equipment;
- Assurance that the equipment acquired has insurance against accidents, to mention some elements.

It should be noted that these recommendations are linked to key aspects of the actions implemented by the Mexican Government in dealing with the health emergency.



4. RECOMMENDATIONS AND LESSONS LEARNED

The Supreme Audit Institution of Mexico carries out all the activities it deems appropriate to contribute to the current response to the crisis. For this reason and based on the experience in the control of disasters and the lessons learned, a publication of recommendations was drafted, as a reminder of the actions that the entities must carry out now.

The base of recommendations identified by the ASF provides tools for key stakeholders in terms of pandemic response regarding basic standards and processes to be followed, even during an emergency.



5. INTERINSTITUTIONAL COLLABORATION

5.1. INTERNATIONAL COLLABORATION. DISASTER MANAGEMENT CONTROL GROUP, OLACEFS

In the framework of the LXIX Annual Meeting of the Board of Directors of the Latin American and Caribbean Organization of Supreme Audit Institutions (*OLACEFS*), held in April 2019, in Lima, Peru, the Comptroller General of the Republic of Peru, as *OLACEFS* Chair, through agreement 1386/04/2019, proposed the creation of the Working Group on Disaster Management Control (*GTFD*), in line with the Sustainable Development Goals (SDGs).

Among the rationale for having established the working group, it was stated that “Latin America and the Caribbean (LAC) is exposed to multiple risks related to climate and various phenomena. Climate change constitutes one of the main risks facing the region’s population.”

In this sense, it is worth considering that, whether the COVID-19 pandemic also constitutes a disaster since the magnitude of its impact affects economic and social aspects, it could even exceed any natural phenomenon. As previously noted, this health emergency has forced to redirect SAI efforts, strengthen their capacities, or reinvent their operational strategies.

Therefore, within the framework of the *GTFD*, it was proposed to present an addendum to the terms of reference in order to highlight the importance that, in terms of disaster control, the working group focuses on seeking mechanisms and tools for SAIs, in their actions, during and after the COVID-19 crisis.

Likewise, a COVID-19 Regional Action Plan was prepared, which seeks to establish mechanisms that support the capacities of *OLACEFS* member SAIs to face the repercussions of the development of the COVID-19 pandemic, from both the experiences and best practices of international organizations, as well as the experiences of each of its members.

The plan has eight lines of action within it is founded: the training program on database management; the establishment of indicators of the health sector; the analysis of the purchasing



audit strategy during the COVID-19 emergency; scenario analysis to have an installed capacity, and a coordinated audit.

Both proposals have their origin in an exercise of reflection regarding the COVID-19 pandemic, which constitutes a serious emergency, sustained with multiple and severe economic and social consequences, the effects of which will last for several years and even affect the achievement of the SDGs.

5.2. NATIONAL COLLABORATION. CYCLE OF VIRTUAL MEETINGS WITH SUBNATIONAL AUDITORS, IN THE FRAMEWORK OF THE CURRENT SANITARY EMERGENCY

In the framework of the health emergency and considering the necessary measures to mitigate its impact on the work of auditing public resources in the country, the ASF undertook actions to keep open the space for dialogue, technical support, and strengthening inter-institutional coordination that the emergency demands. Within these actions, the ASF organized a Cycle of Meetings with Subnational Auditors, so that, using information and communication technologies, experiences and challenges regarding government audit work during the time of COVID-19 could be shared, as proposals and good practices for their attention.

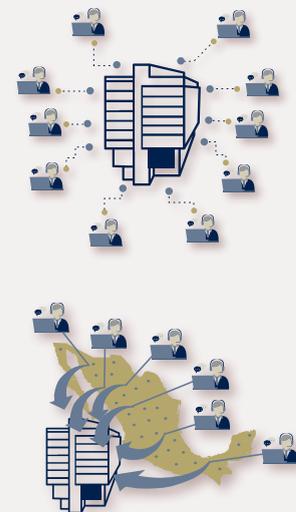
Within this framework, five meetings were held, in which auditors from all States in Mexico participated. They shared information regarding the control and incorporation of new communication technologies to enhance their development and impact, as well as the sanitary strategies and measures applied to the performance of the audit work in the framework of the COVID-19 pandemic.

INTERNAL ORGANIZATION

At the internal-administrative level, as a first action in response to the first manifestations of the COVID-19 outbreak in our country, the ASF carried out a wide dissemination campaign on preventive hygiene measures. Subsequently, as a result of the initiation of social distancing measures in Mexico (March 23), the ASF began with the implementation of procedures to ensure the continuity of work, without compromising its quality and the well-being of each of the members of the institution.

Remote working schemes were possible thanks to constant communication between the various areas and work teams, accompanied by a reporting system, deliverables, and guards in the audit and systems areas.

To facilitate remote work and real-time collaboration, the ASF created an internal microsite with information for remote connection and leveraging Office 365 applications for collaborative work.



In order to strengthen the professionalization and continuous capacity building among the personnel during the confinement, it was decided to make the most out of the proven capacity of the Institute for Training and Development in Supreme Auditing (ICADEFIS) to develop online learning activities, through its offer of training courses on various topics, such as: auditing with a focus on international standards, government accounting, budget law, and the responsibility of public servants.

The participation of staff in different webinars organized by OLACEFS, the Organization for Economic Cooperation and Development (OECD), the Inter-American Development Bank (IDB) and the Alliance for Integrity has also been promoted.

Finally, a protocol was developed for return to work, which aims to protect the health of the ASF staff, following the recommendations of the World Health Organization (WHO). The protocol establishes the process for the resumption of work in a preventive environment in order to prevent the spread of the COVID 19 virus and ensure safety in terms of the health and life of workers. Among the policies implemented are: the implementation of additional hygiene measures, suspension of acts and mass events, sanitary filters, suspension of face-to-face training actions, and the establishment of staggered or compacted work schedules.

FINAL CONSIDERATIONS

The SARS-CoV-2 outbreak is a great challenge for all public institutions, including SAIs. However, it is also an opportunity to show, once again, the value of these institutions to citizens, to strengthen both their independence and their role as organizations that guarantee the good use of public resources and governance, at a time when these aspects can make a difference in the effectiveness of the government actions taken to respond to the different sides of this serious problem.

Threats will always be present, there is no way to avoid them; our opportunity is to take advantage of what we have learned to minimize risks and increase our resilience.





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