

Supreme Auditing In Mexico Today

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Courtesy of the Supreme Audit Office of Mexico

The presentation of the report on the supreme audit of the 2009 federal government budget.

Since Mexico became independent, mechanisms for supervising that public resources are utilized for the purposes they were earmarked for have been considered indispensable. In a representative regime divided into different branches of government like Mexico's, the legislative branch, where popular sovereignty is deposited, determines and monitors the amount and distribution of public resources. Meanwhile, the executive branch is in charge of proposing, spending, and being accountable for those resources. However, because of Mexico's incipient development of both democracy and institutions in the nineteenth and twentieth centuries, for society, monitoring public spending and government action lacked all impact and substance.

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ORIGINS OF SUPREME AUDITING IN MEXICO

The very first Constitution (1824) stipulated the examination and detailing of the federal budget under the auspices of the Chamber of Deputies' Controller's Office. Over the years, given its limited structure and the political, economic, and social conditions prevalent in the country, the Controller's Office only achieved the rank of a department in charge of verifying that the public accounts presented by the executive tallied with the authorized public budget, and, that, only for internal purposes of the administration in question.

A transcendental change took place in 1999, when Congress reformed the Constitution to create a new federal supreme audit institution, with greater faculties for reviewing federal public finances. Based on that, in 2000, the Federal

Supreme Audit Law was passed, creating the Supreme Audit Office of Mexico (ASF) as the Chamber of Deputies' watchdog, with the technical and operational autonomy to carry out its functions and organize itself internally.

A NEW ERA FOR SUPREME AUDITING

Today, as part of our democratic system's checks and balances, the ASF acts as the body that examines the annual government budget. It is in charge of the external oversight of the use of federal public monies by the three branches of government, institutions stipulated as autonomous by the Constitution, the states and municipalities, and even private citizens and bodies when they receive federal public funds.

The audit process begins when the ASF receives the public accounts presented every year by the Ministry of Finance and Public Credit to the Chamber of Deputies. That report summarizes all transactions, operations, and expenditures incurred with federal resources, based on the items authorized in the federal government spending budget. The ASF's audit work must be carried out annually (that is, the accounts of a particular fiscal year are reviewed) and *post-factum* (after the expenditures have already been made). That is, the ASF does not have the faculty to review either on-going projects or programs, or expenditures that have not been reported in the public accounts.

To proceed in an orderly fashion and ensure that the audits center on the most important aspects of public administration, the ASF determines autonomously an annual program of audits. These reviews make it possible to verify that operations are registered correctly, that government actions conform to legal and regulatory provisions, whether goals are met, the performance of the bodies audited, and in general the efficiency, effectiveness, and economy in the use of public resources. These reviews seek to achieve the greatest possible impact in terms of the budget amounts allocated or their strategic importance.

Once the report of the public account supreme auditing has been prepared, it is presented to both the Chamber of Deputies and the public. It contains the findings and observations derived from the audits carried out, and, if any irregularities are not resolved by the audited bodies by presenting additional information, the ASF can undertake three kinds of action, depending on the nature of the irregularity: it can propose that the corresponding internal control body levy

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administrative sanctions; it can propose establishing the responsibility for recouping the damages, which implies the return or reimbursement to the federal treasury of the incorrectly-used resources; or it can press criminal charges before the public prosecutor.

The ASF's faculties to levy sanctions have the aim of discouraging public servants from wrongdoing, thus decreasing the moral risk that society assumes when it entrusts them with managing its goods. The dissuasive effect of external auditing —although this is not its main attribute— helps reduce the obscure areas, where situations can arise leading to corruption.

We should not forget that supreme auditing is essentially a corrective method of the state to qualitatively improve its administration, to rationally manage the resources at its disposal, and to define strategies and policies that can be perfected using an objective analysis and evaluation of their results. Supreme auditing also makes it possible to foster best practices in government, to detect areas of opportunity for improving public administration, and to generate an attitude of service, in which satisfying the citizen (as the recipient of government goods and services) is the main objective of government action.

Among other results of fostering the responsible and transparent handling of public funds, it is important to underline the decrease in the discretionary use of monies; the free flow of information about obtaining and allocating resources; the adoption of international standards and practices of good government; the active, open participation of society; and the timeliness in the presentation of the information needed to make decisions in accordance with social needs. Another contribution is the definition of budget management indicators that make it possible to set objective parameters for measuring governmental performance. The result is better quality expenditures because evaluation, control, and accountability to the citizenry are facilitated both inside the executive and *vis-à-vis* the legislative branch itself, ensuring that the budget no longer focuses on inputs but on results. The ASF's contri-

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VALUES AND PRECEPTS OF AUDITING

The correct exercise of supreme auditing is linked to a series of values and precepts. While some of them are absolutely necessary for supreme auditing to be feasible, others are the responsibility of the institution. We are talking here about concepts such as the autonomy of the body in charge of supreme auditing, the impartiality with which its work should be carried out, and the transparency and accountability it seeks to promote and that it must observe in its own performance.

Full autonomy is a concern not only in our country, but worldwide. Subjecting some of these supreme audit institutions to influence and pressure from the executive branch—something frequent in Mexico's states—does not allow for truly effective auditing practices.

In 2007, the nineteenth Congress of the International Organization of Supreme Audit Institutions (INTOSAI) issued the "Mexico Declaration on SAI Independence."¹ This document demands the establishment of basic conditions for the free practice of supreme auditing without political, administrative, financial, or legal obstacles, as well as the public disclosure of its results to guarantee the objectivity in the audit findings, the supreme audit institutions' (SAI) credibility, the transparency in the processes, and the possibility that these observations will be translated into preventive or corrective actions to improve governments.

In Mexico, we have advanced qualitatively toward achieving this goal since the creation of the ASF. However, it is an area in which more can always be done, since a supreme audit institution with greater autonomy will get better results. This should be accompanied by a commitment to impartiality in order for the institution to exercise its faculties without considering any type of vested interest or bowing to any outside

directives, since the basis for credible audit results is that the process be carried out through a serious, professional investigation based on documentary evidence. Its neutrality must be its main asset; only verifiable, transparent, and technical criteria can orient the institution's endeavors. The planning processes for audit programs and their execution must be above all suspicion.

Another important feature for supreme auditing is transparency. This must be seen as a basic element of the new culture in public administration, not as a burden, but as an inherent obligation for exercising public service. Transparency in managing public resources must not be subject either to the whims of the authorities or conceived of as some extra effort on the part of the bodies entrusted with managing public resources. Rather, it must be a basic condition of governmental responsibility.

TOWARD A SYSTEMIC APPROACH TO ACCOUNTABILITY

In Mexico, a considerable number of control and auditing bodies exist both inside and outside the public administration's different institutions. The Ministry of the Public Function and the federal public administration's internal control offices, the state and municipal controller's offices, the Superior Audit Office, the local supreme audit institutions, the internal controller's offices of the legislative and judicial branches of government, and the bodies declared autonomous by the Constitution should all have the capacity to keep constant, appropriate watch over the performance of public institutions.

It should be recognized that until now, since these many oversight bodies have not coordinated appropriately or acted with common, concerted objectives and methods, their usefulness has been limited in achieving their objective of offering authorities, the citizenry, and the audited institutions themselves a sufficiently detailed panorama of the real situation of public administration. Its experience has shown the ASF that the isolation and disparity in the efforts to oversee the use of public resources on a municipal, state, or federal level has not made it possible to fully shed light where murky operations exist, to put a stop to discretionary use of funds, or to stop corrupt practices.

It is possible to distinguish three different dimensions that we must make sure to operate harmoniously in order to decrease and even eliminate the isolation of efforts by the differ-



The Supreme Audit Office of Mexico in Mexico City.

ent bodies linked to accountability, so that we can qualitatively improve supreme auditing in our country. These dimensions are timing, contents, and the people responsible.

The ASF carries out its auditing duties according to the principles of performing them annually and after the budget has been spent. This limits it to reviewing the accounts provided for a single fiscal year after it has concluded, issuing a single report that limits effective communication with the general public and creates a vacuum in terms of the SAI's presence for the rest of the fiscal year. This means that the time that passes between the report on the federal government's public accounts and the auditors' review makes it practically impossible for their conclusions to have any immediate effects on budget planning for the following fiscal year or even on how the following budgets are exercised.

In terms of the contents, it should be noted that supreme auditing requires being able to use either the public accounts or the results of the action of the audited entities' internal control bodies. However, additional mechanisms must be applied to guarantee the validity and trustworthiness of these inputs when, at the end of the day, they should be sufficiently standardized in all areas and levels of government and should reflect the best existing international practices in this matter.

The third dimension mentioned, that of those in charge of carrying out audit processes, involves something a little less tangible: the capacity to act objectively regardless of the circumstances, strictly following a code of ethics and without allowing interested parties or group interests to intervene in the fulfillment of their duty.

The first two dimensions, timing and contents, could be integrated harmoniously by making the relevant changes in legal structures and the scope of the mandates of the insti-

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tutions involved, as well as through greater harmonization in the application of standards and methodologies.

A systemic approach to accountability may be a very important factor for contributing to the eradication of practices prejudicial to the public interest. For that to happen, the different efforts that have been going on parallel to each other need to converge toward a common end, which is making accountability one of the bases for government administration. Cooperation among the internal control bodies and supreme auditing is one of the ASF's strategic objectives, since the two practices are intimately linked to one another. The idea is that the complementary nature of the different review and control instruments and mechanisms make it possible for a wider and deeper coverage, offer a clearer diagnosis, and therefore put forward corrective and preventive actions that get to the root of the problems they detect.

Coordination also implies establishing a series of formal commitments to achieve a common objective. On the initiative of the ASF, the basis has been created for establishing a national system that will allow for organized action by the relevant institutions at all levels of government. The ASF is fully aware that what has been done up to now in the country regarding accountability is very important but that it represents only one stage in a longer term project. We can see with optimism that the moment for harmonizing what exists, in order to achieve effective coordination and greater coverage, has arrived. The remaining auditing tasks will require continual commitment, important development of the administration, and more professional, solid participation of all parties involved. ■■■

NOTES

¹ See "Mexico Declaration on SAI Independence," <http://www.intosai.org/en/documents/intosai/general/declarations-of-lima-and-mexico/mexico-declaration-on-sai-independence.html>. [Editor's Note.]