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Technical Assistance Module (TAM)

Control Self-Assessment: A Tool for Organizational Improvement in Latin America

2004



Casals & Associates



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Foreword

The Americas' Accountability/Anti-Corruption Project (AAA) is an initiative funded by the United States Agency for International Development (USAID). Now in its third phase, the Project, which began in 1993, is administered by Casals and Associates, Inc., to support USAID Missions in the Latin America and Caribbean region (LAC) in design and implementation of anti-corruption programs.

The AAA Project identifies, documents and disseminates best practices through a series of Technical Assistance Modules (TAM) that focus on specific reforms aimed at increasing transparency in LAC countries. These reforms are presented as promising practices to generate interest and discussion among practitioners and promote replication of the most successful experiences in the region.

TAMs are disseminated through a variety of methods and shared with multiple stakeholders, including USAID Missions, international donor organizations, business and professional associations, civil society organizations (CSOs), government officials interested in pursuing reforms and practitioners seeking opportunities for replication. TAMs also can be used to develop and support bilateral mission and regional activities.

TAM development includes soliciting input from stakeholders engaged in good governance and anti-corruption/accountability activities. Conferences, workshops, forums, external assessments and evaluations, research initiatives and consultations with experts also contribute. Moreover, TAMs identify national and local experiences that provide valuable practical information relative to improving governance and increasing transparency and accountability.

TAMs are not meant to be prescriptive. Their general objectives are to:

- Provide examples of anti-corruption activities;
- Generate discussion among practitioners in the field and promote replication of successful models;
- Illustrate best practices, presenting the tools, methodologies and frameworks being used to fight corruption;
- Describe programming approaches and strategies;
- Provide an overview of activities of others engaged in reducing corruption: donors, CSOs and the private sector;
- Present reform-program case studies, and
- Direct readers to additional resources.

Acknowledgements

The Americas' Accountability-Anti-Corruption Project expresses its appreciation to Rita Parrilli for her research, design and authorship of this Technical Assistance Module, as well as her continuing commitment to strengthening internal control, accountability and transparency in governments throughout the world.

Ms. Parrilli has facilitated control self-assessment (CSA) workshops for World Bank country offices and conducted CSAs and trained government personnel as CSA facilitators in the nations described in this TAM. During more than two decades at the World Bank she specialized in the design, appraisal and supervision of public sector modernization programs in Latin America and the Caribbean. She holds a BA degree from Fordham University and an MA in Latin American Studies (Public Policy and Administration) from the University of Texas at Austin.

CSA could not have been carried out its work in Colombia, El Salvador and Mexico without the encouragement and financial support of the mission staffs and Washington, D.C. office of the United States Agency for International Development.

From the AAA Project, Patricio Maldonado, Joseph Balcer, Gerardo Berthin, Miguel García-Gosálvez, Sylvia Rodriguez and Lourdes Sanchez also provided valuable inputs.

And, of course, CSA would not have been conducted without the support of the government officials in these countries who share a commitment to improving service delivery and government responsiveness to citizen needs.

Abbreviations

AAA	Americas' Accountability/Anti-Corruption Project
AG	Accountant General (AG)
C&A	Casals and Associates, Inc., Alexandria, Va.
CGN	Colombia's Office of the National Accountant General (<i>Contaduría General de la Nación</i>)
CGR	Colombia's Office of the Comptroller General of the Republic (<i>Contraloría General de la República</i>)
COSO	Committee of Sponsoring Institutions of the Treadway Commission
CSA	Control Self-Assessment
INM	Mexico's National Immigration Service (<i>Instituto Nacional de Migración</i>)
MICIL	Integrated COSO Control Framework for Latin America (<i>Marco Integrado de Control Interno COSO para Latinoamérica</i>)
PDK	PDK Control Consulting, International, Ltd, Calgary Alberta, Canada
PGN	Colombia's Office of the Attorney General (<i>Procuraduría</i>)
TAM	Technical Assistance Module
USAID	United States Agency for International Development

Executive Summary

Control Self Assessment (CSA) is a means for taking the pulse of an organization, collecting information on the state of its institutional health, and assessing risks to achieving its organizational objectives. It gives employees an inter-active and anonymous forum in which to indicate what is working for them, what is not, why not and what can be done about it. The power of self-assessment lies in its ability to provide information that would not otherwise be easily obtainable, through the participation of employees who know better than anyone what is helping them or stopping them from getting their work done. CSA analyzes major institutional processes both within and across departmental boundaries and may gather data that helps set the scope of annual audits.

Casals and Associates, Inc. (C&A) has conducted CSA in government entities in several Latin American countries as part of USAID anti-corruption, transparency audit and internal control improvement projects. CSA sessions were first carried out in the Municipality of San Salvador, El Salvador in 2000. This experience demonstrated that both the Internal Control Framework developed by the Committee of Sponsoring Institutions of the Treadway Commission (COSO) on which CSA is based, and the CSA-session methodology are as relevant and effective in Latin America as in North America.

Participants responded with candor; management took their recommendations seriously and, for the most part, acted on them. An evaluation carried out in San Salvador in 2002 revealed that the impact of CSA had been significant--the municipality's three-year Human Resources Strategy, developed after CSA results were known, was based on the Action Plan developed following the CSAs sessions. This resulted in major staffing improvements in the District Offices established by the new municipal administration to bring services closer to the poorest residents. The extent of and risk related to deficiencies in human and physical resources identified during the sessions had not previously been recognized.

Based on the El Salvador experience, additional sessions were completed in government agencies in Latin America, including in national level entities in Mexico and Colombia. The Colombia CSAs, carried out by local facilitators from the Offices of the Comptroller General (CGR) and the Accountant General (CGN), demonstrated that CSA can be undertaken in Latin America without external assistance when facilitators are carefully selected and professionally trained. CSA resulted in a substantial change in the "mindset" of these traditional audit-oriented government agencies. Officials of these agencies are now committed to working in a collaborative way with staff of their own institutions, as well as those of other agencies, to improve organizational efficiency and effectiveness.

At the time this TAM was prepared, it was too early to assess the full institutional impact of the CSA in Colombia and Mexico, but in Colombia it has already played a critical role in development of the CGR's 2002-2006 Strategic Plan and has led to important improvements in communication and information flows in the CGN. Staff in Mexico's National Immigration Service (INM) was "given a voice" for the first time through CSA. The staff sessions revealed critical operating problems not previously understood by the

INM's new managers. These included inhumane conditions in the INM's detention facilities that became the subject of subsequent investigations.

CSA sessions, structured along the lines of the COSO Framework, typically take seven hours to complete. The Framework focuses on:

- The work or control environment—the most important component and the foundation for the rest, including the culture of the organization, its ethics, equity, leadership, teamwork, resources and staff morale.
- Risk assessment—associated with achievement of an organization's objectives.
- Control activities—policies and procedures—the traditional areas of audit.
- Monitoring and supervision and making changes based on learning.
- Horizontal and vertical flows of information and communication.

In a CSA session, two facilitators work with teams of 12 to 18 employees (including their managers). CSA is characterized by a free flowing conversational exchange on strengths and obstacles to achieving work objectives and a series of votes on key indicators of internal control based on the COSO Framework. Voting results are recorded anonymously via an electronic voting device and key points of the resulting discussion are projected immediately on a screen and edited by participants.

Stakeholders

Employees, their managers, auditors, oversight entities, international donor agencies and citizens all benefit from CSA, the latter particularly when CSA is undertaken in entities that deliver public services.

The experience in applying the COSO framework through CSA thus far indicates that it:

- Gets at the essence of whatever stands in the way of getting the job done;
- Provides a way for management to listen to people who actually do the work;
- Identifies quickly what makes groups succeed or fail;
- Helps identify best practices;
- Has an immediate uplifting effect for many teams by bringing problems into the open; and
- Provides participants and management with data on trends and issues across units and over time.

Conclusions and Recommendations for the Future

CSA has been carried out successfully in government and private entities in developed countries for more than a decade. In light of this success, the question C&A sought to answer was: "Could CSA be implemented successfully in developing-country governments

where human and financial resources are scarce, managerial time and talent are more thinly stretched and organizational cultures tend to be more hierarchical?”

During the past three years, C&A has conducted CSA sessions in diverse government-institution settings in different Latin American countries. The experiences described in this TAM demonstrate that CSA has the same potential for success in developing countries as in developed countries, provided that an organization’s management is committed to listening to employees and making changes based on their recommendations. CSA is an approach that now can be implemented confidently at the national and sub-national levels of government with a realistic expectation of substantial and sustained impact.

I. Introduction

Background

Experience in developed countries shows that COSO¹/Control Self Assessment (CSA) is a powerful tool for improving the efficiency and effectiveness of an organization. The challenge has been to make it an effective instrument for government modernization in the Latin American context. With CSA, recommendations for change are generated by employees of the organization—from those who operate on the frontline of service delivery. By its very nature, CSA calls for a high degree of commitment from and participation of top-level management in the CSA process, including a willingness to consider seriously what staff has to say.

In July 2000, the Americas' Accountability/Anti-Corruption Project (AAA), funded by the United States Agency for International Development (USAID) and implemented by Casals and Associates, Inc. (C&A), conducted a CSA pilot project in the Municipality of San Salvador, El Salvador, consisting of four CSA sessions, also known as CSA workshops. Municipal managers and their staffs identified organizational strengths and obstacles to achieving their objective of bringing higher quality municipal services to the large number of rural inhabitants who had left the countryside during the civil war in the 1980s and early 1990s and are now inhabiting slums surrounding the city.

The sessions were well received by management and staff and provided information not previously available on the state of internal control as well as organizational strengths and the nature and degree of operating problems in municipal-government operating units. This was the first time CSA had been conducted in Latin America.

Twenty-six months later, in November 2002, the AAA project sponsored a follow-up visit to the Municipality to evaluate, together with the original session participants and their managers, the extent to which:

- CSA had been helpful in identifying issues of significance for their work;
- Progress had been made in addressing those issues;
- The CSA methodology had been relevant to their situation; and
- What might be done differently in the future.

Approaches to Control Self-Assessment

Approaches to CSA range from pre-packaged self-audit internal-control questionnaires and surveys completed by employees and managers to management-to-consultant-produced analyses. The former lacks the benefits of the “self” in an inter-active and dynamic group discussion. The latter typically treats the frontline worker as an afterthought. Outside consultants frequently interview only those in key positions and develop an organizational picture and plan for improvement that is often judged as irrelevant by em-

¹COSO: The Committee of Sponsoring Institutions of the Treadway Commission, which developed the internal control framework used in the CSA sessions described in this TAM.

employees expected to implement it. The CSA methodology described in this TAM was selected by C&A because it focused on the employees themselves, had a proven track record in North America and Europe of successfully addressing core institutional issues and appeared to have considerable potential for doing the same in Latin America.

Purpose of this Technical Assistance Module

The objective of this Technical Assistance Module (TAM) is to describe the CSA experience in government entities in El Salvador, Colombia and Mexico and to demonstrate and document the value of CSA as a tool to improve government efficiency, effectiveness and transparency. It presents the experience in three countries where CSA has been applied in widely diverse institutional settings at the national and municipal levels and summarizes the impact of CSA results as of the time this TAM was prepared.

II. Origins of the COSO Internal Control Framework

COSO Background

In the early 1990s, the Treadway Commission², a group of U.S. private-sector institutions, looked for the root causes of the U.S. savings and loan disaster in the 1980s. An analysis of these failures revealed that traditional financial audits alone were insufficient to detect fundamental institutional weaknesses. Clean audit reports had been issued for institutions whose accounting processes were sound but whose management condoned unethical practices.

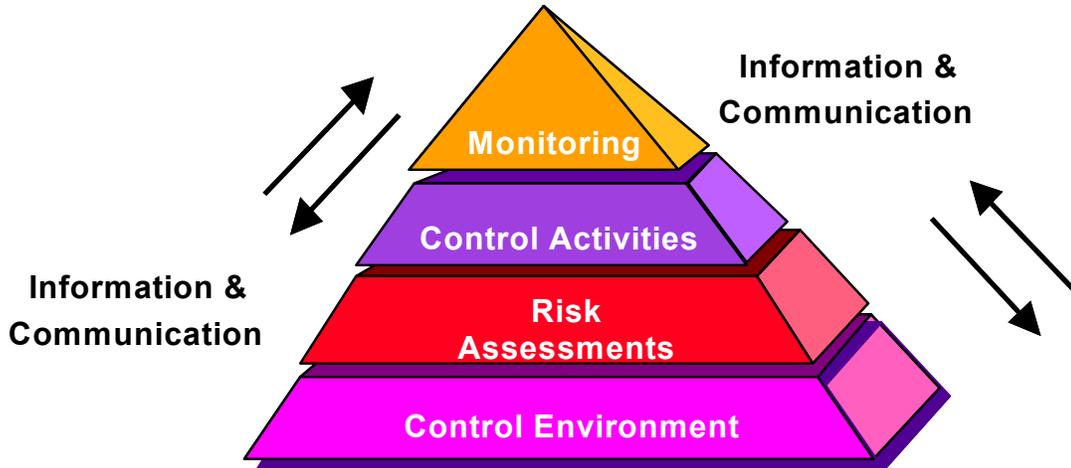
The auditing profession's focus on numbers, documentation, verification, financial reporting and compliance had sometimes resulted in shock and embarrassment when corporate catastrophes occurred because the audit focused only on "formal control activities" described in the COSO pyramid below. Major "informal controls," which focus on the organizational culture and other components of the COSO pyramid, were left unexamined. The Treadway Commission developed an integrated control framework (the COSO Framework) to help re-focus the oversight capabilities of management, auditors and boards of directors in a holistic way.

Formal and Informal Controls

One of COSO's core conclusions was that "official policies" (formal controls) specify what management wishes to happen. However, the "culture of the organization" (informal controls) determines what actually happens—which rules are obeyed, ignored or bent. Without a clear assessment of informal internal controls, any organization runs the risk of the loss of opportunities and of potentially serious problems going undetected.

"Control," in the COSO context, includes all major factors that, taken together, support people in the achievement of their own work objectives and those of the organization, i.e. "being in control." These factors encompass the five core inter-related control components described below. If the control environment—the foundation of the pyramid—is not sound, the entire organization may be dysfunctional and at risk of functional collapse.

²Members of the Commission included members of the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Internal Auditors, the Institute of Management Accountants and the Financial Executives Institute.



COSO COMPONENT	COMPOSITION
<i>Work or Control Environment</i>	The most important component, and the foundation for all the rest. It sets the tone of the organization and encompasses the corporate culture, leadership, trust, tone at the top, ethical values, equity, teamwork, resources, rewards and incentives, staff morale, competence within the entity and the way management assigns authority and responsibility and organizes and develops its people.
<i>Risk Assessment:</i>	Identification and analysis of risks associated with achieving business objectives, forming a basis for determining how the risks should be managed, including the special risks associated with change, missed opportunities and strengths not built upon.
<i>Control Activities (Formal Controls)</i>	Compliance with policies and procedures that help ensure management directives are carried out. They include a range of activities such as safeguards, authorities, reviews of operating performance, approvals, security of assets, directives, authorizations, reconciliation and segregation of duties.
<i>Supervision, Monitoring and Learning</i>	The entire process must be monitored, and modifications made based on experience and evaluation in order for any organization to react dynamically to changing conditions.
<i>Information and Horizontal and Vertical Communication</i>	At all of these levels, timely information and communication are vital to enable people to carry out their responsibilities—the right information to the right people at the right time.

CoCo and Other Control Frameworks

In 1995, the Canadian Institute of Chartered Accountants developed a somewhat more user-friendly Canadian version of COSO, called CoCo (Canadian Criteria of Control Board - <http://www.cica.ca>) that heightened emphasis on ethics and employee involvement in the assessment of internal control, rather than just managers.

In the United Kingdom, the Cadbury Commission’s model (<http://www.chelsfield.co.uk>) also is built on the original COSO.. Both of these models identify people as the most important factor affecting control. More recently, the COSO Integrated Control Framework for Latin American (MICIL -- *Marco Integrado de Control Interno COSO para Latinoamérica*) is being developed by the AAA Project in conjunction with the Latin American

Federation of Internal Auditors (FLAI – *Federación Latinoamericana de Auditores Internos*). It will adapt the COSO framework to the conditions and needs of Latin American governments and businesses.

III. Origins of CSA

Control Self Assessment has been defined as:

- Employee/manager teams assessing for themselves in a systematic way any significant factor which affects their ability to achieve their work objectives.
- Teams assessing for themselves the major risks that can stop them from achieving their common organizational objectives and how well these risks are being controlled.
- Teams agreeing on actions, where this is within the authority of the team, or formulating recommendations to management, thus laying the basis for actions to be taken.

The COSO and CoCo Frameworks were adapted for application through CSA sessions conducted more than a decade ago at Gulf Canada Resources (an oil and gas producer) and successfully refined and disseminated by the Canadian firm of PDK Control Consulting International, Ltd.³ CSA is now used throughout the U.S., Canada and in other parts of the world in such diverse organizations as the Inland Revenue Service and parts of the National Health Service in the UK, Zurich Insurance Company of Canada, Bell Canada, Cargill and the Orange County, California Government in the U.S., the World Bank and United Nations Development Programme.

CSA and Traditional Audits

CSA is an assessment tool within the broad framework of internal audit. Audits confirm the degree of compliance with formal controls and mandates. CSA, however, requires a different approach from those who facilitate CSA sessions. While formal controls tend to be authoritarian and rely on a hierarchy for enforcement, informal controls reside in the general employee population. Informal controls such as leadership, ethical standards and the appropriateness of the institution's structure to getting the job done are powerful influences in the control environment. However, they are not tangible and, therefore, are not subject to the verification standards demanded by traditional audit.

The CSA process involves employees in a collaborative relationship with CSA facilitators. Thus, conducting CSA sessions demands a different set of skills than traditional audit. Accounting credentials, important to traditional audit, have a diminished role in CSA. Effective CSA facilitators can come from any unit of an organization.

³ PDK Control Consulting International, Ltd.: P.O. Box 22310, Bankers Hall, Calgary Alberta, Canada. Telephone: (403) 571-0999; Fax: (403) 571-0991; <http://www.csa-pdk.com>. The CSA Workshop or Session methodology described in this TAM, including the assertions voted on during the session, the resulting graphs, summary radial and the CSA report format, are under PDK's copyright.

TRADITIONAL AUDIT		COSO/CSA		ACHIEVING OBJECTIVES
REACTIVE		PROACTIVE		
FOCUS ON AUDITORS & POLICIES AND PROCEDURES		FOCUS ON PEOPLE & OPPORTUNITIES		
DETECT/CORRECT	TO	PREVENT/MONITOR/ LEARN/APPLY	EQUALS	
INSPECT QUALITY		BUILD IN QUALITY		
SURVIVAL OF FITTEST		EVERYONE CAN CONTRIBUTE		
AUDIT DRIVEN SOLUTIONS		STAFF AND OPERATIONS DRIVEN SOLUTIONS		

CSA and traditional audit are, nevertheless, complementary exercises. For example, audit must be used to formally verify certain situations, such as allegations of fraud. Often, the problem has already been identified in a CSA session and audit may be used to verify, quantify and document. In some cases the session alone provides sufficient detail to identify, verify and quantify a problem.

IV. CSA Session Methodology

CSA Session Overview

The CSA sessions described in this TAM, have followed the methodology developed under copyright to PDK. Teams of 10 to 18 employees with a common work objective assess the strengths and obstacles affecting the likelihood of their achieving their common work objectives. This assessment helps form the basis for actions to be taken, either by the group, by the institution or both.

Two facilitators help guide this process through a review and discussion of informal internal controls and, to a lesser degree, the formal controls (see pages 2 and 3), based on the COSO Framework. CSA sessions take about seven hours to complete. The strengths of the group are emphasized throughout the session to ensure that an accurate balance is captured, to facilitate replication of the group’s successes elsewhere in the organization and help ensure that, in times of organizational or managerial change, those operating procedures that are working well are identified and not discarded.

The CSA process, guided by the two facilitators, moves through the six stages described below. While development of an action plan following completion of the CSA sessions is primarily the responsibility of management, the need for follow-up is emphasized and the facilitators are prepared to support this effort, if requested.

- A. *Prior to the Session:*** Facilitators interview management and randomly selected employees who will participate in the session, to develop an understanding of the team’s objectives and where they fit in the organization’s overall strategy. They may also interview other staff or clients with whom the group interacts. In this way, facilitators become familiar with the primary purpose of the group, their issues and terminology that might arise during the session. These interviews also minimize the risk that facilitators will miss important verbal cues on where to “probe deeper” during the session discussions.
- B. *Situation Appraisal:*** During the first part of the session, facilitators discuss briefly the COSO framework, the session principles and definitions of CSA. The session beliefs (listed below) and principles are agreed upon with the group. Failure to understand or honor any of these will jeopardize the success of the session.
- Views of each participant, regardless of position in the organization, are important and should be heard.
 - The person who performs a task understands it better than anyone else.
 - Open and honest communication during the session is critical.
 - Information shared during the CSA may be shared externally, but must remain confidential with regard to who shared it. Individual anonymity must be protected.
 - Each organization has a cure for itself from within.
 - CSA is ineffective without management follow through.
 - Participants identify their operating unit’s key objectives and obstacles to achieving those objectives as well as its most significant strengths. They then vote on a single strength and a weakness they feel should be addressed in depth. This is followed by a discussion about the “evidence” of the topic they have chosen, what will happen if no action is taken and their recommendations on how to optimize/maintain the strength or address the weakness. Key elements of this discussion are captured by computer, projected on a screen and edited by participants. The focus is on root causes of a problem and what can be done about it.
- C. *Control Appraisal:*** During the second part of the session, participants vote on about 50 assertions (statements) or key indicators of control based on the COSO Control Framework. Voting results are recorded by an anonymous electronic vot-

ing device⁴ and displayed instantaneously in graphic form on a screen, in graph format, showing the level of agreement, disagreement and polarity of the group responses. Elements of the discussion of voting results are captured by computer, projected on screen, and edited by the participants. (Sessions may also be conducted without wireless electronic keypads; facilitators must learn various techniques for doing this, in the event of a power or equipment failure.) However, when the voting is conducted manually, speed is sacrificed, inter-action among participants is slowed and confidentiality may be compromised.

A hypothetical ethical dilemma may also be discussed at this time. In periods of organizational change and personal stress, people's values may be threatened and a deterioration of ethics may occur. Discussing an ethical dilemma should result in a better understanding of the risks to the organization when ethics are compromised. It also reveals that, within groups that appear to be homogeneous, there may be wide diversity in the responses to the same situation.

- D. *Session Evaluation:*** Finally, session participants are asked to vote electronically (and anonymously) on five statements on the effectiveness of the CSA session. See Annex 1. This information provides important feedback to the facilitators.
- E. *Session Report:*** After the session, the session report is delivered to the unit chief and session participants within 48 hours. Included are the "radial," a one-page graphic summary of observations by the facilitators, the capture of the conversations from the Situation Appraisal and the Control Appraisal and the graphs generated by the voting. The radial graph (a composite picture) of the average voting during the control appraisal gives a "bird's eye view" of the average voting results on the 50 assertions considered by the group.
- F. *Follow-up Actions:*** The facilitators brief the immediate manager on the outcome of the CSA and distribute the report to the participants. The importance of follow-up is stressed. Expectations among participants are created by the sessions to the extent that if no actions are taken, participants may become frustrated and cynical about management's intentions. It is critical, therefore, that the participant employees and their managers decide which actions are to be taken at the unit and institutional levels. This will make or break the success of the CSA effort.

CSA facilitators may be called upon to assist in guiding an *action plan development session*. An action plan session may also be facilitated by other specialists or by the group itself. It is important that the plan:

- Be realistic;
- Include at least some actions that may be low cost and undertaken immediately to demonstrate management commitment;
- Include the priority obstacles identified; the specific actions to be taken and by whom and by when; the cost: high, medium, low; and the expected output and outcome, and

⁴Examples include: CoNexus, Option Finder, Resolver Ballot, Meetingworks and CSAPRO.

- Be communicated to the staff. The frequency of the follow-up on the action plan, and who is responsible for the follow-up, should also be recorded.

CSA Impact Evaluation

Voting results from multiple sessions may be stored in a database so that trends and patterns can be detected and tracked over time and across comparable institutions, e.g. municipalities, ministries, regional governments. The most effective way to assess progress is to conduct follow-up CSA sessions 12 to 18 months following completion of the first session. When this is not feasible, an evaluation, such as the one described below for San Salvador, may be conducted. Although neither the action-plan session nor comprehensive evaluations are formally part of the CSA process, they are critical in Latin America and may be required by the international funding agency (see the first recommendation in Section XI).

V. Introduction of CSA in Latin America

CSAs were conducted in Latin America between 2000 and 2003 under three USAID projects implemented by C&A. These projects have anti-corruption, transparency and internal control components. The objective was to test the applicability of CSA in Latin America by choosing a diverse set of:

- Countries in terms of size and organizational culture (El Salvador, Mexico and Colombia);
- Public entities within those countries at various levels of government (municipal, national); and
- Entities with varying functions, mandates, size and professional composition: direct services to the public, internal control, and investigative responsibilities.

The entities selected and described in Sections VI, VII and VIII also vary substantially in other ways. Colombia's Office of the Comptroller General is an independent body and reports to the Congress. Mexico's National Immigration Service and Colombia's Accountant General's Office report to the executive branch, while the management of the municipalities of San Salvador in El Salvador and Campeche in Mexico are elected and report to Municipal Councils. The effectiveness of CSA in this broad spectrum of government agencies has demonstrated in Latin America what was already known in North America: that CSA is a robust tool that is equally effective in a wide variety of institutional settings and cultures.

CSA was introduced for the first time in Latin America in the Municipality of San Salvador, El Salvador in July 2000 under the AAA project. The evaluation of this pilot exercise is summarized in Section VI. Based on this successful CSA experience, a series of 10 sessions were completed in 2002 in different units of Mexico's National Immigration Service (INM) under the USAID/C&A Atlatl Project. In 2003, a series of CSAs were initiated at the municipal level in the Mexican State of Campeche.

These early CSA experiences generated a desire in Mexico and in Colombia to become self-sufficient in the CSA methodology. In September 2002, twelve Colombian- and four

Mexican-government staff received Level 1 and 2 CSA Facilitation Training from PDK in Calgary, Alberta, Canada. In 2002 and 2003, the Colombian staff from the Offices of the Comptroller General (CGR) and Accountant General (CGN) facilitated sessions in their own institutions. This was done with coaching support from C&A (Level III training). The CGR facilitators have already begun to conduct the sessions without external assistance in their own and other agencies.

The examples in this TAM of the CSA session findings, recommendations and resulting actions are intended to be illustrative rather than exhaustive. Some information has been omitted for reasons of space and confidentiality. CSAs in Colombia's CGR and CGN were only recently completed at the time of the preparation of this TAM. The full institutional impact of CSAs is frequently not felt for several months or even years after completion, as in the case of San Salvador.

VI. CSA in San Salvador

Background

Five District Offices were established in the late 1990s to “de-concentrate”⁵ municipal services and better deliver them to the 600,000 residents of the Municipality of San Salvador. The population of the city had swelled during the 1980s and early 1990s with citizens fleeing violence in the countryside. There was considerable interest in knowing whether these organizational reforms within the municipal structure had yielded the desired improvements in efficiency and effectiveness. At the request of USAID and municipal leaders, the AAA project conducted a total of four CSA sessions, on a pilot basis, and an Action Plan Development Session in July 2000. The impact of the 2000 CSA Sessions was evaluated in November 2002 at the request of USAID. The findings of the 2002 Evaluation are described later in this section.

Selection of San Salvador

USAID's Latin America Bureau asked its missions to identify a municipality with a forward-looking modern administration that would be interested in carrying out CSA for the first time in Spanish on a pilot basis. San Salvador was selected because its mayor was known to be an innovative manager with a commitment to citizen participation and improvement of municipal service delivery. Municipal action on the session results, therefore, seemed promising.

Selection of Units and Participants in CSA Sessions

The operational-level sessions took place in three Departments⁶: District Office for Coordination (of the five decentralized municipal offices), Internal Services (accounting, treasury) and Urban Services (street lights, trash collection). These Departments were selected carefully because they provide a good cross-section of the three major operational areas of the municipality's 3,900 employees. CSA session participants were randomly selected from the departments. A Summary Report consolidating results of the

⁵The Municipality of San Salvador uses the term “de-concentration” rather than “decentralization” to indicate the devolution of certain functions but not the delegation of authority.

⁶The three Departments are: *La Gerencia de Coordinación de Distritos*, *La Gerencia de Coordinación de Servicios Internos*; and *La Gerencia de Coordinación de Servicios a los Ciudadanos/Gerencia de Renovación Urbana*.

three CSAs was provided to the management team during an executive session, so that their perceptions, and those of their staff, could be compared. A final facilitated session was held with management to develop an Action Plan to optimize and preserve the strengths of the staff and to address the problems identified during the CSAs.

CSA Session Findings (2000).

A. Institutional Level Findings

1. **Strengths**—Participants shared a common commitment to the “vision” of municipal leaders to move city administration closer to the citizens in order to provide services more effectively.
2. There was considerable job satisfaction, despite major obstacles to achieving their work objectives; confidence in individual professional capacity; pride in being part of an “innovative project” to bring municipal services closer to the citizens who need them and a willingness to work over-time without extra pay, if needed, because of a desire to be of service. These strengths are critical elements in the control environment at the base of the COSO pyramid.
3. **Challenges**—Human and financial resources in the newly established District Offices were insufficient to deliver core municipal services or to deliver them on time.
4. Participants were concerned that if nothing was done to remedy the financial-resources problem, the public would lose confidence in the municipality and contractors and vendors would either not do business with the municipality or would raise their prices to cover the risk of not being paid.
5. Inequitable salary scales resulted in unequal pay for equal work.
6. Lack of clear and transparent criteria for performance evaluation was affecting morale.
7. Lack of adequate information and communication flows, particularly about organizational changes, such as additional de-concentration of activities, possible downsizing and budget allocations affected morale; rumors ran rampant.

B. Departmental Level Findings

1. **Districts**—Antiquated or non-existent position classifications, especially for new positions and confusion on the respective roles of headquarters and district staff affected productivity.
2. **Urban Services**—Lack of basic tools for employees to perform their work, i.e. working vehicles and equipment.
3. **Internal Services**—Lack of resource planning to match projected outflows with projected income resulted in delays in transfer of allocated resources; resource mobilization capabilities (tax collection, fines, arrears) needed to be strengthened.

CSA Methodology

Managerial and operational participants provided the C&A facilitators with enthusiastic verbal feedback following sessions. In addition, electronic votes (see Annex I) taken immediately after each session confirmed that:

- A. Objectives of control self-assessment had been understood;
- B. Sessions had highlighted issues significant to each team;
- C. Participants were able to express their opinions freely;
- D. Facilitators had done a good job; and
- E. Participants would recommend the CSA process to other teams.

San Salvador 2002 Evaluation Methodology

While this type of evaluation is not formally part of the CSA process, USAID was interested in having an impact assessment of the pilot CSAs. The evaluation was useful in bringing to light the benefits of CSA, as well as the areas where the CSA findings might have been better used. In keeping with the CSA methodology described in Section IV, this was essentially a participatory and inter-active self-assessment. Questionnaires, which addressed the most significant institution-wide issues identified during the sessions, were completed by a broad random sample of participants. Two C&A representatives later met with a total of six focus groups⁷ to discuss:

- A. Questionnaire results;
- B. Progress in addressing department-specific issues;
- C. Usefulness and relevance of the CSA methodology in identifying important issues; and
- D. Lessons learned that could be applied to future CSAs.

The AAA representatives also met with individual members of the management team. These discussions focused on progress in implementing the institutional action plan. The focus group discussions, management interviews, and completed questionnaires provided a solid basis for assessing this pilot exercise.

CSA Impact: 2002 Evaluation Findings

Twenty-six months after completion of the pilot CSAs, session participants and their managers agreed on the following:

A. Institutional Level

- The issues of greatest significance to the municipality had been identified by the CSAs.

⁷Focus Groups are a form of qualitative research that enables moderators (the C&A representatives) to conduct structured interviews with small groups six to seven employees. These groups were not intended to be a statistical representation of the municipal employees, but rather a representative sample of the employees who participated in the 2000 CSA sessions.

- The same strengths of commitment and job satisfaction identified during the 2000 Sessions had been maintained.
- The Action Plan generated by the CSA results had formed the basis for the 2001-2003 Strategic Plan for Human Resources; the Plan “gave clarity” to priority issues and areas to which the municipality directed its efforts and resources during the next three years, according to the Deputy Mayor (*el Gerente General*).
- While the 2000 CSA sessions had highlighted the fact that the lack of human and material resources in the District Offices was so serious as to threaten their viability, the situation has now improved sufficiently, resulting in strong citizen support for the decentralized offices.
- Further successful de-concentration of municipal services to the District Offices had taken place, including the establishment of a sixth office.
- While low salaries continue to be the single biggest problem, most staff members perceive low pay as largely a problem of the economy rather than a political decision by the municipality.
- Advances had been made with respect to personnel performance recognition and evaluation, which had been repeatedly cited during the 2000 CSA sessions as a threat to morale. However, the 2002 evaluation revealed that more work remains to be done to make the current systems still more transparent and objective.
- A weekly staff bulletin had been established immediately following the CSAs. It successfully communicated information on the de-concentration that allayed fears of further lay-offs.

B. Department Level

The problems of the newly established Districts have been largely resolved. Resource mobilization mechanisms and availability of basic materials have improved, but more remains to be done. The biggest disappointment has been that follow-up on the CSAs by department managers has been weaker than expected.

CSA Session Methodology

CSA was considered to have provided an innovative diagnostic tool for identifying the most significant strengths and weaknesses. Participants and managers:

- “Felt comfortable” in the sessions and spoke openly and frankly, which is key to a session’s success;
- Felt that the dynamics of the session gave them the “confidence to express themselves;”
- Particularly liked that it was participative and interactive;

- Appreciated that the ideas of all staff members, regardless of their position in the municipality, are considered important;
- Especially appreciated the anonymity provided by the electronic voting device;
- Found that the indicators of internal control (the 50 assertions), which are used internationally, were directly relevant to their situation; and
- Noted that the session offered the first opportunity for staff from various District Offices to get together to exchange information. It gave them an opportunity as a group to trouble-shoot and problem-solve.

Sustainability of Achievements

While some participants expressed concern that there may be a return to the previous centralized municipal structure, depending on the outcome of the March 2003 elections, most considered the establishment of District Offices to be irreversible due to citizen support. They believe that the strengths identified in 2000 are less likely to be compromised since they are embedded in the CSA reports as benchmarks for the future. The stakeholders/beneficiaries of the 2000 CSAs had been the participants, their immediate managers, top municipal management and municipal citizens through improved service delivery.

Lessons Learned From the San Salvador Pilot

- A. The 2002 Evaluation had been postponed several times due to the earthquakes that severely damaged the area around San Salvador in 2001. Several officials mentioned that an earlier follow-up “reminder” by outside parties (C&A or USAID) would have been useful. Had the November 2002 Evaluation been carried out earlier, additional attention might have been paid to department-specific issues.
- B. The above notwithstanding, the extent of the substantial CSA impact at the institutional level may not have been as apparent had the evaluation been conducted earlier.
- C. Participants noted that there may have been better follow-up on Department-specific issues if department managers had participated in the sessions.
- D. More explicit communication of actions at the institutional level resulting from their CSAs would have resulted in increased staff satisfaction.

Next Steps

The full Evaluation Report, including summaries of focus group discussions and responses to questionnaires, were sent to the Municipality in December 2002. This evaluation has given department managers an excellent “second chance” to revisit issues raised in the original CSA Session Reports. Many CSA participants and managers interviewed for the evaluation expressed the hope that the new Municipal Administration, scheduled to take over in mid-2003, would request that the CSA Sessions be repeated. This will

help confirm and preserve these successes and strengths and enable the new leadership to become aware of the problems still to be tackled.

VII. CSA in Colombia

Background

This Section relates the CSA experience in two Colombian Government agencies:

- The Office of the Comptroller General (CGR—*Contraloría*), which audits public sector entities and reports to the Colombian Congress; and
- The Office of the Accountant General (CGN—*Contaduría*), which generates the national accounts and is a dependency of the Ministry of Finance.

A total of 14 CSAs were conducted between October 2002 and April 2003 in the CGR and CGN under the USAID/C&A Project for Transparency Strengthening and Accountability. This is a multi-year effort involving the central government and the country's largest municipalities, including Medellín, Cali and Barranquilla. It focuses on two main areas:

- A. Expanding citizen engagement in fighting corruption by increasing participation in citizen watchdog groups through practical training and providing selected groups with small and intermediate grant funds to put new skills to use in monitoring local government projects, and
- B. Providing training and technical assistance to strengthen internal control and audit capacity of the central government and various municipalities. Within this context, Colombian national and municipal governments are adapting the COSO model of internal controls. The coverage thus far includes 21 municipalities in five departments representing about 70 percent of the country's income.

These efforts have been supported by the *Escuela de Administración Financiera y Tecnología* (EAFIT) of Medellín through training, preparation of implementation manuals and the drafting of requisite decrees and legislation. This training and the resulting improvements in institutional capabilities have been widely reported in regional media.

Selection of Colombia and the CGR and CGN

CSAs were introduced in Colombia because:

- A. CSAs complement the internal control objectives of the C&A project described above;
- B. Colombia fit the strategy described in Section V of applying CSA in countries and government entities of varying sizes; and
- C. The CGN and CGR both have responsibilities for different aspects of internal control in Colombia and had requested that their staffs be trained as CSA facilitators.

CSA Training of CGR and CGN Staff

In September 2002, eight staff from the CGR and four from the CGN traveled to Calgary, Alberta, Canada (together with the Mexican delegation described in Section VIII) to become the first Latin Americans trained as COSO/CSA session facilitators. This training, in Spanish, was presented by PDK and supported by C&A. It focused on the basic COSO and CSA concepts, CSA session methodology, facilitation skills, facilitation practice, use of anonymous electronic voting technology and results reporting. The future CSA facilitators received the training enthusiastically. The CGR has a total of 4,000 staff members, 2,000 of whom are located outside Bogota. The CGR facilitators will conduct CSAs both internally and in other agencies. The CGN has only 140 staff, so its focus mainly will be facilitating CSAs for its client agencies.

Facilitator Selection and Characteristics

The facilitator trainees were selected by the CGR and CGN and were carefully screened by C&A. CSA facilitators must be adept at understanding and managing dialog during CSA sessions as well as in conducting individual interviews. They must have a genuine respect for other people, have high interpersonal skills, be curious, listen carefully and be driven by a desire to provide value to the organization. The best facilitators have, in addition, good analytical and learning skills, which they use to understand what they have gathered and convert into meaningful conclusions.

CGR CSA Practice Sessions

C&A followed up on the Calgary training in Colombia by coaching and supporting the conduct of actual CSA Sessions by the eight newly trained Colombian facilitators. Following a demonstration session in the CGR conducted by the C&A facilitators, the trainees carried out eight sessions on their own between November 2002 and January 2003.⁸ As in San Salvador, the nine units had been carefully selected to cover a broad cross-section of operational and support departments. Units not covered in this round of CSAs will be covered in the future. The sessions were well received, as evidenced by their evaluations (Annex 1). They served two purposes. First, they provided an opportunity for professional development and live practice prior to leading sessions in the CGR's client agencies. Second, they provided insights into the state of the CGR's own organizational issues and internal controls.

CGR Session Findings

- A. Strengths** include a high degree of staff commitment to the mission of the CGR and professional experience and capacity in the organization.
- B. Underutilized strengths** include the presence of many support level staff with professional qualifications and capacity whose talents could be better utilized.
- C. Issues** identified included:
 - Inadequate performance recognition;
 - Inequities in resource distribution within the organization;

⁸The nine CGR sessions were conducted in five operational units: *Las Contralorías Delegadas para Participación Ciudadana, Defensa Justicia y Seguridad, el Sector Social, el Medio Ambiente, Juicios Fiscales y Jurisdicción Coactiva*; and four support units: *Dirección de Recursos Físicos, Oficinas de Capacitación, Planeación and Control Disciplinario Interno*.

- Absence of channels to share important information with the staff; and
- Lack of equity in salaries within the organization in comparison to other agencies that carry out comparable work.

Presentation of CSA Findings

Unlike in San Salvador, no executive session was carried out, since this requires the skills of experienced facilitators. Instead, the newly trained facilitators (with guidance from C&A) presented the consolidated findings and recommendations from the nine sessions to the Comptroller General, who later requested a second presentation be made to his full management team with a view to developing an institutional plan of action.

CGR CSA Impact to Date

At the time of completion of this TAM, it was too early to assess the full impact of the nine CSAs. The facilitator teams will follow-up with each of the nine units and CGR's Training Office, which has been appointed to coordinate future CSAs and follow-up on institution-wide issues. However, the following are some examples of actions taken to date:

- The individual session findings have been used to inform the contributions of each of the nine units with respect to the CGR's Strategic Plan for 2002-2006;
- Two units have established groups (*Círculos de Participación de Calidad*) to define and carry out specific follow-up actions to their session;
- One unit has reactivated monthly departmental meetings and another a monthly newsletter to address the communications deficiencies; and
- The consolidated session findings provided input for strategic actions identified in the CGR's Modernization Plan, including improvements in the areas of conflict resolution, an institutional incentives system and non-monetary performance recognition.

In addition, the traditional auditor "mindset" among personnel in both the CGR and CGN (see below) has been modified with respect to internal control. They are now committed to working in a collaborative way with staff of their own institutions, as well as those of other agencies, to improve organizational efficiency and effectiveness.

CGN CSA Practice Sessions

The four CGR facilitators trained in Calgary completed a similar process in March and April 2003. Five CSAs⁹ covered most staff and units. The recently appointed Accountant General (AG) expressed a high degree of commitment to the CSA process and a strong desire to identify control issues within the CGN, using CSA. The first demonstration session was completed at his request by C&A in early March with the Executive Group. It revealed substantial operating problems within the executive group itself. Additionally, the Roll-up Report of the results of the five CGN sessions, produced at the end of April

⁹Five CGN Sessions were with the: *Nivel Directivo; Subcontaduría Nivel Territorial, Subcontaduría de Consolidación e Investigación, Subcontaduría Nivel Nacional, and Secretaria General* (Human and Financial Resources).

2003, gave the new management team insights into patterns of institutional strengths and weaknesses.

CGN Session Findings and Follow-up

There was strong consensus about the technical and professional capacity of the staff and shared vision of the mandate of the CGN. However, problems with horizontal and vertical communications, equity and planning, identified within the executive group, were also evident at the staff level. Lack of staff participation in planning work objectives and allocating resources had led to unfunded mandates, the inability to meet deadlines or the meeting of deadlines with considerable personal sacrifice by the staff. This in turn compromised staff morale and quality of the CGN's principal products. Prior to the CSAs, key new members of the management team had been unaware of the extent and nature of these problems. While it is still too early to assess the full impact of the CSAs, improvements to internal information and communication flows have already begun.

Lessons Learned from the Colombia Experience

A. Management Understanding of CSA.

Both facilitators and their managers need to understand and accept that CSA implies an important change in the traditional audit/control "mindset." Instead of only looking for evidence of wrongdoing (a kind of policing function), these agencies, with the help of CSA, are providing a means to empower their staffs to identify strengths and risks to achieving their work objectives, improve their own internal control, and improve the management and organizational climate—one of the core COSO objectives.

B. Facilitator Availability

Facilitator trainees should be selected from units that can afford to release their services for about four working days per session. There should also be a "critical mass" of sessions for them to complete each year in order to justify the investment in their training, hardware and software and maintain their facilitation skills.

C. Successful CSA facilitators

For facilitators, delivering an effective CSA requires hands-on involvement during all aspects of the CSA process—from ensuring that the coffee service has been arranged, to diplomatically handling over-talkative or hostile participants, to briefing top management on sensitive issues. A well-conducted CSA looks easy and seamless. In fact, a great deal of hard work is required on the part of two fully trained facilitators. However, it is also rewarding and enjoyable.

Next Steps

The newly trained CGN and CGR facilitators carried out more than 25 CSA workshop sessions between April and November 2003 in the Office of the Attorney General (*Procuraduría General de la Nación*), the Ministry of Education, the Office of Human Rights Protection (*Defensoría del Pueblo*) and the National Statistical Department (*Departamento Nacional de Estadística*). The CGR facilitators completed a Roll-up Report and presentation for management on each agency summarizing the results of all the sessions, including consolidated graphs of the voting results and a facilitator analysis of the most

significant issues, common patterns and recommendations for actions. Follow-ups regarding implementation of results have been scheduled for the future.

Replicability/Sustainability of Achievements

In the event the agencies with which the CGN and CGR undertake these sessions wish to apply this CSA methodology themselves, the same training provided to the CGN and CGR staff will be available to them if funding exists. CGN and CGR staff will be in a position to provide the coaching and support to the new facilitators previously provided by C&A. CSA is well on its way to becoming sustainable in Colombia.

VIII. CSA in Mexico

Background and Selection of Mexico

This Section addresses the CSA experience in two Mexican government entities:

- The National Immigration Agency (*Instituto Nacional de Migración – INM*) an agency of the Ministry of the Interior (*Secretaría de Gobernación – SEGOB*), has about 1,500 employees and regional offices in all 32 states, and
- Municipality of Campeche, in the State of Campeche, which has about 200,000 inhabitants and some 2,600 municipal employees

At the request of SEGOB, 10 CSA sessions were completed by C&A at the operational, administrative and managerial levels in the INM. The sessions were conducted between May and August 2002 at the INM's central offices in Mexico City and in selected INM regional offices (*delegaciones*) around the country under the USAID-sponsored Atlatl Project.¹⁰ The project collaborates with Mexican government institutions at all levels and with civil society organizations in the design, development and application of activities to promote transparency, combat corruption and improve internal control.

Selection of the INM

SEGOB, to which the INM reports, requested that CSAs be completed in that entity because of concerns about the state of internal control and corruption. In addition, the work of the INM provided an opportunity to apply CSA in a large decentralized agency with national coverage and a mandate considerably different from that of the Municipality of San Salvador or the agencies in Colombia.

INM Sessions. Ten operational-level sessions took place at the INM:

- Three with the Verification Department (*Coordinación de Control y Verificación*);
- Three with the Immigration Regulation Department (*Coordinación de Regulación Migratoria*);
- Two with personnel from the Regional Offices Department (*Coordinación de Delegaciones*);

¹⁰*Proyecto Atlatl*: <http://www.atlatl.com.mx>

- One at the INM regional office in Mexico City; and
- One at the INM regional office in the State of Chiapas.

Most participants expressed their views honestly and openly, a strong positive control indicator. Each group had special and sometimes urgent concerns. Themes common to all three groups were reflected in a Roll-up Report that was presented to the INM's new management team following an Executive CSA Session in January 2003. An Action Plan Development Session was conducted following the Executive Session.

The Chief Administrator of SEGOB and the INM Commissioner requested a briefing on CSA findings mid-way through conduct of the 10 sessions. The Chief Administrator noted that the CSA findings to that point confirmed and elaborated on many of the findings of a comprehensive and expensive organizational study by external consultants that had taken more than six months to complete. In addition to speed, CSAs had the added value of providing concrete recommendations from the grass roots level of the organization. The INM Commissioner was particularly interested in employees' views of the INM's operating problems and their proposed solutions, in their own words.

INM Findings, Recommendations and Follow-up

The CSA operational-level sessions revealed a dramatic lack of resources, lack of staff performance recognition, deplorable working conditions, human rights violations and corruption at detention facilities and in some other parts of the organization. Salaries were untenably low and job dissatisfaction and low morale were widespread. The Executive CSA Session showed an equally serious lack of understanding by the new INM management of the extent to which these obstacles threaten the ability of the INM to fulfill its mandate.

The new INM Commissioner, who assumed responsibilities in September 2002, following completion of the 10 operational-level CSAs, had not been part of the original decision to conduct CSAs and had a different agenda from her predecessor. Inaction on the part of the new Commissioner was especially detrimental since the CSAs had generated important information and solid recommendations for amelioration of current deficiencies, as well as expectations of follow-up among the participants.

While some members of the management team recognized the extent to which the individual session reports revealed problems not previously recognized, as well as practical and sometimes low-cost solutions, the extent of follow-up on many serious issues was not clear at the time of the preparation of this TAM. However, several INM detention facilities were the subject of investigation and raids by the federal authorities following completion of the CSAs. Prosecutions and improvements in conditions followed and were reported in the media.

CSA Training

SEGOB requested that members of its own staff be trained as CSA facilitators. Four staff joined the Colombians in Calgary in September 2002 (see Sections VII and XI). The objective was to achieve the same level of sustainability as is being achieved in Colombia.

However, two of the four staff trained, including one political appointee, have already left SEGOB, casting some doubt on attainability of this objective.

CSAs in the Municipality of Campeche

In early 2003, the Campeche Municipal Council asked the Atlatl Project to carry out a series of seven sessions, including an executive CSA, in the Municipality. The four CSAs completed were the first municipal-level CSAs to be conducted since the pilot sessions were completed in San Salvador in 2000 (Section VI). They provided an ideal opportunity to verify the applicability of CSAs in a different municipal setting, specifically in the Treasury and Public Services Departments. The results:

- Revealed deficiencies in critical areas such as the the ability of the municipality to distribute its resources for basic services (street lights, trash collection) in a timely and effective way;
- Revealed the consequences if no actions are taken;
- Offered feasible solutions recommended by the participants;
- Have been very well received by the participants (Annex 1); and
- Led to a request for additional sessions in the municipality’s Public Services Department in June 2003.

Campeche Next Steps

The two final workshops scheduled for the Public Service Department in June 2003, a final Executive Session with municipal managers and the action plan session have been cancelled due to project budget cuts. Institutional changes based on the four completed workshops were being assessed at the time this TAM was written.

Some Lessons Learned from the Mexico Experience

- **Management Commitment.** If management is not committed to listening to its staff and following up on recommendations, CSAs should not be attempted.
- **Facilitator Trainee Selection.** The kind of facilitator screening undertaken in Colombia provides the best assurance of successful facilitator selection. Political appointees normally should not be trained as facilitators because of their likely departure from government service when administrations change.

IX. Where CSA Works Best

Senior Management Commitment

CSA works best where the organization’s top management and unit managers are committed to listening to their staff and acting on the session’s findings. The culture of the organization needs to be such that “bad news” is received as easily as “good news” and reprisals are not taken against staff who speak openly. Since the dynamics of the sessions usually generate a frank and honest discussion, management has to be open to constructive criticism, possibly regarding its own leadership.

Unit Management Participation

CSA also works best when the immediate manager is present during the session to hear first hand what his staff has to say and to express support at the outset of the session for:

- The CSA process;
- An open and free exchange of views; and
- Taking actions based on the session results.

His or her presence usually increases the likelihood of follow-up. However, if it is felt that the manager's presence will inhibit the conversation, it may be recommended that s/he not participate.

Optimum conditions for sessions to have a real impact occur when management understands that CSA:

- A. Provides a unique opportunity to access information on a broad range of issues that is not otherwise easily obtainable;
- B. May identify major risks to the organization, surface high return issues that can be turned over to the more traditional audit methods, or to specialists or outside consultants, if the results warrant;
- C. Can be used to facilitate overall organizational improvement, alone or in conjunction with initiatives, such as teambuilding exercises, to reduce internal friction and mitigate risks to achieving objectives; and
- D. Can be of particular value in identifying what is working well (strengths), so that these can be preserved and optimized .

CSA works well only where the facilitator trainees have been carefully selected, where the basic session methodology described in this TAM is followed, and where there has been both a philosophical adjustment and extensive training, especially of audit staff who become CSA facilitators. Thus far, this has been successfully accomplished in Colombia. Training was not attempted in San Salvador. It was part of the Mexico program, but two of the four trainees left the organization.

X. Where CSA Will Not Work

CSA will not work or work well when:

- A. Management commitment to follow-up is lacking. CSA creates expectations of management action among participants. Frustration and cynicism result if those expectations are unfulfilled;
- B. Participants fear reprisal. The free flow of honest views during CSA is essential;
- C. There has been inadequate follow-up on results of previous CSAs or other interventions, such as staff surveys. Understandable skepticism sets in;

- D. The national culture does not encourage the free flow of ideas. Deference to elders/superiors in some cultures, for instance, may inhibit discussion during the sessions; and
- E. Occasionally participants may risk inviting criticism or damaging their careers when speaking frankly. If facilitators betray this trust by revealing the source of a comment outside the session, participants learn quickly that, while the facilitators encourage frankness and open disclosure, they cannot be trusted.

Standard Assertions

The success of the session, in terms of analyzing key indicators of control, also may be jeopardized if facilitators succumb to suggestions to make substantive modifications to the standard COSO assertions. The assertions cover the broad spectrum of internal control topics, which, if modified, may undermine the COSO process. The assertions used in the sessions cited in this TAM have been tested and refined over more than a decade and reflect the experience of hundreds of sessions implemented by PDK, and more recently, by C&A in Latin America.

XI. Recommendations and Lessons Learned

General

CSA Follow-Up

Ownership of and follow-up on CSA results rests primarily with the participants and their managers. However:

- Managers in Latin America tend to be far more over-stretched and have fewer resources at their disposal than their North American counterparts. A greater portion of their time is spent “fighting fires.” Crisis management is the norm.
- The organizational culture in Latin America tends to be more hierarchical. Employees still “own” the results of CSAs, but they are generally less empowered to act on them. While action-plan sessions and evaluations and/or repeat CSAs are recommended, they are currently considered to be an optional part of the CSA process in North America.

The experience thus far in Latin America indicates that CSAs have a greater chance of achieving their potential value when Action Plan Sessions, repeat CSAs and/or ex post evaluations are built into the CSA process from its inception.

Action Plan Development and Impact Assessment

Based on the above, it is recommended that:

- Specific dates for action plan development be built into the CSA scheduling agreed at the outset of the CSA process;
- Action plan sessions be programmed for both the unit and institutional levels;
- Agreement be reached early in the CSA process on the method and timing of communication of the outcome of the action plan sessions to CSA participants;

- Action plan facilitation become an integral part of CSA facilitator training; and
- The cost of action plan facilitation and ex-post impact assessment be included in the initial cost estimate of the CSA process.

Management's CSA Commitment

There needs to be a strong management commitment to “listen” to staff and address the actions identified both at the institutional and unit level. If this commitment is lacking, the sessions should not go forward. If facilitators are to be trained, there also needs to be a management commitment to release the facilitators from their regular work to carry out CSAs on a regular basis. CSA facilitation skills diminish over time if sessions are carried out only sporadically.

CSA Training

The methodology outlined in this TAM ensures the quality and integrity of the product. If done well, the sessions appear seamless and look easy. This can be deceptive. While replication and the multiplier effect may be an important part of development strategy, it is essential that the sequence of CSA training used in Colombia be followed in order to ensure quality and avoid unintended consequences. CSA is a powerful tool that, in the hands of untrained, unprofessional, or immature staff, can cause a great deal of damage to careers of individuals and to institutions.

The CSA Process

The seven-hour session represents only about one-third to one-quarter of the time needed to complete the entire CSA process successfully. Shortcuts at any stage before or after the session will jeopardize success. If the required facilitator time is not available, it is better to postpone the session.

Facilitator Selection

Trainees should be carefully selected from permanent staff of a government agency, rather than from political appointees, to ensure sustainability. It is also advisable to train a higher-level staff member who will be responsible for coordination of the CSA program. He/she will need to have:

- A deep understanding the CSA process in order to plan properly and ensure optimal use of the results and recommendations of the sessions; and
- Access to the highest levels within the organization.

Care should be taken to avoid selection of employees for CSA simply as a reward.

Prior to the CSA Session

- ***Pre-session Preparation***—Inadequate pre-session preparation is a particular problem for inexperienced facilitators who may feel that they can go straight into a session without first interviewing the manager and a broad cross-section of participants. When this happens, the facilitators may miss important verbal clues on where to “probe deeper” during the discussion.

- **Group Formation**—Mixing groups with different work objectives will result in confusion during the discussion, inconsistent voting responses, and disjointed action recommendations.
- **Questionnaires**—The completion of questionnaires is no substitute for self-assessment. Facilitators should resist the suggestion (sometimes from management) to implement the COSO Framework via questionnaire rather than through an inter-active discussion. Surveys can provide an excellent tool for management to gather information in some circumstances, but the assessment is made by a third party who interprets the data. The sense of ownership, sense of personal commitment to making change happen, and teamwork in the face of difficulty is lost.

During the Session

- A. Full Management Engagement**—Manager participation in CSA sessions increases the likelihood of follow-up at the unit level since the managers will have heard first hand from their staff what is working, what is not, why, and what can be done about it.
- B. Electronic Technology**—Capturing data electronically enables the facilitators to:
 - Control domineering participants by giving every participant an equal voice;
 - Go to the heart of the issue without wasting time on denial or the issue's validity;
 - Get the opinions of participants who may be reluctant to speak-up; and
 - Get feedback into the hands of the group much quicker.

However, “electronic meeting rooms” with hard-wired computers at each station can create barriers to group interaction.

Perceptions of Problems vs. the Reality of Problems

If many or most of the employees in a unit say a problem exists, then it either does exist or, at the very least, people are acting as if it does. In either case, the concern needs to be reported because the latter can be just as serious as the real problem. For example, if it is believed that a major downsizing is about to take place, trained and experienced staff may start to look for other employment. If this proves to be untrue, the organization will have lost a major asset due to a “perception.”

Verifying Information

A verification safeguard lies in the number and quality of the sessions. Radical opinions and recommendations are sometimes expressed and recorded. However, the facilitators do not take them as a given until they find similar comments in other sessions. Management is advised to withhold taking actions until the results of a whole series of sessions within a broad cross-section of the organization are known.

After the Session—Report Delivery

It is important for the facilitators to:

- Deliver the report personally to each participant. This personal touch reinforces the commitment of the facilitators to the session principles and reminds the participants of their role in following-up;
- Deliver the session report within 48 hours of the session completion, while the momentum for change is still strong, and
- Brief the manager personally on the session highlights, especially if he or she has not participated.

Other Benefits of CSA Results

The funding agency may find CSA results useful in confirming that its current and/or future aid program are targeting the most urgent areas. Government officials may wish to consider linking the CSA action plan with development strategies and explore the possibility of engaging local staff or consultants or appropriate international agency staff in the implementation and/or monitoring process.

XII. Cost Considerations

The PDK approach to CSA is a copyrighted methodology that has been tested and refined during many years of use. Initial costs of implementing PDK-CSA include a six-day, PDK-delivered training program for new facilitators and purchase of the copyrighted software and the anonymous response technology (ART). However, it is important to note that ART is not custom hardware and can be used by the purchaser in a wide range of training applications beyond CSA.

Following the six-day training program, new facilitators must observe a CSA session led by certified facilitators and then themselves must lead two CSA sessions observed by the certified facilitators. After the new facilitators have been trained and certified by PDK, they can conduct unlimited CSA sessions in government entities without payment of any additional fees of any kind.

One of the major strengths of the PDK approach to improving internal control is its potential for sustainability in the government units in which it is developed. The combination of custom software and intense training of facilitators all but guarantees that if management selects qualified personnel to become facilitators and makes the conduct of CSA sessions one of their primary responsibilities, internal control in government entities will consistently improve year after year. The result will be improved accountability, transparency and more efficient and effective delivery of public services.

XIII. Conclusion

CSA sessions have been carried out successfully in public and private entities in developed countries for more than a decade. The challenge was to determine if the same would hold true for public entities in developing countries where human and financial resources are scarce, managerial time and talent is more thinly stretched and organizational cultures tends to be more hierarchical. During the past three years, CSA sessions have been conducted in Latin America in very different institutional settings and countries. The experi-

ence described in this TAM demonstrates that CSA has the same potential for success in developing countries as in developed countries, provided that an organization's management is committed to listening to employees and making changes based on their recommendations. CSA is a tool for organizational improvement that can now be confidently implemented at national and sub-national levels of government with a realistic expectation of substantial impact, particularly where follow-up is built into the CSA process.

Annex 1

CSA Session Evaluations

The following table reflects participant voting responses to evaluation assertions immediately following Control Self Assessment Sessions (CSAs) in three countries through March 2003. The votes were recorded electronically on a scale of 1 to 7, with 1 being in total disagreement and 7 being in total agreement. These votes typically represented the highest scores in the session.

Session Evaluation Assertions	El Salvador	Colombia		México	
	Municipality San Salvador (4 CSAs)	Contaduría (2 CSAs)	Contraloría (9 CSAs)	Municipality Campeche (4 CSAs)	INM (10 CSAs)
1. I understand the objectives of Control Self-Assessment	6.50	6.36	6.42	6.49	6.42
2. The session helped to highlight issues significant to this team	6.54	6.47	6.38	6.58	6.45
3. I was able to express my opinions freely	6.75	6.25	6.64	6.51	6.57
4. The facilitators did a good job.	6.76	6.47	6.76	6.78	6.61
5. I would recommend this process to other teams.	6.78	6.71	6.77	6.78	6.56

Annex 2

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