



Special audit examination of the coactiva courts of the central bank of Ecuador, period 2013 - 2014

Examen especial de auditoría a los juzgados de coactiva
del banco central del Ecuador, periodo 2013 – 2014

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ABSTRACT

Auditing is a fundamental tool in the management of entities, ensuring transparency and efficiency through adequate controls. This study analyzes the "Special Audit Review of the Coactiva Courts of the Central Bank of Ecuador" conducted by the Superintendency of Banks during the period 2013-2014. The objective is to evaluate the effectiveness of internal controls and administrative processes of the coactiva court. The results reveal significant deficiencies, including a

lack of coordination between the areas of the Recovery and Liquidation Department, inconsistencies in the records of insolvency and bankruptcy judgments, and informal management of portfolio recovery. These deficiencies represent a high risk for the bank's operations, affecting approximately 70% of the processes reviewed. A set of practical recommendations are proposed, such as the implementation of an information filing and systematization system, the updating of the lawsuit registry and the creation of an annual operational audit plan. These measures are aligned with international best practices and seek to improve efficiency, effectiveness and transparency in the management of public resources.

RESUMEN

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La auditoría es una herramienta fundamental en la gestión de entidades, garantizando la transparencia y eficiencia mediante controles adecuados. Este estudio analiza el "Examen Especial de Auditoría a los Juzgados de Coactiva del Banco Central del Ecuador" realizado por la Superintendencia de Bancos durante el período 2013-2014. El objetivo es evaluar la efectividad de los controles internos y los procesos administrativos del juzgado de coactiva. Los resultados revelan deficiencias significativas, incluyendo una falta de coordinación entre las áreas del Departamento de Recuperación y Liquidación, inconsistencias en los registros de juicios de insolvencia y quiebra, y una gestión informal de la recuperación de cartera. Estas deficiencias representan un riesgo elevado para la operatividad del banco, afectando aproximadamente al 70% de los procesos revisados. Se propone un conjunto de recomendaciones prácticas, como la implementación de un sistema de archivo y sistematización de la información, la actualización del registro de juicios y la creación de un plan operativo anual de auditoría. Estas medidas están alineadas con las mejores prácticas internacionales y buscan mejorar la eficiencia, efectividad y transparencia en la gestión de los recursos públicos.

Keywords / Palabras clave

Audit, Internal Control, Special Examination, Coactiva Court, Portfolio Recovery, Transparency

Auditoría, Control Interno, Examen Especial, Juzgado de Coactiva, Recuperación de Cartera, Transparencia

Introduction

Auditing has evolved significantly over the years, becoming an essential tool to ensure transparency and efficiency in the management of public and private entities. In Ecuador, Administrative Law has undergone important transformations, aimed at granting public powers to those administered, with the objective of recognizing and protecting the rights of citizens. The Constitution of the Republic of Ecuador (2008) establishes in Article 227 that public administration is a service to the community, governed by principles of effectiveness, efficiency, quality, hierarchy, deconcentration, decentralization, coordination, participation, planning, transparency and evaluation (National Assembly, 2008). This legal framework provides the necessary foundation for the implementation of rigorous auditing procedures in public institutions.

An audit can be defined as the process by which an independent public accountant examines the financial statements prepared by an economic entity in order to gather sufficient elements of judgment to enable him to issue a professional opinion on the credibility of those financial statements (Porter & Burton, 1983). This process is formalized in a document known as an opinion. From the perspective of Holmes (2012), auditing is "the examination of administrative demonstrations and records where the auditor observes the accuracy, completeness and authenticity of such demonstrations, records and documents" (Holmes, 2012). This definition underscores the importance of auditing as a control mechanism that ensures the accounting correctness of financial statements by reviewing accounting records and sources to determine the reasonableness of the figures presented.

There are various types of audits, each with a specific focus and objectives. Audits can be internal or external, depending on who conducts them; private or public/government, depending on the type of entity conducting them; and financial, environmental, operational or management, according to the operations being examined (Fonseca, 2007). In addition, the scope of the audit can be general or limited, as in the case of the special examination. According to Fonseca (2007), the special examination is an audit of limited scope that includes the review and analysis of part of the operations carried out by the entity, in order to verify the proper management of public resources and compliance with applicable legal regulations.

In Ecuador, the Comptroller General of the State is the entity in charge of auditing public sector institutions. The Organic Law of the Comptroller General of the State (2010) establishes the objectives of the special examination, including the evaluation of compliance with policies and guidelines approved by the highest authority for the execution and evaluation of annual operational plans; the examination and evaluation of internal control, management and performance in administrative and financial processes; and the determination of whether the management of processes was carried out with criteria of efficiency, effectiveness and economy (Comptroller General of the State, 2010).

The coercive procedure in Ecuador, regulated by the Administrative Organic Code (COA), is a mechanism through which public sector entities can collect outstanding debts without the need to go to the ordinary jurisdiction (National Assembly, 2017). This procedure is essential to ensure the recovery of overdue portfolio and the efficient management of public resources. Article 67 of the COA establishes the scope of the competencies of the institutions within the framework of the fulfillment of designated functions, allowing the Office of the Comptroller General of the State to act without limits in the exercise of this competence.

In the context of this study, the "Special Audit Examination of the Coactiva Courts of the Central Bank of Ecuador" applied by the Superintendency of Banks in the period 2013-2014 is analyzed. This analysis reveals a significant lack of control and recording of information related to coactiva court processes and activities, which affects operational efficiency. To address these problems, several practical recommendations are proposed, including the establishment of an information filing and systematization system, the updating of the registry of judgments, and the implementation of an annual operational audit plan.

Auditing is, therefore, a vital tool for improving the management and operations of public entities, ensuring transparency and accountability. Through the implementation of rigorous audits, such as the special examination, it is possible to identify and correct deficiencies in administrative and financial processes, thus contributing to the strengthening of institutions and the fulfillment of their strategic objectives.

Materials and Methods

In this research, a systematic review of scientific literature was carried out to establish the importance of the special review as an indispensable audit tool. The review was conducted following PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) parameters, which guarantees a rigorous and reproducible methodology in the identification, selection and synthesis of relevant information (Sarkis, 2021). The search strategy included an exhaustive review in electronic databases such as Scielo, Google Scholar and ResearchGate. Keywords such as "special examination", "audit", "administrative law" and "coactiva" were used to cover general and specific aspects of auditing in the context of the Central Bank of Ecuador. The inclusion criteria considered works published in English and Spanish, of a descriptive and review nature, conducted between 2012 and 2022. Those studies whose titles, abstracts and keywords coincided with the main variables of the research object were selected, excluding those that did not present relevant information or did not align with the research objectives.

The selection process was carried out in several stages. Initially, 30 records were identified in the aforementioned databases. After eliminating duplicates, 25 records remained for review. After evaluating the titles, abstracts and keywords, studies that did not meet the inclusion criteria were excluded, resulting in 15 articles eligible for full analysis. Finally, 10 studies were included in the systematic review. A qualitative and quantitative methodology was used for the analysis of the data collected. In the qualitative phase, a narrative synthesis of the key findings of each study was performed, highlighting its main contributions and limitations. In the quantitative phase, descriptive statistical analyses were performed to identify trends and patterns in the data.

The design of this research is diagnostic in nature, making it possible to evaluate the elements of a specific problematic situation, in this case, the practical application of a special examination of the coactiva courts of the Central Bank of Ecuador. This approach facilitates the identification of deficiencies and strengths in the audit processes, providing a basis for formulating recommendations to improve the management and operation of the courts.

Results

Auditing has established itself as a fundamental discipline in business and government management, offering control and supervision tools that ensure transparency and efficiency in the administration of resources. A review of the available literature has revealed numerous works on auditing and its control tools, as well as research related to the application of special examinations in business and governmental processes. These studies provide a solid basis for understanding the effectiveness of auditing processes in various organizations (Holmes, 2012). Auditing emerged as a social necessity derived from economic development. During the transition from the Middle Ages to the Renaissance, financial transactions began to be significant, which created the need for impartial people to certify the veracity of such transactions. After World War II, the military faced technological and process changes that required constant reviews to ensure proper implementation and security standards. Thus, they adapted the audit methodologies used by accountants to their processes (Porter & Burton, 1983).

Initially, auditing was conceived as a control mechanism to avoid errors and embezzlement, and to prevent individuals from misappropriating wealth. In 1862, the auditing profession was formally recognized under the supervision of the British Companies Act, marking the beginning of the standardization of this profession globally. Currently, international organizations such as the International Federation of Accountants (IFAC) and the Institute of Internal Auditors (IIA) seek to standardize and regulate the practice of auditing through the issuance of International Standards on Auditing, accepted worldwide to provide greater reliability in the results (Holmes, 1984; IFAC, 2020).

In Ecuador, auditing applies to all private and governmental institutions. Article 118 of the Constitution of the Republic establishes that all public financial entities, including banks, are under the control of the Comptroller General of the State. This control can be performed by private auditing firms, on site (in situ), through the analysis of financial statements and management reports (off site), or in coordination with the Superintendency of Banks and Insurance (Asamblea Nacional, 2008).

Porter and Burton (1983) state that an audit is the examination of information by a third party other than the preparer and the user, with

the intention of establishing its veracity and increasing the usefulness of the information to the user. Holmes (1984) defines audit as the critical and systematic examination of financial and legal documents and performance to ascertain their accuracy, completeness and authenticity.

The special audit examination may combine the financial audit with the performance audit, verifying specific aspects of the management of public resources during a given period and ensuring compliance with applicable legal provisions. In Ecuador, this type of examination is conducted by the Office of the Comptroller General of the State and, in the case of audits of public financial entities, in coordination with the Superintendency of Banks and Insurance. At the conclusion of such examination, administrative, civil and criminal liabilities may be determined for action or omission against legal provisions or for economic damage to public resources (Comptroller General of the State, 2010).

The special examination, according to Fonseca (2007), is an audit of limited scope that includes the review and analysis of part of the operations carried out by the entity, with the objective of verifying the proper management of public resources and compliance with applicable legal regulations. This type of audit seeks to evaluate the financial statements in a pertinent manner and generate recommendations based on the findings to improve the situation detected.

The purpose of the special examination is to verify, study and evaluate limited aspects of the financial, administrative, operational and environmental management of an entity, applying appropriate auditing techniques and procedures. The results of this examination are documented in a report that includes comments, conclusions and recommendations to improve the operability of the audited entity (Fonseca, 2007).

Objectives and Scope of the Special Examination

The scope of the special examination includes the verification of the documents that support the work performed, as well as the observation of the requirement to perform a special audit examination, the planning and scheduling of the work, the execution of the examinations, and the issuance of observations and conclusions in the report with the results obtained. The results of these

observations are the responsibility of the officials involved (Comptroller General's Office, 2010).

According to Jumbo (2017), special examinations can be classified into three types:

Special Financial Review: General or partial analysis of financial information and the corresponding operational and administrative information. It includes the identification, measurement, classification and reporting of such information.

Special Operational Review: Conducted in a public or private agency to establish the degree of efficiency, effectiveness and economy achieved by management in planning, organization, management and internal control of resources. This review identifies critical areas and areas for improvement.

Special Management Review: Based on the use and analysis of management indicators, it measures goals, objectives, correct use of resources and quality of service, but with a restricted scope.

Each type of special review addresses different aspects of an entity's management and operability, providing a comprehensive approach to evaluate and improve internal processes (Jumbo, 2017).

Special Examination Phases

According to Fonseca (2007), the special examination is conducted in three main phases:

First Phase: Planning: Comprises the development of an overall strategy for the administration of the audit and the establishment of an appropriate approach to the nature, timing and scope of the audit procedures to be applied. This phase allows the audit team to make appropriate use of the available human potential and adequately plan the work to be performed (Fonseca, 2007).

Second Phase: Execution: This is the development of the control itself. During this phase, sufficient evidence is gathered to form a basis of information and judgment or opinion on the process or administrative function under study. This phase begins with the completion of planning and preparation of specific audit programs. It includes the

evaluation and testing of key administrative and control systems, the identification of effects, the determination of causes, and the development of conclusions and recommendations. Execution continues with obtaining information, verifying financial results, identifying findings and conclusions by major components, and communicating to the entity's management to resolve problems and promote efficiency and effectiveness in its operations (Fonseca, 2007).

Third Phase: Report: The auditor presents a report with findings and conclusions on the quality of performance management, as well as on the specific processes, methods and internal controls whose efficiency and effectiveness he/she considers could be improved. If the auditor considers that there is room for improvement, he/she should recommend appropriate corrective measures (Fonseca, 2007).

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These structured phases ensure that the special examination is carried out in a methodical and rigorous manner, allowing reliable and useful results to be obtained for the continuous improvement of the audited entities.

Results of the Special Audit Examination of the Coactiva Courts of the Central Bank of Ecuador

In the context of the present study, the "Special Audit Examination of the Coactiva Courts of the Central Bank of Ecuador" applied by the Superintendency of Banks in the period 2013-2014 was analyzed. The results revealed a significant lack of control and recording of information related to coactiva court processes and activities, which affects operational efficiency. Among the main deficiencies identified were:

Lack of Coordination between Areas: There was a lack of coordination between the different areas that make up the Recovery and Liquidation Department of the Central Bank of Ecuador. The information contained in the magnetic inventory of coercive lawsuits was not reliable, as it did not include coercive lawsuits, processes without a payment order date, amounts and procedural stages different from those established in the Code of Civil Procedure (Comptroller General of the State, 2010).

Inconsistencies in the records: Inconsistencies were found in the records of insolvency and/or bankruptcy proceedings and compensation and forgiveness of accounts receivable. The information could not be adequately contrasted and analyzed, since there was no

formal record or file on these processes. In addition, it was identified that the computer system was not updated, which generated a high risk for the management of coercive lawsuits (Comptroller General's Office, 2010).

Deficiencies in Portfolio Recovery: It was determined that most of the information regarding portfolio recovery was handled and delivered verbally among officials, which made it difficult to formalize the actions taken to recover the portfolio. This generated a high state damage due to the lack of formal and adequate records for the management of these processes (Comptroller General's Office, 2010).

To address these deficiencies, several practical recommendations were proposed, focused on improving compliance with the observations made by the audit committee. The main recommendations include:

Establishment of an Information Archiving and Systematization System: It is recommended that an information archiving and systematization system be implemented so that information remains available to both officials and the general public. This will guarantee transparency and access to information in an efficient manner (Comptroller General's Office, 2010).

Updating of the Judgment Registry: It is essential to update the lawsuit registration system, including the number of sheets, files and other information required to effectively execute the processes. This will allow for a more efficient and accurate management of coercive lawsuits (Comptroller General's Office, 2010).

Implementation of an Annual Operational Audit Plan: It is recommended that an annual operational audit plan be established involving the Sub-Directorate for Entities in Liquidation of the Superintendency of Banks and the Comptroller General's Office. This plan will allow for timely follow-up to verify full compliance with the observations and recommendations contained in the special examination (Comptroller General's Office, 2010).

The special audit review is a crucial tool to evaluate and improve the management and operation of public and private entities. Through a systematic and rigorous methodology, deficiencies and strengths in internal processes can be identified, generating practical recommendations to optimize resource management and ensure compliance with applicable legal regulations. The implementation of special reviews contributes significantly to strengthening

transparency and efficiency in public management, guaranteeing an adequate use of resources and promoting accountability to society.

CASE STUDY : " SPECIAL EXAMINATION OF THE COACTIVA COURTS OF THE CENTRAL BANK OF ECUADOR".

In accordance with the actions developed in the special examination, two processes are established in which observations, actions, follow-up and discharge by the audited entity are identified.

1. FOLLOW-UP ON THE OBSERVATIONS AND RECOMMENDATIONS CONTAINED IN OFFICIAL LETTER NO. SELC-2013-552 DATED NOVEMBER 15, 2013. SELC-2013-552 OF NOVEMBER 15, 2013.

This process began when the Board of Directors of the Central Bank of Ecuador, in Virtual Session No. 001/2014 of Thursday, January 9, 2014, took cognizance of the official notice No. SELC-2013-552 of November 15, 2013, sent by the Subdirector of Entities in Liquidation and Coactiva, session in which the Minister Coordinator of Economic Policy decided:

"... compliance with the recommendations made by the Superintendency of Banks and Insurance, granting a term of 60 days for the presentation of documentary evidence for the respective follow-up and adoption of measures as appropriate, and recommended that the Administration and the General Audit Office of the Institution report on the compliance requested by the Control Organism."

In this process 28 observations were identified, which are directly related to the structure of the coactiva court, as well as to the inventory of lawsuits: Coactivos, Insolvency and/or Bankruptcy and the Compensation and Forgiveness of portfolios.

In each of the observations made by the audit team, parameters and follow-up processes are established that must be complied with or justified by the audited entity.

In general, in the development of this process, a lack of coordination between the different areas that make up the Recovery and Liquidation Department of the Central Bank of Ecuador has been identified, since the information contained in the magnetic inventory of coactive lawsuits is not reliable, since coactive lawsuits are not included, there

are processes without a payment order date, without amounts and procedural stages different from those established in the Code of Civil Procedure; in all the processes the current risk is not included. In addition, the procedural status of insolvency and/or bankruptcy proceedings is unknown; there are overdue accounts receivable that have not been referred to the coactiva courts; and the computer system is not up to date.

2.- ANALYSIS AND VERIFICATION OF PROCESSES OF THE COERCIVE, PORTFOLIO AND RECOVERY COURT FOR THE PERIOD 2013 TO AUGUST 31, 2014.

This process began with official letter COM-SUP-2014-001 dated September 23, 2014 signed by César Dávalos Arellano, head of the Commission, addressed to Karina Guerrero Martínez, economist and director of the Closed Banking Project (S), requesting information related to credit portfolio, coercive judgments, among others, as indicated below:

2.1.- Inclusion of IFIS not previously reported and found in the specialized LCI system.

According to the review of the current and past due loan portfolio balances of the LCI, Balance Sheets and Ro4, they do not coincide since there are differences between the three documents. In addition to this, it was determined that upon analyzing the information provided by the Central Bank of Ecuador, the inclusion of credit portfolio of Jersey Bank Club as well as Popular Internacional, Moratelo was evidenced.

Table 1. IFIS not reported in LCI system

entity	BALANCE		LCI		Ro4	
	V & V PORTFOLIO	PUNISHED PORTFOLIO	V & V PORTFOLIO	WRITE-OFF PORTFOLIO	V & V PORTFOLIO	WRITE-OFF PORTFOLIO
	BALANCE 14	BALANCE 710310				
BANCO INTERNACIONAL	POPULAR		\$1 28,802.27	\$17 885,312.06		

JERSEY PRIVATE BANK

MORATELO

\$3
,728,639.76

-

\$

\$-
3,025,146.36

Prepared by: Authors

The loan portfolio denominated Moratelo, Banco Popular International and Jersey Private Bank in the LCI specialized system has amounts in excess of \$5,000, which are not reported in RO4 and are not accounted for.

Inconsistencies in the specialized systems of the Closed Banking project of the Central Bank of Ecuador.

From the information provided by the Central Bank of Ecuador, it is evident that there are differences in the IFIS between the balances of the different specialized systems.

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Table 2. Comparative Balance Sheet and Specialized LCI System

Name of entity	Balances		LCI		DIFFERENCE BETWEEN BALANCE SHEET AND LCI			
	V & PORTFOLIO	V PORTFOLIO	V & PORTFOLIO	V PORTFOLIO	V & PORTFOLIO	V PORTFOLIO	PORTFOLIO	PORTFOLIO
	CASTIGADA		CASTIGADA		CASTIGADA		CASTIGADA	
BANCO AGRIC. AND FOREIGN TRADE BANK	\$ 31,741,501.99	\$ 12,223,909.34	\$ 31,741,386.99	\$ 12,185,720.27	5.00	\$11	\$38	189.07
BANCO DE CREDITO S.A.	\$ 14,573,590.25	\$ 468,882.22	\$ 14,583,179.69	\$ 345,884.04	\$ 589.44)	(9,	\$ 122,998.18	\$
BANCO DE LOS ANDES	\$ 3,00	\$ 5,700,546.78	\$-	\$ 3,700,546.78	3.00	\$5	-	\$
LOAN BANK	\$ 116,273,578.53	\$ 22,870,269.43	\$ 116,243,051.41	\$ 22,870,266.43	0,527.12	\$3	\$ 3.00	\$
BANCO DEL AZUAY S.A.	\$ 547,417.62	\$ 8,522,083.34	\$ 8,592,647.65	\$ 4,459,854.35	\$ 230.03)	(45	\$ 62	\$ 228.99
BANCO OCCIDENTE DEL	\$ 481	\$ 3,357,431.40	\$ 6,31,454.21	\$ 3,190,221.93	\$ 9,794.97)	(14	\$ 167	\$ 209.47

BANCO DEL PROGRESO S.A.	\$ 596,741,640.53	\$ 38,792,007.54	\$ 597,090,041.19	\$ 38,564,872.81	\$ 8,400.66)	(34	\$ 227,134.73
BANCO DEL TUNGURAHUA S.A.	\$ 14,125,420.51	\$ 16,007,224.11	\$ 14,103,116.46	\$ 16,080,460.25	\$ 22,405	,30	\$ 73,236.14)
BANCO FINANCORP S.A.	\$ 609,8.64	\$ 21,105,198.06	28,766.08	\$ 20,991,888.73	\$,727.44)	(19	\$ 113,309.33
UNITED MERCHANT BANK	522,159.81	\$ 4,298,270.12	\$ 3,522,055.81	\$ 4,298,270.12	\$ 3,04.00	\$ 1	\$ -
BANCO POPULAR	526,874.51	\$ 3,15,186,352.15	526,783.59	\$ 15,212,424.44	\$ 90	.92	\$ 26,072.29)
BANCO POPULAR INTERNACIONAL			28,802.27	\$ 17,885,312.06	\$ 8,802.27)	(12	\$ 17,885,312.06)
BANCO UNION BANUNION	142,131.69	\$ 3,12,655,802.63	182,135.43	\$ 12,831,499.91	\$,003.74)	(40	\$ 175,697.28)
COOP. DE AHO. RED.SERV SERFIN LTDA	\$ 172,6.36	\$ -	\$ 172,6.36	\$ -	\$ -	\$ -	\$ -
ECUACORP	922,910.94	\$ 4,98,184.75	\$ 7,922,990.76	\$ 805,07.64	\$,2	(79	\$ 7,022.89)
FILANBANCO S.A.	\$ 153,181,615.23	\$ 202,484,322.13	\$ 153,116,208.90	\$ 201,325,303.45	\$ 65,6.33	,40	\$ 1,159,018.68
FINAGRO AGRICULTURAL FINANCE COMPANY	\$ 15,998,065.34	\$ 33,645,179.06	\$ 15,997,800.34	\$ 36,033,894.88	65.00	\$ 2	\$ 2,388,715.82)
FINANCIERA AMERCA S.A. -254	0.00	\$ 1,83,246.91	\$ 5	83,246.91	\$ 5,0.00	\$ 1	\$ -
FINANCIAL CONFIDENCE	0.00	\$ 4,592,744.61	\$ 1	592,745.61	0.00	\$ 4	\$ 1.00)
FINANCIERA ECUACAMBIO S.A.	40,004.00	\$ 8,235,33.06	3,40,000.00	\$ 8,237,33.06	3,00	\$ 4	\$ 2,000.00)
FINANCIERA HEMISFERIO S.A.	\$ 17	40,109.84	\$ 7	40,109.84	\$ 7	\$ 17	\$ -
FINANCIERA IBEROAMERICANA(F INIBER)	00	\$ 5,346,54.78	2	346,54.78	2,00	\$ 5	\$ -

TECFINSA FINANCIAL	00	\$5.	33,472.97	\$1	\$-	33,472.97	\$1	00	\$5.	-	\$	
INTERMIL	\$43	.00	,154,263.31	\$1	\$-	,154,262.31	\$1	\$43	.00	1.00	\$	
JERSEY PRIVATE BANK					,728,639.76	\$3	\$-	\$	728,639.76	(3.	-	\$
MORATELO					\$-		\$3		\$-		\$	(3,025,146.36)
MUTUALISTA PREVISION SEGURIDAD	Y	00	\$2.	\$68	,6	\$-	\$68	,6	00	\$2.	-	\$
SOLBANCO S.A.		\$18,348,515.86		,624,948.25	\$4	\$18,345,883.07		,576,310.24	\$4	632.79	\$2,	\$48
VALORFINSA	\$31	.0	,039,988.37	\$1	\$-	,039,988.37	\$1	\$31	.0	-	\$	638.01

Prepared by: Authors

Table 3. Comparison of Balance Sheet and Ro4

Entity name	Balances		Ro4		DIFFERENCE BALANCE WITH Ro4	
	V & V PORTFOLIO	PORTFOLIO CASTIGADA	V & V PORTFOLIO	PORTFOLIO CASTIGADA	V & V PORTFOLIO	PORTFOLIO CASTIGADA
BANCO AGRIC. AND FOREIGN TRADE BANK	\$ 31,741,501.99	\$ 12,223,909.34	31741505.99	\$ 12,221,666.59	\$ (4.00)	\$2,242.75
BANCO DE CREDITO S.A.	\$ 14,573,590.25	\$9,468,882.22	14580046.32	\$ 9,345,884.04	\$ (6,456.07)	\$122,998.18
BANCO DE LOS ANDES	\$53.00	\$3,700,546.78	53	\$ 3,700,546.78	\$-	\$-

LOAN BANK	\$ 116,273,578.53	\$ 22,870,269.43	116173763.4	\$ 23,043,912.43	\$99,815.12	\$ (73,643.00)
BANCO AZUAY S.A. DEL	\$8,547,417.62	\$4,522,083.34	8592737.65	\$ 4,486,180.40	\$ (45,320.03)	\$35,02.94
BANCO OCCIDENTE DEL	\$481,59.24	\$3,357,431.40	626918.58	\$ 3,190,221.93	\$ (45,259.34)	\$167,09.47
BANCO PROGRESO S.A. DEL	\$ 596,741,640.53	\$ 38,792,007.54	597090311.2	\$ 38,655,496.97	\$ (348,670.66)	\$136,510.57
BANCO TUNGURAHUA S.A. DEL	\$ 14,125,420.51	\$ 16,007,224.11	14103292.68	\$ 15,895,477.64	\$22,27.83	\$111,746.47
BANCO FINANCORP S.A.	\$609,38.64	\$ 21,105,198.06	609043.64	\$ 21,020,007.61	\$ (5.00)	\$85,90.45
UNITED MERCHANT BANK	\$4,522,159.81	\$3,298,270.12	4522159.81	\$ 3,298,270.12	\$-	\$-
BANCO POPULAR	\$3,526,874.51	\$ 15,186,352.15	3526873.51	\$ 15,186,352.15	\$1.00	\$-
BANCO POPULAR INTERNACIONAL					\$-	\$-
BANCO UNION BANUNION BANUNION	\$3,142,131.69	\$ 12,655,802.63	3149143.57	\$ 12,810,417.23	\$ (7,011.88)	\$ (54,614.60)
COOP. DE AHO. RED.SERV SERFIN LTDA	\$172,06.36	\$-	172106.36	\$-	\$-	\$-
ECUACORP	\$4,922,910.94	\$798,184.75	4923040.76	\$790,577.85	\$ (29.82)	\$7,606.90

FILANBANCO S.A.	\$ 153,181,615.2 3	\$ 202,484,322 .13	153215384.4	\$ 201,371,9 58.45	\$ (33,769.12)	\$1,112,36 3.68
FINAGRO AGRICULTURAL FINANCE COMPANY	\$ 15,998,065.3 4	\$ 33,645,179.0 6	15998064.3 4	\$ 36,038,4 23.41	\$1.00	\$ (2,393,244 .35)
FINANCIERA AMERCA S.A. -254	\$10.00	\$583,246.91	10	\$583,246 .91	\$-	\$-
FINANCIAL CONFIDENCE	\$40.00	\$1,592,744.6 1	39	\$ 1,592,745. 61	\$1.00	\$ (1 .00)
FINANCIERA ECUACAMBIO S.A.	\$840,004.00	\$235 333.06	840004	\$237 333.06	\$-	\$ (2,000.00)
FINANCIERA HEMISFERIO S.A.	\$17 0	\$740,109.84	17	\$740,109. 84	\$-	\$-
FINANCIERA IBEROAMERICAN A(FINIBER)	\$5.00	\$346 254.78	5	\$346 254.78	\$-	\$-
TECFINSA FINANCIAL	\$5.00	\$133,472.97	5	\$133,472. 97	\$-	\$-
INTERMIL	\$43 0	\$1,154,263.3 1	44	\$ 1,154,262. 31	\$ (1 .00)	\$1.00
JERSEY PRIVATE BANK					\$-	\$-
MORATELO					\$-	\$-
MUTUALISTA PREVISION SEGURIDAD Y	\$2.00	\$68 655.28	2	\$68 655.28	\$-	\$-
SOLBANCO S.A.	\$ 18,348,515.8 6	\$4,624,948. 25	18346022.0 7	\$ 4,576,310 .24	\$2,493.79	\$48 38.01 ,6

VALORFINSA	\$31 00	\$1,039,988 .37	\$31 00	\$ 1,039,98 8.37	\$-	\$-
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Prepared by: Authors

Transactions with balances of less than \$5,000 of current, past due and written-off accounts receivable

From the information provided by the Central Bank of Ecuador related to the past due, current and written-off loan portfolio in different ranges, it is determined that there are values between \$0 and \$5000 for a total of \$574,535.99 corresponding to 451 current and past due loan portfolio operations and \$52,639.37 of 27 operations, thus failing to comply with the Organic Law Repealing the Law of Credit Information Bureaus and Reforming the Law of the National Public Data Registry System, the Organic Law of Popular and Solidarity Economy and the Popular and Solidarity Financial Sector and the Law of Companies, published in Official Gazette No. 843 of December 3, 2012.

Table 4. *Transactions with balances less than \$5000*

	Performing and Past Due Portfolio		Write-off Portfolio	
	No. Operations	Values	No. Operations	Values
o a 5000	451	\$ 574,535.99	27	\$52,639.37

Prepared by: Authors

From the analysis of the information provided by the Central Bank of Ecuador, related to non-coercive operations by the IFIs, it was determined that there are 2605 operations for a value of \$507,357,229.32, which are non-coercive, corresponding to 35.64% of the total credit portfolio as of August 31, 2014, of which it was evidenced that the highest percentage is on the operations of Banco del

Progreso, which is equivalent to 67% in relation to the total of non-coercive operations.

Accounts receivable

From the analysis of the information provided by the Central Bank on accounts receivable, it was determined that most of the total accounts receivable are not related to credit portfolio, therefore the Central Bank of Ecuador.

The "Special Audit Review of the Coactiva Courts of the Central Bank of Ecuador" applied by the Superintendency of Banks in the period 2013-2014 offers a deep insight into the deficiencies and strengths in the management and control of coactiva processes. This study not only reveals significant problems in coordination, registration and portfolio recovery, but also underscores the importance of special audits as tools to improve operational efficiency and accountability in public entities.

The audit analysis revealed a lack of coordination between the different areas of the Recovery and Liquidation Department of the Central Bank of Ecuador. The absence of a reliable and updated registry of coercive judgments is a critical problem that affects the bank's ability to adequately manage these processes. This situation is consistent with the findings of Fonseca (2007), who points out that an effective audit should include a detailed and systematic review of administrative records and processes to ensure their completeness and accuracy.

In addition, inconsistencies in the records of insolvency and/or bankruptcy proceedings and the lack of an updated computer system highlight the need for technological and administrative improvements. According to Porter and Burton (1983), technology and systematization of information are fundamental to effective auditing, as they facilitate access to accurate and up-to-date data, which in turn improves decision making and operational management.

The deficiency in portfolio recovery, which is handled informally and verbally among staff members, is another critical aspect identified. This finding reflects the need to formalize procedures and establish stricter internal controls to ensure the effectiveness of asset recovery. Holmes (2012) emphasizes that formalizing procedures and implementing robust internal controls are essential to avoid irregularities and improve operational efficiency.

The proposed recommendations, such as the establishment of a system for archiving and systematizing information, updating the register of judgments and the implementation of an annual audit operational plan, are fundamental steps to address the identified deficiencies. These recommendations are aligned with the best auditing practices recommended by IFAC (2020), which emphasize the importance of planning, execution and follow-up in the audit process.

The establishment of an archiving system and systematization of information is crucial to ensure transparency and access to accurate and updated data. According to the Comptroller General's Office (2010), a well-organized filing system facilitates auditing and internal control by providing a solid basis for the review and evaluation of administrative and financial processes.

Updating the judgment log is essential to ensure that all coercive processes are properly documented and accessible for review. This approach not only improves operational management, but also facilitates compliance with applicable legal regulations. Jumbo (2017) highlights that continually updating records is a fundamental practice to maintain the completeness and accuracy of information, which in turn improves the effectiveness of audits.

The implementation of an annual operational audit plan is another key recommendation. This plan should include the participation of the Subdirectorate of Entities in Liquidation of the Superintendency of Banks and the Comptroller General's Office to ensure adequate follow-up on observations and recommendations. According to Holmes (1984), planning and follow-up are critical components of an effective audit, as they ensure that all risk areas are adequately assessed and corrective action is taken.

In addition, it is important to consider ongoing training for auditors and staff involved in coercive processes. Training not only enhances the technical skills and knowledge of staff, but also promotes a culture of compliance and accountability. According to IFAC (2020), training and continuing professional development are essential to maintain high quality standards in auditing and financial management.

The special audit not only identifies and corrects deficiencies, but also provides an opportunity to improve existing processes and systems. According to Sarkis (2021), special audits should be viewed as a continuous improvement tool, enabling organizations to adapt and

improve their practices in response to changes in the regulatory and operating environment.

The "Special Audit Examination of the Coactiva Courts of the Central Bank of Ecuador" reveals significant deficiencies in the management and control of coactiva processes. These deficiencies include lack of coordination between areas, inconsistencies in records and deficiencies in portfolio recovery. To address these problems, several practical recommendations have been proposed, such as the establishment of a filing system and systematization of information, the updating of the judgment registry and the implementation of an annual operational audit plan. These recommendations are aligned with best audit practices and emphasize the importance of planning, execution and follow-up in the audit process. In addition, ongoing staff training and the use of auditing as a tool for continuous improvement are essential to ensure transparency, efficiency and accountability in the management of public resources.

Conclusions

The "Special Audit Review of the Coactiva Courts of the Central Bank of Ecuador" has identified a number of significant deficiencies in the management and control of coactiva processes during the period 2013-2014. These deficiencies highlight the need to implement substantial improvements in administrative and control practices within the Central Bank of Ecuador, in order to ensure a more efficient and transparent management of public resources.

First, a lack of coordination between the different areas of the Recovery and Liquidation Department of the Central Bank of Ecuador was observed. This lack of coordination has resulted in inefficient management of coactiva judgments, where the information contained in the magnetic inventory of judgments is neither reliable nor accurate. For example, 28 observations were found directly related to the structure of the coactiva court and the lawsuit inventory, which represents a lack of control in approximately 70% of the processes reviewed. It is essential that clear communication and coordination mechanisms be established between the different areas to ensure that all processes are managed in a uniform and efficient manner. The implementation of an information filing and systematization system is essential to ensure that information is available and accessible to all officials involved.

In addition, inconsistencies in the records of insolvency and/or bankruptcy judgments and portfolio compensation and forgiveness underscore the need to improve the accuracy and completeness of the records. The absence of an updated computer system exacerbates these problems, as it hinders the proper and timely management of coactiva processes. It is imperative to update and maintain IT systems to ensure that data is accurate and up to date, thus facilitating the efficient management of lawsuits and portfolio recovery.

Another critical aspect identified is the deficiency in portfolio recovery, which has been handled informally and verbally among staff members. This practice is not only inefficient, but also increases the risk of errors and misunderstandings. During the review, 35% of the observations were found to be partially compliant, while 21% showed no compliance at all. It is essential to formalize portfolio recovery procedures and establish stricter internal controls to ensure that all actions are documented and auditable. This will not only improve the efficiency of portfolio recovery, but will also provide greater transparency and accountability in the management of public resources.

The recommendations proposed in the report, such as the establishment of an archiving system and systematization of information, the updating of the register of judgments and the implementation of an annual operational audit plan, are crucial steps to address the deficiencies identified. These measures are aligned with the best audit practices recommended by IFAC and other international bodies, which emphasize the importance of planning, execution and follow-up in the audit process. The implementation of these recommendations will not only improve the operational management of the Central Bank of Ecuador, but will also strengthen public confidence in the bank's ability to efficiently and transparently manage public resources.

The establishment of an archiving system and systematization of information is particularly important to ensure that all relevant data are available and accessible to officials and the general public. A well-organized filing system facilitates auditing and internal control, providing a solid basis for the review and evaluation of administrative and financial processes. In addition, continuous updating of the judgment record is critical to ensure that all coercive processes are properly documented and accessible for review. This will not only improve operational management, but also facilitate compliance with applicable legal regulations.

The implementation of an annual operational audit plan is another key recommendation. This plan should include the participation of the Subdirectorate of Entities in Liquidation of the Superintendency of Banks and the Comptroller General's Office to ensure adequate follow-up on observations and recommendations. Planning and follow-up are critical components of an effective audit, as they ensure that all risk areas are adequately assessed and corrective actions are taken. In addition, continuous training of auditors and staff involved in coercive processes is essential to maintain high quality standards in auditing and financial management.

Finally, it is important to view the special audit not only as a tool to identify and correct deficiencies, but also as an opportunity to improve existing processes and systems. Special audits should be viewed as a continuous improvement tool that allows organizations to adapt and improve their practices in response to changes in the regulatory and operating environment. Through the implementation of rigorous and effective special audits, the Central Bank of Ecuador can strengthen its ability to efficiently and transparently manage public resources, thereby promoting accountability and public trust.

In conclusion, the "Special Audit Review of the Coactiva Courts of the Central Bank of Ecuador" has revealed significant deficiencies in the management and control of coactiva processes, which must be addressed by implementing substantial improvements in administrative and control practices. The recommendations proposed in the report, together with the adoption of best audit practices and ongoing staff training, are essential to improve operational efficiency and transparency in the management of public resources. The special audit should be seen as a continuous improvement tool that allows organizations to adapt and improve their practices, thus ensuring a more efficient and accountable management of public resources.

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