

# CORPORATE GOVERNANCE, INTERNAL CONTROL AND THE SARBANES & OXLEY LAW: WHAT YOU WANT IS WHAT YOU GET?

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Although the potential benefits of corporate governance practices are widely reported in the leading literature, little is known about the relationship between corporate governance practices and internal controls in an emerging economy. This research examines the influence of corporate governance practices on the performance of internal controls through the lens of the Sarbanes & Oxley Act in auditing firms in Brazil. Primary data was collected from experts in the field of auditing. The results show that corporate governance practices are substantive for internal controls. Most respondents consider corporate governance practices to have a high degree of impact on improving internal controls. The results show that the state of the art is far from the state of practice, but companies are increasingly committed to implementing the main corporate governance practices in their organizations. This research fills a gap in the literature and brings significant contributions: a) it sheds light on managers in the implementation of corporate governance practices aimed at creating a transparent, equitable environment with corporate responsibility directed towards stakeholders; b) shows the relevance of corporate governance practices for internal controls; and c) extends existing studies.

**Keywords:** Corporate governance, internal control systems, sarbanes & oxley law, auditing firms, emerging economy, Brazil.

## RESUMO

Embora os potenciais benefícios das práticas de governança corporativa sejam amplamente relatados na literatura líder, pouco se sabe sobre a relação entre práticas de governança corporativa e controles internos em uma economia emergente. Esta pesquisa examina a influência das práticas de governança corporativa no desempenho dos controles internos através das lentes da Lei Sarbanes & Oxley em empresas de auditoria no Brasil. Dados primários foram coletados de especialistas na área de auditoria. Os resultados mostram que as práticas de governança corporativa são substantivas para os controles internos. A maioria dos entrevistados considera que as práticas de governança corporativa têm um alto grau de impacto na melhoria dos controles internos. Os resultados mostram que o estado da arte está longe do estado da prática, mas as empresas estão cada vez mais comprometidas em

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implementar as principais práticas de governança corporativa em suas organizações. Esta pesquisa preenche uma lacuna na literatura e traz contribuições significativas: a) lança luz sobre os gestores na implementação de práticas de governança corporativa que visam criar um ambiente transparente e equitativo com responsabilidade corporativa direcionada aos stakeholders; b) mostra a relevância das práticas de governança corporativa para os controles internos; e c) amplia os estudos existentes.

**Palavras-chave:** Governança corporativa, sistemas de controle interno, lei sarbanes & oxley, empresas de auditoria, economia emergente, Brasil.

## 1. INTRODUCTION

In recent decades, there have been several financial crises in large companies, both national and international, due to the unethical practices (Feldman, 2019) of their managers and the fragility of top management controls, resulting in fraud, manipulated results and collusion between stakeholders, highlighting the need to create regulatory bodies and laws that could punish these acts (Cooper, Dacin, and Palmer, 2013; Choi et.al., 2023). Given this scenario, a relatively new term has emerged in the accounting field: creative accounting, which is a term of Anglo-Saxon origin and consists of employing accounting knowledge on standards, using existing gaps to manipulate the results of organizations, without thereby failing to comply with accounting principles. Through it, it is possible to issue or make flexible some information that does not demonstrate the true situation of a company's equity (Akpanuko and Umoren (2018). Scandals and creative accounting practices are backed by gaps in the legislation, which provides opportunities for managers to practice the manipulation of information in order to show results inconsistent with the reality of the company's transactions. Some call this manipulation earnings management, or creative accounting (Roychowdhury, 2006). Parfet (2000) argues that earnings management is related to the manager's purposeful intervention on the firm's operating performance when it creates artificial revenues or estimates beyond reasonableness.

To improve this scenario, it became evident the need to create regulatory bodies and laws that could punish these acts, as well as the important role of Corporate Governance and the improvement of internal controls (Bwanya and Hodges, 2023; ; Mwaungulu, Li-Kuehne, and Subedi, 2023) to be adopted in organizations. Thus, the creation of the Sarbanes & Oxley Law in August 2002, highlights the important role of internal controls, which are responsible for ensuring the execution of procedures, providing for rules and severe punishments in situations involving fraud or omission of information that are relevant. The main objective of SOX was to restore the ethics of financial operations in the North American capital market, and to restore investor confidence with corporate governance rules, standardization of internal controls, as well as transparency in the preparation and disclosure of financial reports. The enactment of this law brought many positive impacts to organizations that met its requirements, generating significant results, but this law went far beyond the companies obliged to it, leaving a legacy for other organizations that seek to maintain a good relationship with their suppliers resources and aim to adopt ethical and transparent principles for the proper functioning of their activities, in particular those mentioned in this monograph, which found themselves in the need to adjust their internal controls and adopt corporate governance practices to adapt to international standards, in view of the significant results of the adoption of the SOX law for the American capital market. According to Gelatti et al (2010), Brazilian companies subject to Sarbanes & Oxley will influence the local market, so that other Brazilian

companies, even not having shares traded on the North American stock exchanges, feel pressured to adopt similar measures to those of SOX. With this, it is shown that the adaptation of companies not obliged to SOX is extremely positive for the Brazilian capital market.

Currently, when the topic “corporate governance” is addressed, a point that deserves to be highlighted is the existence of financial information controls, related to transparency, accountability, ethics, and compliance with enacted laws, where the union of all these requirements, guarantee a greater credibility of the information (Daily, Dalton, and Cannella Jr, 2003). Thus, it implies serving users better, especially external users, guaranteeing investor confidence in decision-making. The literature suggests that after the implementation of corporate governance practices in companies, there is a considerable improvement in the performance of the internal controls of these companies, making them more reliable and transparent in the eyes of decision makers and users of the accounting information disclosed by these companies. The design of credible internal controls is directly related to the adoption of good corporate governance practices and this implies more credible information, making it more reliable and consequently better serving the user of this information. Given the above, this research aims to evaluate the influence of corporate governance practices on the performance of internal controls with the advent of the Sarbanes & Oxley Law in the light of two auditing companies in Brazil. Some studies have already been developed on this object of investigation, for example, Bevilaqua (2011) highlighted Corporate Governance as an instrument for implementing internal controls and transparency of accounting information in publicly traded companies in the metallurgical branch of Caxias do Sul-RS. Bergamini (2005) studied Internal Controls as an instrument of corporate governance.

Also, Oliveira and Linhares (2007) addressed the following theme in their research: The implementation of internal control adequate to the requirements of the Sarbanes & Oxley law in Brazilian companies – a case study. However, none of the investigations addressed the relationship between the Sarbanes & Oxley Act, corporate governance practices and internal controls in the light of two Brazilian auditing firms. In this sense, this research gains emphasis and becomes innovative and relevant within the field of Accounting Sciences, as it presents a new perspective that involves corporate governance in the performance of internal controls with the advent of the SOX Law and seeking the opinion of experts related to auditing companies in Brazil in relation to the topic addressed. It is hoped that this research can contribute to generate knowledge and evaluate the state of the art versus the state of practice on the improvement of the internal control systems of the Brazilian companies object of investigation, which are not obliged to introduce the SOX law in their administration, as well as the application of corporate governance practices. This article is structured according to the following sections: literature review, methodology, results and analyzes and finally, conclusions and recommendations for future studies.

## **2. LITERATURE REVIEW**

Accounting can be considered as a plausible and feasible mechanism to provide reliable information (Badu and Appiah, 2018). Fortes (2001) highlights “A system for registering, controlling and analyzing assets for the management of the assets of entities that is more efficient than accounting has not yet been invented”. Thus, Guerreiro (1992, p. 2) argues that: Managers are highly dependent on the “information” resource. Information is the raw material of the decision-making process (Bushman and Smith, 2001; Chaney, Faccio, and Parsley, 2011). Useful information is that which meets the specific needs of managers, according to the areas in which they operate, the operations they carry out and the concepts that make logical sense to them [...]. In the same line of thought, for the accounting information to be useful to the user, as well as relevant in relation to the decision-making process, according to

CPC 00 (Conceptual Structure for the Preparation and Disclosure of Accounting - Financial Report), it is essential that the information has fundamental qualitative characteristics and qualitative improvement characteristics. These characteristics ensure that the accounting information is relevant and faithfully represents what it purports to represent to the user. With this, it is highlighted that the usefulness of accounting information will be improved if it is comparable, verifiable, timely and understandable, forming a part of a broader set of information that is applied in the decision-making process by the user.

Given the importance of obtaining useful accounting information and also the qualitative characteristics, it is noteworthy that currently the credibility of the business world has been strongly shaken by a series of scandals (Cole, Johan, and Schwei, 2021; Arbe and Feria-Domínguez (2022), which have generated losses of billions of dollars for various segments of society, such as: financial institutions, investors, suppliers, among others. Financial scandals, company bankruptcies and auditing limitations have put the debate in vogue about fraud, both for audit professionals and for society (McLaughlin et.al., 2021). After the explosion of these scandals, there was a need to create a law that could regulate and reestablish the relationship between companies and investors, with that came the implementation of the Sarbanes & Oxley law, created in 2002 with the aim of reforming the American capital market. The SOX law has a very broad objective, as it covers the responsibility of important bodies and agents of the company, from the president to the board, from audits to hired lawyers. It adopts strict rules based on corporate governance principles to ensure greater transparency of information, more independence for audit bodies and reliability of results. One of the mechanisms used by SOX is the imposition of stricter control over audits and more severe sanctions against corporate fraud (Souza, 2005). This law served to tighten the bookkeeping of companies listed on the SEC. With the new rules to make accounting information more transparent, the SOX law highlights, curbs and minimizes the gaps left by the legislation, in order not to eliminate practices of this nature, but to bar them in an attempt to protect the quality of information and predict a decrease in illegal acts or a way to identify them when they occur. SOX created a new environment of corporate governance and, in this way, generated a set of new responsibilities and sanctions for administrators to avoid harmful practices that expose corporations to high levels of risk (Oliveira and Linhares, 2007). Vidigal (2000) argues that governance comes from a Latin origin "governance" which means to govern, it is a form/system used by shareholders for company initiatives. As highlighted by the Brazilian Code of Best Practices of Corporate Governance (2009), corporate governance is the system by which companies and other organizations are directed, monitored and encouraged, involving the relationships between partners, board of directors, executive board, supervisory bodies and control and other interested parties. Also according to the IBGC (2009), the basic principles of Corporate Governance consist of:

- Transparency (disclosure) - Consists of the desire to make available to interested parties information that is of interest to them and not just that imposed by provisions of laws or regulations. It should not be restricted to the economic-financial performance, also contemplating the other factors (including intangibles) that guide the managerial action and that are consistent with the preservation and optimization of the organization's value.
- Equity - It is characterized by the fair and isonomic treatment of all partners and other interested parties (stakeholders), taking into account their rights, duties, needs, interests and expectations.

- **Accountability** - Governance agents must account for their actions in a clear, concise, understandable and timely manner, fully assuming the consequences of their acts and omissions and acting with diligence and responsibility within the scope of their roles.
- **Corporate Responsibility** - Governance agents must ensure the economic and financial viability of organizations, reduce the negative externalities of their businesses and operations and increase the positive ones, taking into account, in their business model, the various capitals (financial, manufactured, intellectual, human, social, environmental, reputational, etc.) in the short, medium and long term.

Corporate governance practices have emerged as a powerful mechanism to curb bad-natured actions and provide more transparency to the information to be disclosed by companies. Thomson (2003, p 10), citing the OECD, highlights that a company with good governance in the capital market area observes the following principles:

1. Recognizes and protects shareholder rights;
2. Treat all shareholders equitably, including minority shareholders and foreigners;
3. Adopts processes and procedures to correct violations of these rights;
4. Prohibits trading in stocks based on inside information;
5. Recognizes and protects the rights of other interested parties;
6. Develops reporting mechanisms for all stakeholders to participate in the governance process.

Malacrida and Yamamoto (2005) argue that among the main Codes of Best Practices of Corporate Governance, the OECD has gained a prominent position and has sought to establish a set of essential principles for the development of good corporate governance practices. The OECD principles (2004a) cover the following points:

1. Shareholder rights;
2. Equal treatment of shareholders;
3. Position of stakeholders (they need access to relevant information);
4. Disclosure and transparency;
5. Board Responsibilities.

Malacrida and Yamamoto (2005) argue that in Brazil, specifically, there is the Brazilian Code of Best Practices of Corporate Governance, which, according to the IBGC (2009c), has as its main objective to indicate paths for all types of companies, aiming at improving its performance and facilitating access to capital. The concept of corporate governance is directly linked to the internal controls of organizations, since good corporate governance practices guide the form and conduct with which managers will assess the effectiveness of these controls. For Bergamini (2005), in traditional economic theory, Corporate Governance assesses the instruments to overcome the “agency conflict”, present from the separation between ownership and management of the company. This conflict arises when the property owner delegates to the administrator the decision-making power over his property, which leads to the emergence of misalignments between them, resulting from the materialization of two axioms: the inexistence of perfect agents and the impossibility of drawing up complete contracts. This situation demands the creation of efficient mechanisms, represented by monitoring and incentive systems, in order to ensure the alignment of the administrator's performance with the owner's interests. Also according to Bergamini (2005) there are three

models of corporate governance: the Anglo-Saxon or legal protection model, in force in the United States (USA) and the United Kingdom; the Japanese-German model, predominant in Continental Europe, Germany and Japan; and the one based on family property, prevailing in the rest of the world. Briefly describing each model, the Anglo-Saxon model aims to create value for the shareholder (shareholder), demanding a greater level of transparency of information, justified through the dispersion of corporate control.

The Japanese-German model is based on the balance of interests of the groups involved, the level of transparency is lower. Bergamini (2005) mentions that: In the Japanese-German model, there are also specificities: in the German case, banks play a prominent role and employees participate in the Board of Directors; in the Japanese case, there is the figure of the keiretsu, which consists of a system of cross-shareholdings, which unites the members and, except in cases of poor performance, the role of banks and other institutional investors is passive. The Brazilian market is very different from the North American market, in view of the difference in the forms of control, however, in all forms of control, there must be an alignment of interests of rulers and shareholders, this alignment takes place through the adoption of good corporate governance practices together with efficient internal control, in order to assist the decision-making process and ensure clarity and publicity of the information provided by the company to its users. Given the above, it is worth emphasizing the important role of internal auditing within organizations, considered the internal control body, responsible for verifying the effectiveness of these controls. Bergamini (2005) argues that the attributions of the internal auditor are well known, however their role has been evolving: initially, their role was anchored in the analysis of transactions in order to prevent fraud; next, it focused on the evaluation of internal controls, in a comprehensive way, with the general objective of reducing errors; the current approach is centered on the evaluation of internal controls from the perspective of risk in order to optimize the management process.

Referencing accounting and internal controls is also highlighting the important role that the need for information plays on the efficiency of these controls, in the prevention and detection of errors of an accounting nature, which would otherwise go unnoticed and become harmful to the company's accounting health. . Attie (1985, p.60) highlights that “an accounting system that is not supported by efficient internal control is, to a certain extent, useless, since it is not possible to trust the information contained in its reports”. For Franco (1982, p.134), the main means of control that an administration has is accounting. The act of registering is one of the essential tools for monitoring the evolution of the entity, therefore, any record is significant in this context, including: books, files, forms, notes, invoices and printed documents that are part of a collection that are directly or indirectly related to the organization, assets and operation of the company.

### **3. METHODOLOGY**

#### **3.1 The Research**

Using a Judgment Matrix (Likert Scale), available in Google Forms, a survey was developed with experts. Of the corporate governance practices found in the literature, seven (7) were included in the questionnaire so that experts could assess whether such practices had already been implemented in the companies in which they work. A total of 150 professionals working in auditing companies (audit experience) were surveyed through the social network LinkedIn, and 75 questionnaires were addressed to each company. From this total, 19 data collection instruments from Company A and 23 from Company B returned answered, totaling 42 responses. The questionnaire first sought to collect data through responses obtained in the

forms of 1 - Yes, 2 - No and 3 - Partially. Then, the experts were asked to carry out an assessment regarding the degrees of impact of corporate governance practices on the internal controls of the companies in question, within a scale of 0 to 5, with 0 (no impact) and 5 (high degree) of impact). Finally, the answers obtained were analyzed and transformed into quantitative data, which were organized in the form of percentages and transformed into graphs in order to facilitate understanding, and thus served as a basis for the analysis and conclusions about the results achieved in that research.

### **3.2 Criteria for Analysis of Results**

After collecting the data through the judgment matrix (Likert scale), they were analyzed separately by company, analyzing the opinion of the specialists in relation to the opinion of the specialists in relation to the degree of impact of said practices on the improvement of internal controls and performance business. Finally, a joint analysis of the adopted practices and the degrees of relevance of each one in the internal controls was carried out, in an overview in the opinion of the responding auditors.

## **4. RESULTS AND UNDERLYING ANALYZES**

This section presents the results and underlying analyzes of the results on the impacts of corporate governance practices and internal controls on the performance of companies A and B. In this section, the results of the impacts of corporate governance practices and internal controls on the performance of companies are presented. companies A and B:

### **• Impacts of Corporate Governance and Internal Control practices on the performance of Companies A and B from the perspective of Accountability**

Accountability is characterized as a responsible rendering of accounts, being essential for the establishment of trust between investors and the company, considered a corporate governance practice, established in companies after the disclosure of the Sarbanes and Oxley Act (July 30, 2002), which was created after the appearance of several accounting frauds in large companies in the USA and in several other countries between 1980 and 1990 and that only came to light in 2002. The question raised by this research addresses the degree of impact of governance practices corporate governance for the performance of Accountability in the companies in which the respondents work. The auditors highlighted that the practices of Corporate Governance and Internal Controls for the performance of Accountability in the company are of great relevance, considering most of the respondents, about 52.6% of the auditors of Company A and 56.5% of the auditors of Company B considered it a degree of maximum importance, that is, level 5. Also, it is noted that 36.8% of the auditors of Company A and 26.1% of the auditors of Company B considered level of importance 4, and about 10.5% of Company A's auditors and 17.4% of Company B's auditors considered it an importance level 3. In the survey, it is shown that no auditors, either from Company A or Company B, considered an importance level 0.1 or 2 for parsing the question in question.

### **• Impacts of Corporate Governance and Internal Controls practices for the performance of the information quality of Companies A and B**

Currently, companies have increasingly sought a relationship of transparency with resource providers, this transparency consists of the adequate disclosure of information about the organization, not only those required by law, but also relevant information for the decision-making of users of these information. Good Corporate Governance practices directly influence the quality of information disclosed by an organization. Corporate Governance can be summarized in two basic principles, namely:

- fairness (sense of justice) and

- compliance (legal compliance)



A company that adopts these two basic principles of corporate governance consequently achieves an improvement in the quality of information provided to employees, investors and other users of accounting information. Regarding the question that raises the analysis of the degree of impact of Corporate Governance/Internal Controls practices for the performance of information quality in the company, there is an impact degree of 5 for most respondents, that is, about 68, 4% of company A's auditors and 56.5% of company B's auditors. However, 26.3% of company A and 34.8% of company B were also answered for impact level 4, as well as was presented in the research, considerations of 5.3% for Company A and 8.7% for Company B for the impact degree 3. It is noted again that the impact degrees 0.1 and 2 were not considered by both companies in study on this issue.

**• Impacts of Corporate Governance and Internal Controls practices to reduce fraud risks**

Frauds caused by creative accounting, when not identified, can generate exorbitant economic losses and damages to the organization, as well as corruption and theft, undermining investor confidence. For Santos (2016), reducing fraud in companies is one of the main challenges for managers around the world. The Association of Certified Fraud Examiners (ACFE) estimates that organizations lose about 5% of their revenue due to fraud, which, projected to Gross Global Product, equates to \$3.7 trillion diverted annually in world. Therefore, fraud prevention and detection are the responsibilities of those who value the entity's governance and management. It is important that management structure itself around optimal corporate governance and emphasize fraud prevention, which can reduce the opportunities for fraud to occur. The auditors of the companies under study considered the highest degree of impact (grade 5) for this analysis, that is, 68.4% of the auditors of Company A and 56.5% of the auditors of Company B. Regarding the degree of impact 3 and 4, 15.8% of the respondents from company A considered the degree of impact of relevance 3 and 4 of this corporate governance/internal controls practice for fraud prevention. Distinctively, 34.8% of the auditors of Company B considered this practice relevant, giving an opinion with an impact degree of 4 and 8.7% considered an impact degree of 3. The impact degrees 0.1 and 2 were not considered relevant by any of the auditors from both companies.

**• Impact of Corporate Governance and Internal Controls practices to improve the reliability of financial information**

Corporate governance principles directly address the ethics of company managers, a company with ethical managers, committees and employees and transparent governance practices provide a certain type of security to the information they provide to users. It should be noted that the adoption of corporate governance practices is directly linked to compliance, which means that the company complies with legal and regulatory standards, that is, makes its accounting and financial information reliable. Based on the answers, it can be said that most of the respondent auditors (55.6% from Company A and 52.2% from Company B) consider the impact of these corporate governance practices to improve the reliability of information as grade 5 financial services in the company in which they work. While 33.3% of company A's auditors and 26.1% of Company B's auditors consider these practices to be of level 4 impact, and finally 11.1% and 4.3% of auditors of Companies A and B respectively consider grade 3 the impact of these practices for the aforementioned issue. Grades 0, 1 and 2 are not mentioned for this question, that is, no auditor considers the implementation of these corporate governance practices to be irrelevant or of little relevance to improve the confidence of the financial information of the analyzed companies.

**• Impact of Corporate Governance and Internal Controls practices to improve internal controls**

The importance of internal control can be understood from the moment it is verified that it is the one that can guarantee the continuity of the flow of operations with which companies coexist, so the accounting of the results generated by such a flow assumes vital importance for entrepreneurs who use it for decision-making. Internal control allows the company to remain oriented towards its objectives, and must be used as a tool, generating reliable information in decision-making and also in the analysis of the effectiveness of procedures, serving as a basis for the application of audit tests. The results highlight that 47.4% of Company A's auditors and 43.5% of Company B's auditors consider the impacts of corporate governance practices to improve internal controls as grade 5 (very relevant). While 36.8% and 34.8% of the auditors of Companies A and B, respectively, consider this impact to be grade 4 for the aforementioned issue. It is also noted that 15.8% of Company A's respondents and 17.4% of Company B consider this impact to be level 3. And finally, only 4.3% of Company B's respondents consider the relevance of environmental practices to be level 2 corporate governance to improve internal controls. For the first time in the research, a level 2 consideration is observed for the question raised. It is worth mentioning that the respondents have different levels of experience and work in different areas of the company, which may not have much contact with this type of information about the organization, as the respondents themselves highlighted in the response to the invitation letter.

**• Impact of Corporate Governance practices and Internal Controls to ensure shareholder protection**

Among the biggest fears of shareholders is the fear of investing their resources and participating in the activities of a fraudulent company. These frauds may reflect on the generation of future cash flows and consequently affect the distribution of dividends. Corporate governance practices came to reduce these risks and avoid these frauds and errors, becoming, as a consequence, a protection mechanism for investors and shareholders of companies that adopt these practices. According to the data analyzed, 63.2% of the auditors of Company A and 47.8% of the auditors of Company B consider the impact of Corporate Governance practices to guarantee the protection of shareholders as grade 5, while 15.8% and 34.8% of the auditors of Companies A and B respectively consider this impact to be grade 4 and finally 21.1% of the auditors of Companies A against 17.4% of the auditors of Company B consider the impact on this matter to be grade 3. The findings highlight that no respondent considers the adoption of corporate governance practices to guarantee shareholder protection as having no or little impact.

## Overview

A more comprehensive view of the findings, it is possible to say that all corporate governance practices addressed are already implemented in the companies where the respondent auditors work, all practices obtained a percentage of approximately 80% for the answer "YES", which proves this information. We also obtained an average of 15.71% of responses "partially", which states that in the view of some auditors the practices are still being implemented and finally we reached an average of 4.29% of responses "NO", that is, 4.29% of respondents think that these practices have not been implemented in the companies they work for, a much lower percentage compared to affirmative responses. On the other hand, the results indicated that, considering all the practices addressed, we obtained 0% of responses in grade 0 and 1 impacts, an average of 0.36% of impact grade 2 responses, 13.52% of responses of degree of impact 3, approximately 29.32% of responses for degree of impact 4 and finally 56.8% of responses for degree of impact 5. From this analysis it is noted that most respondents consider corporate governance practices with high degree of impact (between 4 and 5) in improving internal controls, which had already been concluded in the bibliographic research, and which can be evidenced in the results of this research. It is observed through this research that the state of the art is still far from the state of practice, but there is an increasing commitment of companies to implement the main corporate governance practices in their organizations in order to achieve good performance and become increasingly transparent and ethical, attracting more and more resource providers and providing more credibility to users of the information provided by it. Also according to the research, the main corporate governance practices that have not yet been implemented are in the implementation phase, indicating that the state of practice is gradually reaching the state of the art. It should also be taken into account that the Sarbanes & Oxley (SOX) law dates from 2002, that is, it is considered new for companies that are bound by it and, consequently, takes longer to implement in companies that are not necessarily required, but that seek to make their internal controls more efficient, with the advent of SOX.

## 5. CONCLUSIONS

The objective of the research was to carry out an evaluation of the implementation of corporate governance practices and their influence on the performance of internal controls in the light of two auditing companies in Brazil. Through bibliographic studies, the main corporate governance practices were identified and then the judgment matrix was elaborated, which was submitted to audit specialists, in order to identify the implementation of these practices and the impact caused by them on the internal controls of the companies in question. The objective of this research was achieved, because through the answers of the specialists it is possible to analyze the corporate governance practices fully implemented, partially implemented and not implemented in the companies object of this study, as well as to evaluate the degree of influence of these practices in the controls internal to these organizations. The results allow us to conclude that most respondents consider the main corporate governance practices implemented in the companies in which they work and that they have a high degree of impact on internal controls. These results are in line with the literature that indicates positive effects of corporate governance practices on business performance (Musah et.al., 2022).

In this way, it was evident through the results achieved that the implementation of corporate governance practices are being increasingly sought by companies and that they have a high degree of impact on internal controls, which provides a considerable improvement in performance and in the monitoring of activities, facilitating and making decision-making more reliable, making these companies more transparent in the eyes of resource providers

(creditors, customers, investors, employees, etc.). It is noteworthy that, despite the vast majority of respondent auditors considering the aforementioned corporate governance practices implemented, there was a small percentage of respondents who consider that they were not or were partially implemented, but this fact can be justified by the length of their career in the profession, and the lack of contact with this type of information within the company, which was emphasized by some professionals when responding to the invitation letter regarding participation in this research. Corporate Governance practices aim to improve the performance of companies and protect all parties that make up their relationships. With the present research carried out, it is noted that the adoption of corporate governance practices directly affect the quality of internal controls, only confirming what has been raised through the literature, and showing the considerable improvement in the performance of this area of the company, making the controls more reliable and less susceptible to fraud and manipulation, bringing great benefit to the company in the long term, and thus making the information provided by it more reliable and transparent. It is worth noting that a small sample of companies was analyzed, around 150 professionals, which limits the research to the opinion of auditors working in these two companies object of this study.

To reach further conclusions, it would be necessary to analyze a larger sample, covering more sectors of the market, mainly companies obliged to comply with the SOX Law, with shares traded on the North American capital market. The SOX law can be considered a watershed in the capital market, as it was introduced to alleviate the gaps that existed in previous legislation, assigning responsibilities to everyone involved in the financial reporting process, from corporate authorities to audits and lawyers, and also starting to monitor internal controls in order to verify their effectiveness and increase the credibility of the information provided by it. Thus, it is evident to highlight that the requirement of companies to disclose the financial statements with more transparency and reliability, as well as certifying the accuracy, through efficient internal control, was a requirement that SOX brought to companies after its advent. All these forms of internal controls highlighted, as well as the improvement of the corporate governance practice, made the entire decision-making process to be improved, thus showing the benefits acquired through the conquest of new investors.

For future studies related to the topic, an analysis is suggested in the light of publicly traded multinational companies with shares traded on the NYCE, in order to verify the process of implementing corporate governance practices after the disclosure of the SOX Law, and the degree of impact of these practices in internal controls and how the enactment of this law affected the performance of these companies from the perspective of their resource providers. Another topic that deserves to be highlighted, related to future studies and research involving the topic addressed, is the study/research of the evolution of Brazilian laws after the enactment of SOX, taking into account the tendency of Brazil to adopt international standards, thus comparing the differences existing between companies that have already adhered to the SOX law even though they are not obliged, and companies that have not yet adhered to it, and with that being able to show the evolution of the legislation regarding the prevention of fraud, as well as creative accounting.

### **Competing interests**

The authors declare that they have no competing interests.

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None

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