

# Audit and Corporate Governance: The Convergence Between BR GAAP, SOX, and Good Accounting Practices

KARINA DA FONSECA INACIO SILVA

*Abstract- This article examines the convergence and practical interplay between Brazilian Generally Accepted Accounting Principles (BR GAAP), the United States' Sarbanes-Oxley Act (SOX), and International Financial Reporting Standards (IFRS). It argues that while formal convergence of recognition and measurement rules has advanced comparability of financial statements, the effectiveness of that convergence in delivering reliable information ultimately depends on robust internal controls, ethical conduct, and corporate governance mechanisms. Research indicates that accounting standards alone cannot ensure reporting quality: enforcement, auditor independence, and professional ethics are decisive for translating accounting rules into trustworthy financial reporting (Leuz & Wysocki, 2008; Ball, 2006). The discussion highlights how Brazilian entities can align technical convergence with governance frameworks to enhance transparency and investor confidence.*

**Keywords:** BR GAAP; IFRS; Sarbanes-Oxley; internal control; corporate governance; audit quality; Brazil.

## I. INTRODUCTION

Over the last two decades, Brazil has undertaken an extensive process of harmonization between BR GAAP and IFRS, culminating in the full convergence of consolidated financial statements after 2010. This reform, led by the Comitê de Pronunciamentos Contábeis (CPC) and the Comissão de Valores Mobiliários (CVM), aimed to align Brazilian corporate reporting with global standards and improve financial transparency (CVM, 2010). Nonetheless, convergence in accounting principles does not automatically translate into improved information quality. Empirical evidence shows that the benefits of IFRS adoption—such as increased comparability and reduced cost of capital—depend largely on institutional factors like enforcement strength and governance quality (Daske et al., 2008; Ball, 2006).

While Brazil's reforms emphasized technical standardization, the Sarbanes-Oxley Act of 2002 (SOX) in the United States took a complementary route by strengthening corporate governance and internal control structures. SOX's Section 404 requires management to assess and report on the effectiveness of internal controls over financial reporting (ICFR), with independent auditor attestation (Coates, 2007). This requirement institutionalized the link between accounting outcomes and the governance systems that produce them. In Brazil, where many firms are cross-listed or receive foreign investment, the SOX framework has influenced the local discourse on corporate accountability, auditor independence, and ethical conduct (Silva & Niyama, 2019).

Auditors play a central role in bridging these frameworks. They serve as public-interest intermediaries who attest to the reliability of financial statements prepared under IFRS or BR GAAP. Research demonstrates that audit quality is enhanced when firms maintain independent audit committees, ensure auditor rotation, and adopt robust internal control systems (DeFond & Zhang, 2014; Francis, 2011). Brazil has advanced in this regard through CVM oversight and the reinforcement of professional ethics codes under the Federal Accounting Council (CFC). However, disparities in enforcement and regional governance culture still influence the consistency of audit outcomes (Martinez & Moraes, 2018).

To operationalize convergence effectively, Brazilian corporations should integrate SOX-inspired control systems with local governance practices. This involves maintaining a documented and tested ICFR framework, empowering audit committees to oversee external and internal audits, and ensuring auditor independence through transparent selection and remuneration policies. Furthermore, continuing

education and ethical training for accountants and auditors remain crucial elements in sustaining public trust (CFC, 2020).

The implementation of SOX-like internal control frameworks is not without cost. Studies have shown that the initial compliance expenses associated with Section 404 were substantial, but they contributed to a long-term reduction in earnings manipulation and restatement frequency (Iliev, 2010). Similarly, Brazilian companies must balance the administrative costs of control systems with the benefits of increased investor confidence, lower financing costs, and reduced risk of fraud.

In the Brazilian context, corporate governance has evolved significantly with Law No. 6.404/1976 (Lei das Sociedades por Ações) and subsequent CVM resolutions that reinforce disclosure obligations and board responsibilities. These regulatory mechanisms mirror SOX's objectives by enhancing accountability and transparency, even though the institutional enforcement structures differ. The integration of these systems with IFRS reporting has positioned Brazil as a regional leader in corporate transparency and audit reliability (Lopes & Walker, 2012).

The flowchart titled “*Audit and Corporate Governance*” illustrates the convergence between BR GAAP, SOX, and IFRS within the corporate governance framework. It shows that BR GAAP provides the foundational accounting principles guiding financial reporting in Brazil, which are then subjected to the auditing process to ensure compliance, transparency, and reliability. The audit serves as a critical intermediary linking national standards with international frameworks such as IFRS, aligning financial practices with global expectations. From the audit process, the flow leads to corporate governance, emphasizing that effective governance relies on two fundamental pillars: robust internal controls and strong ethical conduct. These elements ensure that the convergence of accounting standards not only meets technical requirements but also upholds integrity, accountability, and investor confidence.

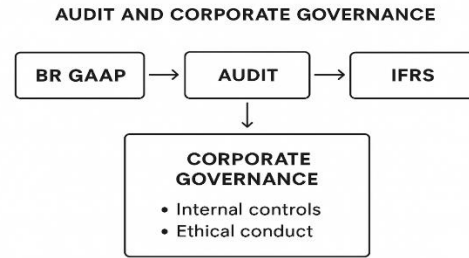


Figure 1. Integration of BR GAAP, SOX, and IFRS in Corporate Governance Systems.

Source: Created by author.

In conclusion, the convergence between BR GAAP, IFRS, and SOX demonstrates that sustainable improvements in financial reporting require more than technical alignment—they depend on governance, ethics, and effective internal control. The Brazilian experience shows that aligning accounting standards with governance and auditing practices fosters both investor protection and organizational integrity. As corporate structures grow more complex, the collaboration between regulators, auditors, and management will be critical in ensuring that transparency remains the cornerstone of corporate reporting in globalized capital markets.

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