Revista de Educação e Pesquisa em Contabilidade
Journal of Education and Research in Accounting

REPeC, Brasília, v. 10, n. 3, art. 1, p. 237-252, Jul./Sep. 2016
Available online at *www.repec.org.br*
DOI: http://dx.doi.org/10.17524/repec.v10i3.1337

Periódico Trimestral, digital e gratuito publicado pela Academia Brasileira de Ciências Contábeis

ISSN 1981-8610

Audit Committee: compliance with SOX, Bacen, Susep and IBGC rules

Abstract

The objective in this study was to identify the level of compliance of companies' audit committees on the distinguished levels of BM&FBOVESPA with the SOX, Bacen, Susep and IBGC rules. The compliance was analyzed by means of a checklist, built based on the main standards and recommendations the Brazilian companies are subject to. The analysis departed from the following characteristics: composition, qualification, mandate, number of meetings, attributions and obligations. A predominantly quantitative and descriptive document research was undertaken. Fifty-eight companies were considered and 1,508 verifications, showing an average compliance level of 50% (13 out of 26 questions), ranging between 88% (23 questions) and 4% (1 question). The results appointed that financial institutions and social security and insurance institutions are the group that best complies with the audit committee rules, while the companies submitted to SOX and other companies show the lowest compliance rates in the sample. In addition, no relation was found between the distinguished corporate governance levels and the committees' level of compliance, that is, being classified in the new market does not guarantee good compliance with the audit committee standards.

Key words: Corporate governance. Audit committee. Rules.

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Published in Portuguese and English. Original Version in Portuguese.

Received in 9/24/2015. Ask to Revise on 6/20/2016. Resubmitted on 6/24/2016. Accepted on 6/27/2016 by Dr. Felipe Ramos Ferreira (Assistant Editor) and by Dr. Valcemiro Nossa (Editor). Published on 7/31/2016. Organization responsible for the journal: Abracicon.

1. Introduction

As a result of the financial scandals in large companies and the economic crisis in 2008, which led to mistrust in the stock markets around the world, studies are fundamental about corporate governance structures that help to mitigate the conflicts of interest and the information asymmetry present in the relation between stockholder and manager.

In this context, an acknowledged corporate governance mechanism is the audit committee which, according to Souza (2010, p.21), is "one of the pillars in the reconstruction of investors' belief in the credibility of the financial statements and other operational performance information the publicly traded companies provide to the market".

Although the audit committee concept emerged in 1930, created by the New York Stock Exchange (NYSE), it only became compulsory in 2002 after the enactment of the Sarbanes-Oxley Act (SOX). According to Santos (2009), the creation of legal standards is linked to the need to achieve the security the citizens require, which was not being attended to through self-regulation only.

In Brazil, after the SOX, and in line with a global trend, the audit committees have increasingly turned into a legal obligation, like in the regulatory determinations of the National Monetary Council (CMN) and the National Private Insurance Council (CNSP), via Susep. In addition, there are the orientations of the Brazilian Corporate Governance Institute (IBGC) and the Brazilian Securities Commission (CVM).

These entities publish standards about the characteristics the audit committee needs, that is, aspects related to its composition, specialization, mandate and attributions that contribute to enhance its efficiency. Nevertheless, there is evidence that not all committees are complying with these requirements.

Santos (2009), for example, found that many companies do not practice the rule of independence of the audit committee members, and Chiodini (2010) found that a financial expert is lacking in most of his sample, against the IBGC recommendations. Recent studies suggest that, when the audit committee is not constituted to act independently, with access to information and professional counseling, and does not contain financially literate members, this significantly compromises its performance.

Hence, it is important for the stockholders and other users to know the structure of the audit committee in the company of interest, considering that the composition of the committee may differ from the current rules, may not comply with the expectations of what serves as an important elements to mitigate the agency problems and contributes to the reliability and safety of the information the company issues. This situation can compromise the assessment of the risk inherent in the accounting information, negatively affecting decisions on the purchase, sale or maintenance of corporate bonds, entailing financial losses.

In that sense, considering that the audit committee evidences a better corporate governance practice when it is constituted according to the rules of the regulators, it is important to know the current structure of the audit committee in Brazilian companies. Thus, the objective in this study is to identify the compliance level of the audit committees at the distinguished levels of BM&FBOVESPA with the SOX, Bacen, Susep and IBGC rules. Therefore, the following research question was formulated: **What is the level of compliance of the audit committees in companies at the distinguished corporate governance levels of BM&FBOVESPA with the SOX, Bacen, Susep and IBGC rules?**

Thus, this study is expected to serve as a guide for companies that do not have an audit committee yet and intend to comply with the best corporate governance practices; for companies that do have this committee, in order to analyze if they comply with the proposals of the rules applied to their company; for regulatory entities to compare what is recommended by the other entities; for the capital market to facilitate the users' understanding through greater information transparency; and for the academy to contribute to discussions on the theme. In addition, the research is justified because no recent study was located in Brazil that verifies the committee structure, considering all variables analyzed in this study.

2. Theoretical Framework

According to Jensen and Meckling's (1976) Agency Theory, the contractual relation, in which one or more persons (principal) transfer the decision power to another person (agent), is loaded with so-called agency problems deriving from the conflict of interest and the information asymmetry present in this relation.

In that sense, the principal (stockholder) needs to use control and monitoring mechanisms to avoid the agent's (manager) inappropriate behavior. Hence, "corporate governance can be considered as a set of mechanisms intended to increase the probability that the resource providers will guarantee the return on their investment for themselves" (Silveira, 2004, p.12).

One noteworthy mechanism in this context is the audit committee. The role of the audit committee in the governance system is to act to protect the interests of stockholders and other stakeholders in the organization. According to the IBGC (2009, p. 13) the committee "should act to operate the duties and responsibilities of the management's function in the supervision of the internal processes and guarantee the integrity and effectiveness of the internal controls for the production of financial reports". In addition, the committee intends to guarantee the integrity of the capital market (Peleias, Segreti, & Costa, 2009) and play a monitoring role to guarantee the quality of the financial statements and corporate accountability (Carcello, & Neal, 2000).

According to the audit and consulting company PricewatershouseCoopers (2007, p.30):

> The legal or regulatory requirements for an Audit Committee vary from country to country – while, in some, the committees are compulsory for publicly traded companies, in others, they represent voluntary actions. In addition, the responsibilities of each Audit Committee differ depending on the local culture, and particularly on the companies' needs.

In Brazil, the obligation to establish audit committees is limited to companies submitted to the SOX and Bacen and Susep standards, with some exceptions. After March 2003, the companies that operate in the American market, and thus, are under the regulation of SOX, can replace the Audit Committee by the Fiscal Board, provided that the latter is adapted to the functions of the audit committee (Furuta, 2010).

Concerning Bacen, the financial institutions obliged to install an audit committee are limited to the institutions that closed off the two latest financial years with an equity of one billion *reais* or higher, or administer one billion *reais* or more in resources from third parties; or when the sum of the deposits captured and the resources from third parties totals five billion *reais* or more (Banco Central do Brasil, Resolution 3.198, 2004).

And the social security and insurance institutions submitted to Susep should have closed off the two latest financial years with an Adjusted Net Equity of 500 million *reais* or higher or Technical Provisions corresponding to 700 million *reais* or more (Conselho Nacional de Seguros Privados, Resolution 118, 2004). For companies that do not fit into these groups, the Brazilian Securities Commissions (CVM) and the Brazilian Corporate Governance Institute (IBGC) recommend and advise on the constitution of the audit committee.

Hence, each entity has its set of determinants for the establishment and functioning of the audit committee. For the sake of a better understanding of the similarities and differences, Figure 1 compares the rules of SOX, Bacen, Susep and the IBGC orientations. The CVM recommendations for the audit committee are not included in Figure 1, as they involve aspects related to the composition of the members: they should include at least one representative from the minority stockholders and at least two members should possess expertise in finance.

	SOX	Bacen (*)	IBGC (**)	Susep (***)
Composition	Independent members of Board of Administrators	Independent members. Cannot include Fiscal Board members	Independent members, with at least one representative from minority stockholders	No reference
Composition	No reference	At least three members	No reference	At least three members
Qualification	At least one member should be financial expert	At least one member should be knowledgeable in accounting and auditing	All members should have basic accounting and finance knowledge, being one with greater expertise in accounting and auditing or financial management	At least one member should be knowledgeable in accounting and auditing
Mandate	No explicit reference	Maximum mandate of five years with return after three years	Can be limited through automatic turnover	Maximum mandate of five years with return after three years
Meetings		Determines that periodical meetings should be held with auditors	Meetings with auditors	Meetings with independent auditors at least quarterly
Meetings	No reference	Meeting with auditors at least quarterly	Regular meetings with Board of Administrators, Fiscal Board (when established), CEO and other officers	Meeting with auditors at least quarterly
Attributions	Responsibility for hiring and replacing auditors	Recommend the external auditor to be hired	Recommend the hiring, remunerations, retention and replacement of the independent auditor	Recommend the hiring and replacement of the independent auditor
Attributions	All audit and non-audit services should be pre-approved by the committee	No reference	No reference	No reference
Attributions	Supervise the elaboration, disclosure and auditing of financial statements	Revise half-yearly financial statements, including notes and management reports	No reference	Revise half-yearly financial statements, including notes, management reports and independent auditor's opinion
Attributions	Determine on set of internal procedures to guarantee accounting disclosure	Responsible for revision of efficiency and efficacy of internal controls and risks	Internal control and risks	Verify compliance with legal determinations and standards, besides regulations and internal codes
Attributions	No reference	Assess compliance by institutional management with recommendations by independent or internal auditors	Monitor recommendations of external and internal auditors	Assess compliance or justification for non-compliance with recommendations of independent auditors or internal auditors
Attributions	Adoption by company of a code of ethics for managers	No reference	Watch over compliance with code of conduct	Establish and disseminate rules and internal codes
Attributions	Adopt procedures to receive and treat complaints related to accounting, internal controls and auditing	No reference	No reference	No reference
Obligations	No reference to committee report	Should elaborate audit committee report	No reference	Should elaborate audit committee report every six months
Obligations	No specific reference	Rules for own functioning should be approved by Board of Administrators	Should adopt internal rules	Rules for own functioning should be approved by Board of Administrators

(*) Based on Resolution 3.198/2004; (**) Based on Code of Best Corporate Governance Practices; (***) Based on CNSP 118/2004.

Source: adapted from Santos (2009).

Figure 1. Audit committee: Comparison between SOX and Brazilian rules

As observed, except for Susep, which makes no mention, the other entities highlight that the audit committee should fully consist of independent members. Bronson, Carcello, Hollingsworth and Neal (2009) analyzed whether the composition of the fully independent committee is relevant to obtain effective monitoring results, in order to mitigate the requirements established by the Sarbanes-Oxley (SOX) Act. The research appointed that the composition of the audit committee only has beneficial effects when the entity is totally independent. Thus, the results support that requirement.

The presence of the financial expert can positively influence the company. Felo, Krishnamurthy and Solieri (2003) concluded that a positive correlation exists between the percentage of financial experts on the audit committee and the financial disclosure quality, that is, the larger the number of financial experts on the audit committee, the better the quality of the company's financial disclosure.

Other studies that appoint the positive effect of the presence of a financial expert include Sharma, Naiker and Lee (2009) and Raghunandan and Rama (2007), who found signs that the presence of a financial expert is positively related with the meeting frequency of the audit committee, as these experts effectively monitor the financial reports.

What the temporal aspect is concerned, that is, the length of the mandate and the number of hours worked, Art. 12 of the Brazilian Central Bank, Resolution 3.198 (2004), establishes that the mandate of the Audit Committee members should be five years at most, except private companies that do not need a fixed mandate for the committee members; and that the Audit Committee members can only return to the same council at least three years after the end of their mandate.

The audit committee's attributions can vary according to the context of each company (Peleias *et al.*, 2009). In general, the function of the audit committee is to hire, compensate and supervise the independent audit firm that will prepare the audit reports and related activities; the committee is also responsible for solving any conflicts about financial reports between the management and the independent auditors (Furuta, 2010; Santos, 2009).

Also concerning the attributions, Carcello, Hermanson and Neal (2002) analyzed 150 reports that describe the activities of the audit committee and found a high degree of conformity between the compulsory audit committee functions and what is disclosed in their reports, such as information related to the review and discussion of the financial statements with the management. Nevertheless, the voluntary disclosure of the audit committee's activities was more common for financial institutions, large companies, companies listed on the New York Stock Exchange (NYSE) and companies with more independent members sitting on the board.

Concerning the report elaborated by the audit committee, it is intended to determine the management's responsibility to establish and maintain these controls and identify the analysis standard this management uses to assess the effectiveness of controls. The report should contain an assessment of the efficacy of internal controls at the baseline date when the audit report was issued, and should include the report in which the independent auditor attests the management's declaration, as a part of the audit (Souza, 2010). The absence or ineffective action of the audit committee is considered a flaw that should be appointed in the independent auditor's opinion.

3. Method

This research is characterized as descriptive which, according to Gil (2002, p. 42), "is basically intended to describe the characteristics of a certain population or phenomenon, or to establish relations between variables". With regard to the procedures, the research is characterized as documentary. According to Lakatos and Marconi (2001, p. 174), "the source of data collection is restricted to written documents or not". In this study, the documentary research was based on the information published on the website of BM&FBOVESPA and on the companies' websites.

What the approach of the problem is concerned, the number of items evidenced was quantified in the data collection and in the treatment of the results, characterizing a predominantly quantitative approach (Richardson, 2008).

First, a bibliographic survey was undertaken in scientific journals, dissertation and thesis databases and accounting congresses to elaborate the theoretical framework and analyze background studies to gain knowledge on the theme. Next, a comparison was elaborated to support the understanding of the similarities and differences established by the SOX, Bacen and Susep standards and IBGC orientations. The analysis was based on the characteristics of the audit committee, which were classified in the following categories: composition, qualification, mandate, number of meetings, attributions and obligations.

Based on Figure 1, a checklist was elaborated with 26 questions. The data resulting from the application of the checklist were analyzed in two phases.

First, each company's compliance with the audit committee characteristics was verified, considering the rule the company should adopt. As some financial institutions in the sample hold ADRs, they should comply with both Bacen and SOX. Companies without the obligation to constitute the audit committee should at least comply with the IBGC recommendations. Thus, the selected companies were divided in five groups (SOX, Bacen, SOX and Bacen, Susep and IBGC), which permitted verifying the audit committee's compliance in an analysis focused on the relevant rule for each company. "Yes" was attributed in case of compliance with an item and "no" in case of non-compliance. When no evidence was found on a certain aspect in the information available on the BM&FBOVESPA or on the company website, the concept attributed was "not mentioned" (NM).

In the second phase, an index was created to identify the audit committee's level of compliance with the rules analyzed and thus answer the research question. The index was created, attributing score 1 for each "yes" on the checklist and score 0 for each "no", adding up the scores to reach the index. In addition, the governance level of each company was verified, assessing whether there is a relation with the index found through quartile analysis.

The selected population consists of the companies in the special listing segments of BM&FBOVESPA. The choice of this group is justified because the companies in these segments are subject to strict corporate governance rules (BM&FBOVESPA, 2014). As the audit committee is part of the set of best corporate governance practices, the number of companies with such committees was expected to be higher.

In the universe of 207 companies (9 Bovespa Mais, 145 New Market, 20 Level 2 and 43 Level 1), 66 had an audit committee in 2013. That year was chosen because it was the most recent year with available information on the audit committee. Among these companies, eight were excluded due to incomplete data or data related to 2014. Hence, the population resulted in 58 companies, 39 listed on the New Market, 11 on Level 1 and 8 on Level 2 of the Distinguished Corporate Governance Levels.

One limitation in this study is related to the data analysis, which was elaborated based on the information the companies had published, but does not necessarily cover all aspects related to the audit committee, but only the aspects verifiable through the analysis of the information available to the public.

4. Analysis and research results

In this topic, the analysis of the data and the research results concerning the Composition, Qualification, Mandate, Meetings, Attributions and Obligations of the Audit Committee and the level of compliance with Corporate Governance will be presented.

Table 1 presents the data on the composition of the audit committee in the 58 companies in the sample.

Table 1
Composition of Audit Committee

No.	Questions	SOX		Bacen		SOX and Bacen		Susep		IBGC		Total	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1	Does the audit committee consist of at least 3 (three) members?	15 75%	5 25%	8 100%	0 0%	5 100%	0 0%	2 100%	0 0%	19 83%	4 17%	49 84%	9 16%
2	Are the members independent?	1 16%	19 84%	2 38%	6 62%	3 60%	2 40%	0 0%	2 100%	2 9%	21 91%	8 14%	50 86%
3	Are some members also fiscal board members?	1 5%	19 95%	0 0%	8 100%	0 0%	5 100%	0 0%	2 100%	0 0%	23 100%	1 2%	57 98%

Source: research data (2015).

As observed in question 1, in 84%, or 49 of the companies selected, the audit committee consists of at least three members, complying with the corporate governance recommendations observed in the rules by Bacen and Susep. Five companies submitted to SOX and four companies not obliged to constitute an audit committee do not comply with this prerogative. It should be highlighted that the SOX does not mention the amount of members.

In question 2, concerning the independence of the members, in 86% of 50 companies in the research population, the audit committee members are not independent. This result supports the findings by Silveira and Ito (2008) and Santos (2009), who also identified, in 2007 and 2008, respectively, that most of the audit committees have members who are not independent. As a rule, the SOX and Bacen require that the companies have independent members sitting on the audit committee. Thus, six financial institutions, 19 companies with ADRs and two financial institutions traded on the American market do not comply with the regulations. In addition, 21 other organizations differ from this rule.

What question 3 is concerned, about the existence of audit committee members who also sit on the fiscal council, 98% or 57 companies in the research population do not sit on the fiscal board. The result shows that only one company, JBS, which is subject to SOX, does not comply with this requisite. It should be highlighted that this requirement comes from Bacen.

According to the IBGC recommendation, among the independent members on the audit committee, at least one should represent the minority stockholders. None of the companies in the sample comply with the requirement or do not disclose this information.

Table 2 presents the audit committee's qualification in the 58 companies in the study population.

Table 2
Qualification of Audit Committee

No.	Questions	SOX		Bacen		SOX and Bacen		Susep		IBGC		Total	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1	Is at least one of the members a financial expert?	14 70%	6 30%	7 88%	1 13%	5 100%	0 0%	1 50%	1 50%	16 70%	7 30%	43 74%	15 26%
2	Is at least one of the members knowledgeable in accounting and auditing?	9 45%	11 55%	7 88%	1 13%	5 100%	0 0%	2 100%	0 0%	15 65%	8 35%	38 66%	20 34%
3	Do all members have basic accounting and finance knowledge?	6 30%	14 70%	1 13%	7 88%	5 100%	0 0%	1 50%	1 50%	6 26%	17 74%	19 33%	39 67%
4	Do the committees contain at least one member with further experience in accounting and auditing or financial management?	14 70%	6 30%	8 100%	0 0%	5 100%	0 0%	2 100%	0 0%	19 83%	4 17%	48 83%	10 17%

Source: research data (2015).

As verified in question 1, 74% or 43 companies in the selected population have at least one financial expert. The result supports the evidence by Furuta (2010), which appoints that most companies that constitute Audit Committees between 2005 and 2008 contained a financial expert. In the study by Chiodini (2010), it was observed that most companies with ADRs in the American market have at least one financial expert. During the 18th Roundtable of Audit Committee professionals, KPMG (2009) verified that only 10% of the participants do not have financial experts sitting on the committees. This recommendation comes from the Sarbanes-Oxley (SOX) Act. Thus, six companies, despite being submitted to SOX, do not comply with this requirement.

About question 2 on the existence of at least one member knowledgeable in Accounting and Auditing, 66% or 38 companies present both areas of expertise, according to the data published on the websites of BMF&BOVESPA and of the companies studied. This requirement comes from Bacen and Susep. The company Banrisul, subject to Bacen, is the only company in this group that does not have at least one member with expertise in Accounting and Auditing.

Questions 3 and 4 are IBGC recommendations. In question 3, it is observed that, in 67%, or in 39 companies from the selected population, not all members have basic knowledge in Accounting and Finance. Questions 3 and 4 refer to recommendations from IBGC. In question 3, it is observed that, in 67% or 39 companies from the entire research population, not all members possess basic knowledge in Accounting and Finance. According to data published on the website of BMF&BOVESPA, the members from the companies Biosev and CCX are only knowledgeable in Finance and, in IOCHPE, members are only knowledgeable in Accounting. The companies who are not obliged to establish an audit committee and comply with the IBGC recommendations on an optional base present the highest percentage of members knowledgeable in both areas, corresponding to 74% or 17 companies from the group.

As regards question 4, about 83% or 48 companies from the research population, have at least one member experienced in Accounting and Auditing or Financial Management, that is, comply with the rules established by the IBGC.

Table 3 appoints the length of the audit committee's mandate in the 58 companies of the study population.

Table 3
Mandate of Audit Committee

Period (in years)	SOX	Bacen	SOX and Bacen	Susep	IBGC	Total
1	8 40%	4 50%	3 60%	2 100%	8 35%	25 43%
2	6 30%	2 25%	1 20%	0 0%	8 35%	17 29%
3	1 5%	1 13%	0 0%	0 0%	4 17%	6 10%
4	1 5%	0 0%	0 0%	0 0%	0 0%	1 2%
5	2 10%	1 13%	1 20%	0 0%	0 0%	4 7%
+ than 5	0 0%	0 0%	0 0%	0 0%	1 4%	1 2%
Indefinite	2 10%	0 0%	0 0%	0 0%	2 9%	4 7%

Source: research data (2015).

What the length of the audit committee's mandate is concerned, 43% or 25 companies from the study sample have a one-year mandate, and 29% or 17 companies work with a two-year mandate.

In the Internal Rules of the company Diagnósticos da América S/A (Dasa) for 2013, it is highlighted that the members' mandate is up to ten years. The companies that disseminated an indefinite mandate in their Bylaws and/or Internal Rules include Brooksfield, CTEEP, CVC and JBS.

According to Beuren, Nass, Theiss and Cunha (2013), the non-declaration of mandates may represent some flexibility for the companies. On the other hand, this can induce the companies towards the non-renewal of the committee members, which may impair the necessary impartiality in the performance of their functions, due to the bonds created over time. Setting parameters for the mandate of the audit committee is also interesting to compare their characteristics in different companies.

In line with the rules of Bacen and Susep, the maximum length of the mandate should be five years, with the possibility of return after three years, which means that, in this aspect, the companies mentioned above are non compliant. Divergent information is found on the length of the mandate the companies disseminated in the Bylaws and /or Internal Rules and the information published on the website of BM&F-BOVESPA for the companies Banco ABC, Banco Bradesco, Banco do Brasil, Banco Banrisul, BIC Banco, Banco Pan, Banco Pine, Banco Santander, Banco Sofisa and Porto Seguro.

In addition, the IBGC determines that the mandate should be limited through an automatic turnover. It was verified that 100% or 58 companies from the study population do not perform this automatic turnover, according to information published in the Bylaws and/or Internal Rules and on the BM&F-BOVESPA website.

Table 4 presents the frequency of the audit committee meetings in the 58 companies from the study population.

Table 4
Audit Committee Meetings

Period (in years)	SOX	Bacen	SOX and Bacen	Susep	IBGC	Total
Two-monthly	0 0%	0 0%	0 0%	1 50%	1 4%	2 3%
At least two-monthly	1 5%	0 0%	0 0%	0 0%	1 4%	2 3%
Quarterly	5 25%	4 50%	2 40%	1 50%	9 39%	21 36%
At least quarterly	2 10%	3 38%	2 40%	0 0%	1 4%	8 14%
At least six-monthly	0 0%	0 0%	1 20%	0 0%	0 0%	1 2%
Periodical	3 15%	1 13%	0 0%	0 0%	1 4%	5 9%
Not mentioned	9 45%	0 0%	0 0%	0 0%	10 43%	19 33%

Source: research data (2015).

A higher frequency of quarterly meetings is observed, in 36% or 21 companies. In Brazil, Silveira and Ito (2008) stated that companies subject to SOX present audit committee meetings with an average of nearly one meeting per month. This finding is not confirmed in the sample companies, which had, in most cases, quarterly meetings in the group subject to SOX. In the same study, the authors found that, for companies in the New Market, the average approaches bimonthly meetings. In this sample, however, only 3% or two companies hold bimonthly or at least bimonthly meetings.

Under the rules of Bacen, IBGC and Susep, companies should also hold meetings with the independent auditors. The analysis performed revealed that 100% of companies hold meetings with the independent auditors, according to information disclosed in the Bylaws and/or Internal Rules. Additionally, the companies Sofisa, CCR, Sabesp, IOCHPE and Light released, in the Bylaws and/or Internal Rules, that the meetings are periodic, but did not disclose the periodicity. According to findings by Segreti and Costa (2007, pp. 7-8), in the survey conducted in 2006, "72.0% or 18 respondents indicated that the audit committee and independent auditors meet at least once each quarter to review the scope of the audit work ".

Noteworthy is a considerable percentage of 33% or 19 companies from the population, which does not mention or has not published any information on the frequency of meetings in the Bylaws and/or Internal Rules.

Regarding the performance of the audit committee in the companies surveyed, Table 5 shows the attributions recommended for the audit committee.

Table 5

Attributions of Audit Committee

No.	Questions	Yes	No	NM
1	Recommends hiring of external audit?	45 78%	0 0%	13 22%
2	Are non-audit services pre-approved by the audit committee?	22 38%	12 21%	12 21%
3	Do the auditors forward the specific report to the committee?	44 76%	0 0%	14 24%
4	Are the elaboration and disclosure processes of the financial statements supervised by the audit committee?	38 66%	2 3%	18 31%
5	Are the financial statements revised each semester?	13 22%	20 34%	25 43%
6	Does the committee determine a set of internal procedures?	19 33%	17 29%	22 38%
7	Is the committee responsible for the efficacy and efficiency of internal controls?	18 31%	11 19%	29 50%
8	Does the committee verify the compliance with legal determinations, standards, regulations and internal codes?	41 71%	1 2%	16 28%
9	Does the committee verify the managers' compliance with the ethics code?	13 22%	11 18%	34 59%
10	Verifies compliance with code of conduct?	14 24%	5 8%	39 67%
11	Does the committee establish and disseminate internal regulations and codes?	24 41%	10 17%	24 41%
12	Adopts procedures to receive and treat complaints?	20 34%	9 15%	29 50%

Source: research data (2015).

All rules incorporated in the Brazilian stock market include the recommendation to hire an external audit. It is observed that 78% or 45 companies of the total population disclose that one of the audit committee's duties is to recommend the hiring of independent auditors. It is noteworthy that all companies subject to Bacen or Susep figure in this group, and that 22% or 13 companies did not disclose that information, five of which are subject to SOX and eight to the IBGC.

In question 10, 24% or 14 companies of the total population adopt a code of conduct. It is highlighted that 8% or 5 companies do not comply with the regulations of the IBGC, including B2W - Companhia Digital and Ser Educacional S.A., submitted to the IBGC; BRF S.A and Odontoprev S.A., submitted to SOX; and Itaú Unibanco Holding S.A., submitted to SOX and Bacen jointly.

In question 11, in 41% or 24 companies of the total population, the audit committee establishes and publishes internal regulations and codes.

In question 12, 34% or 20 companies of the total population adopt procedures for receiving and handling complaints. It is noteworthy that, in 50% of the sample, no evidence was found on this information. In the study by Segreti and Costa (2007, p. 8), "60.0% or 15 respondents reported the audit committee's actual participation in the stages of the process for receiving and handling complaints of irregularities related to accounting, internal and audit controls".

In relation to the audit committee's obligations, Table 6 presents the research questions recommended for the audit committee.

Table 6
Obligations of Audit Committee

No.	Questions	Yes	No	NM
1	Elaborates audit committee report?	45 78%	0 0%	13 22%
2	Elaborates audit committee report each semester?	18 31%	18 31%	22 38%
3	Has internal rules?	34 59%	1 2%	23 40%

Source: research data (2015).

It is observed in Question 1 that 78% or 45 companies of the total population disclose as one of the audit committee obligations the preparation of the audit committee report. It is noteworthy that all companies subject to Bacen and SUSEP are in this group and that, out of 13 companies or 22% of the selected population that did not disclose this information, five companies are subject to SOX and eight to IBGC. This is a requirement of Bacen and SUSEP.

In question 2, on the biannual preparation of the audit committee report, 38% or 22 selected companies do not disclose or mention this information in the Bylaws and/or Internal Rules. Among the companies that prepare the report every six months, i.e. 31% or 18 companies of the total population, two companies are subject to SOX, eight to Bacen, four to SOX and Bacen jointly, two companies to IBGC and two companies, or 100% of the group, to Susep.

In Question 3, on the existence of internal rules for the audit committee, 59% or 34 companies meet the requirement of Bacen and SUSEP. It is remarkable that JHSF Participações S.A. does not comply with this rule, as it does not have and/or does not set rules for the operation of the audit committee.

Finally, in Table 7, the compliance rates are presented for the audit committee found in each company (IA) with information of the distinguished corporate governance level of BM&FBOVESPA (DCGL) and the guiding rule.

Table 7
Compliance Index of Audit Committee with Corporate Governance

DCGL	Standard	Company	IA	DCGL	Standard	Company	IA	DCGL	Standard	Company	IA
N1	Bacen e SOX	Itau	23	NM	Bacen e SOX	Cielo	16	N1	IBGC	Magazine Luiza	12
NM	SOX e Bacen	Parana Banco	23	NM	IBGC	EDP	16	NM	SOX	JBS	11
NM	Susep	Sul America	23	NM	IBGC	Petrorio	16	N2	IBGC	B2W	10
NM	Bacen	Banco Pan	22	N2	Ssusep	Porto Seguro	16	NM	SOX	GOL	10
NM	Bacen	ABC Banco	21	N1	SOX	TIM	16	NM	SOX	Suzano	10
NM	Bacen e SOX	Santander	20	N1	IBGC	TOTVS	16	NM	SOX	Eneva	9
N1	IBGC	Cetip	20	N1	IBGC	CCX	15	N1	IBGC	Alupar	7
NM	SOX	OdontoPrev	20	NM	SOX	Gafisa	15	N1	IBGC	Tupy	7
NM	Bacen	BB	19	NM	IBGC	Rodobens	15	N2	IBGC	CCR	6
NM	Bacen	BICBanco	19	N2	IBGC	Usiminas	15	NM	IBGC	Ecorodovias	6
NM	Bacen	Banco Pine	19	NM	SOX	BRF	14	NM	IBGC	Kroton	6
NM	Bacen	Bovespa	19	NM	IBGC	Dasa	14	N2	IBGC	Tarpon	6
N2	SOX	Sabesp	18	N1	IBGC	Paranapanema	14	NM	SOX	Brookfield	5
N1	IBGC	Lojas Renner	18	N2	IBGC	Ser Educacional	14	NM	SOX	MMX	5
NM	Bacen e SOX	Bradesco	17	NM	SOX	Cosan	13	NM	IBGC	CVC	4
NM	Bacen	Banrisul	17	NM	SOX	Pão de Açúcar	12	N2	SOX	Equatorial	4
NM	SOX	Fibria e Celulose	17	N2	SOX	IOCHPE	12	NM	SOX	Marfrig	4
N2	Bacen	Banco Sofisa	16	N1	IBGC	JHSF	12	NM	SOX	Celesc	3
NM	IBGC	Biosev	16	NM	SOX	Light	12	NM	IBGC	Cteep	1
N1	SOX	Copel	16	–	–	–	–	–	–	–	–

Source: research data (2015).

Based on the arithmetic mean, the average level of compliance in the selected companies corresponded to 50%, or 13 points out of 26. By means of the quartile analysis, the relationship between the indices found and the rules and DCGL are verified.

It is observed that companies that scored between 26-17 (upper quartile) showed the highest level of compliance. Thus, financial institutions, subject to Bacen, and social security and insurance institutions subject to Susep, constitute the group that best complies with the set of rules concerning the audit committee.

Companies that scored between 17.25 and 9.76 (second quartile) had a median compliance, and companies that scored between 9.75 and 0 (first quartile), a group formed by companies subject to SOX and the IBGC, represents the lowest levels of compliance in the selected population.

The results show that companies subject to a regulatory agent tend to be more concerned about compliance with the corporate governance rules. Antunes, Honorato and Antunes (2007, p. 3) argue "that the best governance practices migrate from the aspiration of investors to legal obligation." What is understood is that the legal regulations entail an advance in the compliance with corporate governance.

The relationship between the index obtained and the corporate governance levels is weak and, therefore, no relationship can be found between different levels of governance and the compliance ratio, that is, being rated in the new market does not guarantee good compliance with the rules for the audit committee.

5. Conclusion

The study aimed to identify the level of compliance of audit committees of companies from the distinguished levels of BM&FBOVESPA with the rules of SOX, Bacen, Susep and IBGC. To achieve this goal, an index was built through the application of a checklist based on the rules that affect Brazilian companies.

The average level of compliance in the companies in the sample was 50% (13 of 26 questions), with a maximum of 88% (23 questions) and a minimum of 4% (1 question). The companies subject to the rules of Bacen and SUSEP constitute the group with the highest compliance, while companies subject to SOX and those that are not bound to establish an audit committee presented the lowest rates in the sample.

It can be inferred, based on the findings, that companies subject to a regulatory agent tend to be more concerned about corporate governance. In addition, it is inferred that belonging to the highest levels of corporate governance on BM&FBOVESPA is no prerogative to better adapt to the governance practices related to the audit committee.

A prominent fact is that some companies, despite being required to comply with certain rules, do not. This is the case of the independence of the members, an aspect that, although the entire population has to comply, 86% of the committees are composed of members who are not independent. As regards the qualifications of members, six companies, despite being subject to SOX, have no financial expert, and one company subject to Bacen does not have at least one member knowledgeable in Accounting and Auditing, as required by the respective entities.

It is noteworthy that, during the data collection, divergent information was found regarding the mandate of the committees the companies reported in the Bylaws and/or Internal Rules and information available on the BM&FBOVESPA website, that is, internal rules may not have been complied with in some cases.

Regarding the attributions and duties of the audit committee, the difficulty to find available data is noteworthy. This information is usually disclosed in the Committee Report or Bylaws and/or the Internal Rules and, in 22% and 40% of the companies, these documents, respectively, were not available. This situation violates one of the principles of corporate governance, which is transparency, and impedes the stakeholders' monitoring of the audit committee functions.

Thus, the study made it possible to demonstrate how the current structure of audit committees in companies at different levels of corporate governance on BMF&BOVESPA, contributing to the discussion and dissemination of the topic in the academic community and among the stock market agents seeking mechanisms to provide security and credibility to stakeholders.

Considering the limitations of the research, a larger number of companies should be included, with other companies on BM&FBOVESPA that have an audit committee; the study should be conducted in companies that are not publicly traded in order to verify the compliance with the corporate governance practices; and in publicly traded companies that do not have an audit committee, in order to discover the reasons for the absence of such a committee and/or its features.

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