

## ANALYSIS OF AN AUDIT AND EXPERTISE IN A CIVIL CONSTRUCTION COMPANY LOCATED IN THE CITY OF MANAUS/AM

Adriano Silvestre Fernandes<sup>1</sup>, Carlos Eduardo de Carvalho Costa<sup>2</sup>, Fabio Junio Rodrigues da Silva<sup>3</sup> and Ildiane Correia de Oliveira<sup>4</sup>

<sup>1, 2, 3, 4</sup> Blauro Cardoso de Mattos Institute of Higher Education – FASERRA. Manaus – Amazonas, Brazil.

Email: [silvestrekalu@gmail.com](mailto:silvestrekalu@gmail.com), [ecarloscarvalho39@gmail.com](mailto:ecarloscarvalho39@gmail.com), [f.fabiojunio28@gmail.com](mailto:f.fabiojunio28@gmail.com), [lidia\\_oliveira21@hotmail.com](mailto:lidia_oliveira21@hotmail.com)

Received: Feb 23<sup>th</sup>, 2020

Accepted: Apr 15<sup>th</sup>, 2020

Published: April 30<sup>th</sup>, 2020

Copyright ©2016 by authors and Galileo Institute of Technology and Education of the Amazon (ITEGAM).

This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<https://creativecommons.org/licenses/by/4.0/>



### ABSTRACT

This article aims to emphasize the importance of Auditing and Expertise with civil construction companies, as well as to investigate whether Internal Audit systems can be considered as a tool in management procedures. Due to the fact of the constant growth in the last years of the companies are linking the concept of Strategic Management to the existence of a specific branch of the new administration, which reflects in the main objective that is to know the biggest obstacles that deprive the companies of civil construction to adopt the audit as a management tool for the purpose of ascertaining the procedures adopted by company managers. For this, a comparative analysis was performed between the literature review and the opinion of the managers of the organizations, through semi-structured interviews. The research problem was adopted qualitatively using books, articles, dissertations, legislations and manuals to support the analysis of the contents from 2009 to 2019. Finally, there is a need for transparency in procedures. In this context, there are tools available to organizations for systematic use. In this sense, Internal Audit should be understood as a Strategic Management instrument that completes the objective, systematic and periodic assessment of companies. This tool can and should be extended to the entire organizational structure of the company. In other words, it can be stated that Internal Audit procedures aim to ensure the financial protection of an organization through correct accounting practices.

**Keywords:** Strategic Management, Audit and Planning.

### I. INTRODUCTION

Every year, new companies appear in Brazil, from the most varied market segments, driven, in part, by the entrepreneurial spirit of the Brazilian Provo, in part, by the unemployment wave that has been plaguing the country for some years, as a result of disastrous economic policies of the government, literally pushing those who lost the stability of the guaranteed salary at the end of the month into a business of their own.

According to statistics released by SEBRAE for the year 2015, it reveals that 98.5% of the private companies operating in Brazil are micro and small, which represent 27% of the Gross Domestic Product, 54% of the total jobs with a formal contract, 44.1% of the mass of company wages and 61% of the number of exporting companies [1].

Within this scenario, the importance of the theme of this research is due to the fact that, according to statistics prepared by a serious and competent entity such as SEBRAE, which were presented above, civil construction companies are the ones that drive the economy of the Brazil. Given this observation, it is assumed that the absence of a strategic direction guided by a body such as Audit can lead the organization to face serious problems - this when it is not involved in more serious and even irreversible situations, such as losses caused to society, heritage, the environment and the current economic order, among others.

Considering that a company's strategic decisions are commands that can lead it to success or weakness, it is naturally obvious that they cannot be taken at random, much less without safe and consistent guidelines. Therefore, it is the manager's obligation to surround himself with accurate and reliable

information that aims to guide him safely amid the uncertainties of the environment.

It is notable that in large companies, Auditing is the executive advisory body whose existence has no other reason than to subsidize the manager in decision-making. The purpose of these staff members in the structure of large organizations is justified by the relevance of the information they produce whose benefits far outweigh the high costs they represent.

In view of what has already been said, this study points out that the Audit area must integrate with all sectors of the organization, as it is the one that receives, consolidates and transforms data into information. As a consequence, the Audit must manage corrections and changes when necessary in order to always seek the best results. In summary, it is argued that the Audit is responsible for monitoring key activities in the company, such as: accounting, costs, tax, asset control, risk control, information management. In view of the above, the problem that is proposed to research and respond through this work is due to the following doubt: What are the obstacles that prevent civil construction companies from adopting Auditing as a management tool?

This study assumes the objective of knowing the greatest obstacles that prevent civil construction companies from adopting Auditing as a management tool, despite the well-known benefits that this advisory body brings to large companies. The specific objectives are to: conceptualize Audit in companies; analyze how managers can use the information generated by the Audit to make decisions; and, finally, to present the most important performance indicators for managers of micro and small companies.

Finally, it is emphasized that the importance of this research increases when it is known that in large companies the work of the Audit is usually taken very seriously, considering that their studies and guidelines significantly influence the decisions of managers.

## II. DEVELOPMENT

The Audit comprises the organization's plan and all the methods and procedures used to safeguard assets and property [2]. It can be seen, then, that internal auditing of an accounting nature encompasses all the systems, methods and procedures within the company in which they are used within the various sectors with the purpose of safeguarding the assets of companies such as: assets, rights and obligations, such as also, the verification of all accounting records of the company, in order to assess whether they are duly correct [3].

The control corresponds to the function that gave rise to the Audit. Based on a historical context, it has been said that "at the time of its emergence, the main objective of Audit was to carry out centralized and rigid control over large corporations, their subsidiaries, branches, departments and divisions spread across the United States and other countries" [4].

However, the changes verified in the corporate environment and with the Audit evolution itself, made it incorporate other attributions, supporting the organizations' management process in order to lead them to meet their objectives. However, the Audit's attributions have overcome the control aspect as a fundamental function, there is no doubt that this is one of the pillars of the performance of any Controller [4]. Among the basic functions of Auditing with construction companies, we can highlight planning, control and accounting.

In this sense, the Audit is responsible for observing the executions of the tasks that happened correctly, according to the planning, and it is up to him, the auditor, the task of correcting

errors, both in the planning process, as well as in the process of execution within the works.

Although an appropriate organizational plan will vary with the type of company, a satisfactory plan generally needs to be simple and flexible and should lend itself to establishing clear lines of authority and responsibility. An important element in any organizational plan is the structural independence of the operations, custody, accounting and internal audit functions. The responsibility and the corresponding delegation of authority must be clearly defined and placed in organizational charts or manuals [5].

Conflicting and duplicative responsibilities should be avoided, but where the work of two or more divisions is complementary, responsibility can be divided into phases. These divisions of responsibilities are inherent in a good internal audit, which stipulates that the tasks of initiating and authorizing an activity are separate from those of its accounting [3]

In order to understand the importance and need of the Audit with the civil construction companies, in all its managerial extension, there is the management of the costs of the work, which allows the classification and control of costs, the formation of the sale price and the verification how much each project contributes to the company's profit [6].

Thus, the Audit, as well as other areas of the company, must work to capture information from the external and internal environments for the analysis of threats and opportunities and the weaknesses and strengths of construction companies, in order to streamline the guidelines strategic. For each stage of the "planning, execution and control" cycle to be effective, it is necessary that this process be supplied with timely, correct and reliable information to assist managers in decision making [7].

Within this context, it is added that, with the defined weaknesses and threats, it is possible to determine strategic guidelines, with the objective of providing improvements in the exposed environments and that express the managers' perspectives for the next and even next month's years [8].

For the Audit to adequately reflect the organization's transactions, it must be supported by supporting documents provided by the other areas of the company. The latter must also be supported so that the information presented there is reliable, and, above all, controllable. Accounting can act as a supervisory body, checking whether internal controls are being carried out [1].

Finally, having a global view of the company and not only worrying about issues related to compliance with tax authorities, legal regulations, as well as raising funds and looking for investments with adequate returns. The Audit aims to generate information that facilitates the decision-making process, collaborating with managers in the task of achieving organizational effectiveness [9].

## III. MATERIALS AND METHODS

To choose the theme, it was observed the need to contextualize the relevance of auditing with civil construction companies, and the assumptions that surround it, about this scenario: the first step for someone who proposes to develop a monographic work is choice of subject. Even with a vast field to research, it is common to face the doubt of what to choose for the study [...]. Therefore, there is a tendency, at first, to choose a very broad and generic subject. Thus, it is necessary to find something more specific and punctual that can be searched. In this work, the deductive method was used, which aims to help the formulation of guiding questions and their confirmation [10].

Still within the methodological context, the principle of this study was qualitative research, in order to clarify which

accounting techniques will be used in an Audit, explanatory theoretical support is needed, clarifying which are these accounting tools, which characterizes the choice by the qualitative method.

In general, this article is characterized as a qualitative research developed through a case study, with the purpose of understanding and explaining the importance of auditing with construction companies. This context provides a rich empirical material, as it presents a conjuncture of great transformations for the entity where the case study was adopted.

#### IV. STUDY APPLICATION

The questionnaire can be a good data collection tool, which presents a set of questions that are answered by the respondent, the form being another data collection technique in which the researcher establishes previously formed questions and writes down the answers. In all, 10 semi-structured interviews were carried out with the company's employees. In this stage of the elaboration and application of the questionnaire on the importance of Auditing within the organization, the typology of exploratory research was used [11]. During the questionnaire, the author used non-participant observation, valuing ethics in carrying out this stage of the research.

The research sample is composed of its managers and collaborators. The representativeness criterion assigned to determine the sample was that of companies that have been selected by the author of the study. Thus, the selected sample can be classified as non-probabilistic, and the selection was made by accessibility and typicality, where the researched elements are considered representative of the target population [12].

Based on the interview, it was observed that the average age of employees is between 24 and 29 years old, which means that they are young graduates, who have been working in the labor market for less than 5 years and all have some graduate lato sensu. The interviews lasted, on average, 26 minutes, totaling 3 hours and 29 minutes of recorded audio, as shown in Table 1.

Table 1: Profile of the interviewees.

	JOB ROLE	SERVICE TIME	INTERVIEW MODE	DURATION
E1	Manager	11 years	Presential	00:28:15
E2	Treasury Department Manager	5 years	Presential	00:32:35
E3	Financial analyst	5 years	Presential	00:24:19
E4	Administrative Assistant	2 years	Presential	00:22:39
E5	Administrative Assistant	8 months	Presential	00:19:58
E6	Secretary	1 year	Presential	00:36:42
E7	Accounting Assistant	2 years	Presential	00:21:25
E8	Technical Analyst	3 years	Presential	00:24:04

Source: Authors, (2019).

A basic interview guide was used in a flexible and differentiated way, according to the interviewees' understanding. Every time it became evident that important issues were not being addressed, changes were made to the guide, whereas if a subject proved to be irrelevant, it was discarded, with the possibility of being recovered later. An annotation book was used as auxiliary resources.

#### V. RESULTS AND DISCUSSIONS

The next step was to extract the meaning of the data, from the comparison of the results found with the literature to elaborate the conclusion. It was observed immediately, and that the company object of our study, carries a heap of provision of services to other companies in general located in the city of Manaus / AM. According to the speech of the financial manager: "a great differential present in the organization is the high level of customer satisfaction, which has enabled the company to build over the years a solid relationship and qualified contacts in the main undertakings in the city (E1)".

In this line of reasoning, this study argues that organizations today have invested a large part of their resources in technology, aiming to modernize production. Faced with this context, it is necessary to understand that for each new resource focused on productivity, there must be someone who puts this "machine" in operation, within this context comes the importance of Leadership, which in a succinct way, can be understood as a social phenomenon, because it occurs in social groups and for social groups.

Within this context, this study will bring a small sample with the most relevant answers, from the interview about the relevance of Internal Audit. When asked about the knowledge about the procedures on Internal Audit, it was noticed that the interviewees in their entirety claimed to know the procedures of this accounting tool. The next moment, he was asked about the importance of Internal Audit within the company, where the following notes were obtained:

"Internal Audit can be considered one of the most important tools to be worked on within a company (E3)".

"It is necessary that every company, has an Internal Audit sector, in its facilities (E4)".

"The development of a specific Internal Audit sector can bring numerous benefits to the company (E8)".

Following the interview, it was asked whether the company makes use of the Internal Audit tools within the company, everyone said, no. Based on this result, a question was asked about which tools could be used for Internal Audit that could be used in the Company.

"Planning (E1, E5, E6 e E8)".

"Critical analysis (E1, E4, E5, E7 e E8)".

"Preparation of a Manual (E3)".

The next question relevant to the study addressed the decision to implement a specific Internal Audit sector at the company's facilities. In this regard, parts of the employees showed interest in having an Internal Audit sector, not only within the specific department, but within the company. Following the descriptions about the installation of an Internal Audit sector in the company, the following answers were obtained:

"An Internal Audit sector will bring numerous benefits to the organizational processes of the sector where I work (E3)".

"There will be a great improvement with the implementation of the Internal Audit sector in the company (E7)".

"An Internal Audit sector would make fewer process errors and bring to the company a reduction in construction production costs, mainly in the purchasing sector, I believe (E7)".

"[...] the Internal Audit sector will improve the organization and standardization in the sector (E8)".

Based on the aforementioned discourse, it is observed that the implementation of an Internal Audit sector within the organization will bring numerous benefits, as the organization of

the internal processes of the organization's departments may rely on the standardization of work, as well as operational procedures, established by the managers.

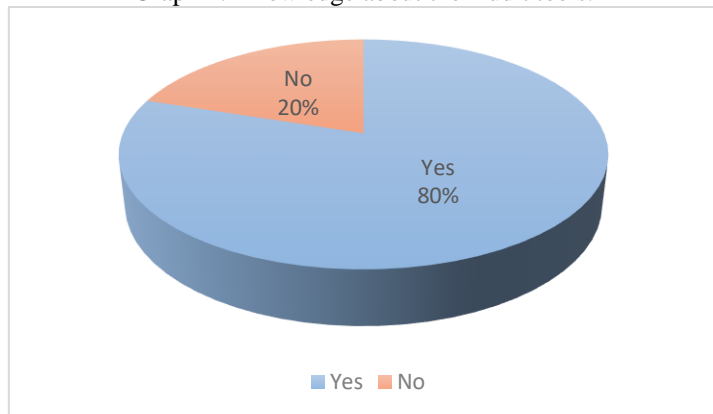
In the next moment, the managers of the company were asked whether they consider the company to have any type of internal control? The purpose of this questioning was to find out if in the company, there was any control in the organizational process. In this particular 80% (n = 6) of the interviewees stated that they work in a certain way, with the tools of the Internal Audit Graph (01), as follows the speech of some:

I do my own control in the company notebook (E4).

The accountant already works with this here at the company (E7).

I do my control with the help of the computer (E8).

Graph 1: Knowledge about the Audit tools.



Source: Authors, (2019).

In this regard, it is commented that every company needs to have strategic and financial planning, the objective of which is to maintain its effectiveness in its actions, as its data must be correctly transposed to the company's management. Continuing the interview, another question that was relevant to the study was: Does the company use financial and operational planning reports to make decisions?

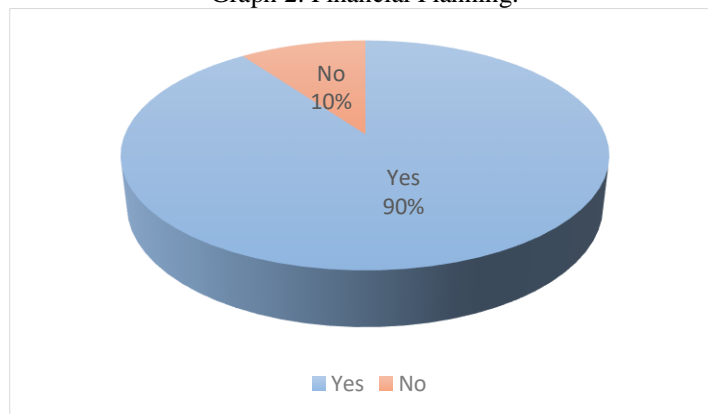
In view of this questioning, 90% (n = 7) of the interviewees stated that they work with financial planning and engineering projects for decision making, as can be seen in Graph 02. Giving greater emphasis to the positioning of this decision, they had the following speeches:

My financial and planning sectors are the heart of my company (E1).

[...] in the face of the crisis faced by the country, it is necessary that every entrepreneur be aware of his financial resources (E7).

Brazil is in crisis so "prevention is better than" (E8).

Graph 2: Financial Planning.



Source: Authors, (2019).

Financial Management is fundamental for companies to be successful and sustainable, seeking perpetuity, this management focuses on the study of financial decisions taken in the company [13]. Where the Company can be defined as being: A hierarchical human group, which mobilizes human, material and financial resources to extract, transform, transport and distribute products or provide services and which, in accordance with the objectives defined by a management, interferes with different hierarchical levels. the motivations of profit and social utility [14].

The increasing complexity in the business world also determined that the person responsible for the financial area should develop a more integrative vision of the company and of the relationship with the external environment [15]. Within this new context in which organizations are inserted, that is, within a highly competitive scenario, the entrepreneur must be aware of these basic business functions, and must analyze, plan and control the use of financial resources in making investment decisions and future financing.

In the following moment, the Audit activities related to the Accounting function and Project Planning were questioned, through the following questions (Table 02):

Table 2: List of Audit and Accounting.

QUESTIONING	Answers(%)				
	Does not occur	Occurs in some more elaborate activities	Occurs in some deadline activities	Occurs only in monitoring / management	Occurs on execution
In relation to accounting and planning activities, and does the involvement of audits happen?	10	0	60	20	10
In the preparation of balance sheets and other accounting items required by the legislation and new projects of the company, do they involve Internal Audit?	0	10	0	80	10
When generating management reports with information usually required by the company's top management, is there an Audit involvement?	20	0	10	70	0
In the development of business policies and procedures, is there an Audit involvement?	30	40	20	10	0

Source: Authors, (2019).



In view of what was mentioned in the previous table, this study observed that 60% (n = 5) of the interviewed companies stated the existence of a relationship between the activities of Auditing, Planning and Accounting, and that these occur in the monitoring or management of actions business (80%), mainly in the generation of management reports with information usually required by the company's top management (70%), a small part (40%) makes use of Audit in the development of business policies and procedures.

Facing this scenario, this study stresses that business managers must be aware of some basic functions for the performance of the job, among which we can highlight: Analysis, planning and financial control; Investment decision making; and Financing decision making.

This task is even more fundamental for medium and small companies, as it is competing directly with large companies in the market, "to guarantee survival it is essential that the micro enterprise be structured internally, adopting a management model that provides the division of tasks properly, otherwise, it can result in business failure. The need to build an internal environment capable of guaranteeing each participant the proper understanding of the role in the production process, is essential for the business to establish itself and guarantee a profit" [16].

The panorama of the relationship between the Audit, Planning and Accounting, raised the relevance of the following question: Does the Audit analyze the information provided of an accounting, equity, operational, economic, financial and non-financial nature related to the management process? Faced with this questioning, 70% (n = 8) stated that this relationship occurs in some more elaborate activities.

According to this opinion, it is argued in this study that the implementation of the Audit allows a systematic, global and integrated view of the company's operational performance to the manager, transposing the Strategy into concrete objectives and actions, allowing not only to evaluate the ongoing process but also to update it, when necessary, the strategies adopted.

Financial statements are prepared and provided to stakeholders, and their understanding is directly linked to social, economic and legal factors, which differ from one region to another [16]. The technique of preparing the financial statements influences the promotion of accountability and planning by the administrators, and that the information from the accounting is not restricted only to the income statement and the balance sheet, it provides an uninterrupted flow of information on the most different factors corporation management [16].

For this reason, it is clear that the strategy, vision, mission, objectives and goals must be aligned with the indicators created by the Audit. Ultimately, this study points out that most of the questions in this question were not answered by the managers, as there was no strategy for auditing in the company [17].

Finally, Audit stands out as an efficient tool, however its alignment with the strategy is fundamental for its successful implementation. The information collected demonstrated how the Audit is functional even before its implementation is completed, differentiating the organization from its competitors, standardizing its processes and favoring a global view of the company.

## VI. CONCLUSIONS

In response, to the questioning of this study: it consisted of the following question: What are the obstacles that prevent civil construction companies from adopting Auditing as a management tool? This study argues that even though there is much more

awareness of the relevance of Auditing today, in many companies this idea is yet to be implemented.

Based on the concept of Audit, argued during the conduct of this study, it can be said that the good news is that, in general, the concept of Audit has been gaining much more space in organizations of all activities and sectors. Another evolution that should be highlighted focuses on the relevance of the effectiveness of the Audit, as this proves to be a powerful tool in Business Management, especially in terms of fraud prevention.

The professional responsible for the Audit must follow a plan, which was conceived by the company's management, in this particular, it is argued that it is the duty of this professional, to demonstrate through the control the bottlenecks of the execution of tasks. In this sense, it is pointed out that the first step should be the structuring of a strategic plan, where it must contain all the variables that may in some way influence the results of the Audit.

In this sense, the Audit must be understood by micro and small companies, as an instrument of Strategic Management that completes the objective, systematic and periodic evaluation of the company, this tool can and should be extended, to the entire organizational structure of the company. In other words, it can be said that the Audit procedures aim to ensure the financial protection of an organization, through correct accounting practices.

Therefore, this study makes the suggestion to implement Audit in civil construction companies, considering the benefits, which are very significant, reflecting both internally in the operational organization and externally in the context of the company's positioning in the market. In this sense, this study comes to an end, highlighting that with the completion of this study it was evident that the implementation of an Audit sector in companies, brings with it significant changes in the traditional existing relationships between members of the organization.

## VII. REFERENCES

- [1] Coqueiro, Leila de Almeida. *Controle Interno em Empresas e Médio e Pequeno Porte: Importância de sua Implantação*. 2014.
- [2] Crepaldi, Silvio Aparecido. *Auditoria contábil: teoria e prática*. 9 ed. São Paulo: Atlas, 2013.
- [3] Magalhaes Filho, Stenio Lindoso. *Controles Internos: Uma necessidade*. [Monografia]. Rio de Janeiro: UDCME, 2017.
- [4] Mendonça, André Basile. *Auditoria*. In: Cardoso, R.L.; Mário, P.C.; Aquino, A.C.B. *Administração Gerencial*. São Paulo: Atlas, 2012.
- [5] Attie, William. *Auditoria: Conceitos e aplicações*. 3.ed. São Paulo: Atlas, 2014.
- [6] Gonçalves, Daniel de Amorim; Losilla, Marcelo. *Auditoria Empresarial: Gestão Financeira em Micro e Pequenas Empresas*. In: *Revista Hórus*. 5(2). 2011.
- [7] Palazzo, J.; Carvalho, L.F.; Neto, A.R.; Falleiros, A.E.S.; Lemes, S. *O Papel da Auditoria no Processo de Gestão em empresas de grande porte da cidade de Uberlândia*. 2007.
- [8] Pinto, Dâmaris Martins; Casagrande, Luíz Fernande. *Procedimentos de Auditoria aplicados na Empresa Auto Som Galeazzi*. Paraná. 2010.
- [9] Morgan, Levi; Benedicto, Gideon Carvalho. *Um Estudo sobre a Auditoria em Organizações do Terceiro Setor na Região Metropolitana de Campinas*. In: *Revista de Administração da UNIMEP*. 7(03): 111-133. 2014.

- [10] Beuren, Ilse Maria (Org.) [et al.]. Como Elaborar Trabalhos Monográficos em Contabilidade. 2. ed. São Paulo: Atlas, 2014.
- [11] Gil, Antonio C. Métodos e técnicas em pesquisa social. 6. ed. São Paulo: Atlas, 2018.
- [12] Vergara, Sylvia Constant. Projetos e Relatórios de Pesquisa em Administração. 10 ed. São Paulo: Atlas, 2015.
- [13] Almeida, Marcelo Cavalcanti. Auditoria: um curso moderno e completo. São Paulo: Atlas, 2014.
- [14] Catelli, Armando (Coord). Auditoria: uma abordagem da Gestão Econômica. GECON. 2. ed. São Paulo: Atlas, 2007.
- [15] Mosimann, Clara Pellegrinello. Auditoria: seu papel na administração de empresas. 2. ed. São Paulo, Atlas, 2014.
- [16] Silva, C.A.S.; Perez JR, J.H.; Oliveira, L.M. Auditoria Estratégica. 5. ed. São Paulo: Atlas, 2014.
- [17] Terence, A.C.F. Planejamento estratégico como ferramenta de competitividade na pequena empresa: desenvolvimento e avaliação de um roteiro prático para o processo de elaboração do planejamento. [Dissertação]. São Carlos: USP, 2014.