

COMPLIANCE AND ANTI-CORRUPTION MECHANISMS IN INDUSTRIES IN THE SOUTH REGION OF BRAZIL

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ABSTRACT

The objective of this study was to identify the adherence of industrial companies to the criteria of the integrity program established in the anti-corruption law and the implementation of internal controls. Therefore, descriptive research was carried out, based on the application of a questionnaire, reaching a sample of 74 industries, 30% of which have been in operation for more than 41 years and 68% have family and/or mixed management. The results showed that the companies included in the sample have greater adherence to some criteria of the integrity program established by law, however, there are still opportunities for improvement in their control systems. When observing whether companies have a code of ethics, conduct and integrity, 51% have this document, 64% indicated that training on the subject takes place in the corporate environment and regarding the existence of an ethics committee or compliance and a whistleblower channel, the percentage of adherence can be considered relatively low, being 22% and 24%. When addressing the adoption of procedures and internal controls to avoid the occurrence of conflicts of interest and fraud, 50% of the companies have these procedures and 15% did not know how to respond. It was observed that Law 12.846/2013 is still little known, there is an awareness of its importance to reduce the risk of corruption, conflict of interest and increase the degree of transparency of actions, but at the same time, many entities do not yet have policies and procedures in place.

Keywords: Compliance. Law 12846/2013. Agency Theory.

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1 INTRODUCTION

The discussions about *compliance* and the Anti-Corruption Law in Brazil were accentuated, mainly, from Operation Lava Jato, in which there were complaints involving national companies and the Brazilian political system, in which unethical practices occurred and, consequently, the non-compliance with the laws (Koprowski et al., 2020). As pointed out by Transparency *International* (2020) indicators, Brazil remains at a very low level and regressed in its anti-corruption milestones.

According to Wang and You (2012), corruption contributes to the flattening of economic growth and social development. Empirical evidence shows that corruption reduces investments and prevents the development of a country. The effects of corruption have a negative impact on the business environment, affecting both the internal and external environment, and may compromise the continuity of these organizations (Cella et al., 2019).

For Ferreira and Leismann (2020), corruption occurs when a certain individual benefits or benefits third parties from some situation, being aware that the act practiced is unlawful. This subject is widely discussed by the Agency Theory, which in its theoretical perspective deals with the concern of the person entitled as principal, who has the duty to prevent the agent from acting for his own benefit, that is: the classic conflict of interests (Pimenta, 2018).

In the context of the Agency Theory, Jensen and Meckling (1976) recommend that agency problems can be mitigated through monitoring and control, including formal control and audit procedures. The theory proposes mechanisms to help mitigate the conflict of interests, ensuring the elaboration of an effective contract and the monitoring of agent behavior. The organization management, in addition to worrying about profit, needs to comply with laws, regulations, regulations and internal rules, which must be followed by both employees and third parties. In connection with this, *compliance* is based on the Agency Theory, which seeks solutions to problems between the agent and the principal (Lacruz, 2020).

For Santos et al. (2012), *compliance* corresponds to a set of mechanisms and procedures that help mitigate risks and inhibit corrupt acts, making compliance with rules and laws part of the organization's culture. *Compliance programs* involve formalized control systems covering educational actions, reporting channels, code of ethics, auditing, ombudsman, etc. among other actions that allow to deal with corruption in entities (Góis et al., 2016). Castro et al. (2019) argue that companies that adhere to the integrity program tend to improve their internal control procedures in order to ensure the reliability of their reports and accounting statements.

In the Brazilian scenario, discussions about the need to be in conformity are evidenced from Law 12.846/2013 (called Anti-Corruption Law) and the desire of companies to adapt to good governance practices within their organizations (Gabardo & Morettini, 2015). *The compliance* forecast evidenced in the law is considered an advance in the ethics and transparency between the public and private sector, discouraging illegal practices and generating security and integrity in the market (Campos, 2014; Silva et al., 2016). In this sense, the Anti-Corruption Law values and stimulates the creation of areas and procedures of internal controls to combat corruption. It also provides for the accountability of the legal entity and determines that companies should adopt audit procedures, integrity mechanisms and application of the code of ethics and conduct, thus highlighting the need for *compliance* in organizations (Cella et al., 2019).

Given the above, this research has as a guiding question: What *compliance mechanisms* established in the Anti-Corruption Law are used by industrial companies not listed in B3? Based on this questioning, the general objective of this study was to identify the adherence of industrial companies to the criteria of the integrity program established in the Anti-corruption Law and the implementation of internal controls.

The conduct of this investigation is justified by the fact that awareness about *compliance* has been gaining prominence in Brazilian organizations, mainly due to the demands of investors and the need for mitigation of image risk resulting from losses and legal sanctions (Silva et al.,

2016). Compared to developed countries and more mature markets, there are still cultural compliance gaps in Brazil, and a challenge for companies to adapt to changes (Sadek, 2019; Castro et al., 2019). In addition, the present research seeks to bridge an analysis gap among the levels of adherence of unlisted companies, integrity programs and the adoption of internal procedures and controls to inhibit corrupt practices (Leal & Ritt, 2014).

In this sense, the research sample includes 74 industries not listed in B3, being located in the South region of Brazil. However, it is appropriate to highlight that since the data cannot be triangulated, or even verified on the websites or other media of the companies, it becomes a limitation of the approach used, since the collection considers the perceptions of employees/managers, with risk of omission/manipulation of certain responses by the participants.

Also, the relevance of the study can be justified under the focus of the aspects that permeate the Agency Theory, the Anti-Corruption Law and *Compliance Mechanisms*, since corruption is usually associated with obtaining a particular benefit and is favored by the concentration of decision-making power and action. The law provides for punishment to corrupt entrepreneur aiming to mitigate possible agency problems and prevent illicit practices among entities, in addition, compliance mechanisms aim to combat deviations of ethical conduct, associated with compliance with standards, integrity procedures, codes of ethics, supervision and control in entities (Campos, 2014; Góis et al., 2016; Azevedo, 2018).

2 LITERATURE REVIEW

2.1 Agency Theory

The Agency Theory recommended by Jensen and Meckling (1976) provides that the separation between property (owners/shareholders) and company control (managers) generate agency costs and conflicts. In this theory, the shareholder enters into a contract with the manager, so that he or she can make choices that will maximize the well-being of the principal, and, in return, he or she receives the due remuneration for the work (Jensen, & Meckling, 1976).

Eisenhardt (1989) mentions that the structure of the agency applies to organizational phenomena and is concerned with solving problems that may occur between the agent and principal. The first problem arises when the desires or goals between them are distinct, and the main one is not always able to verify what the agent is actually doing. The second is the risk problem that arises when the main and the agent have different attitudes toward risk. It is also worth mentioning that the relationship between the principal and the agent is not limited only to the administrators (Rocha et al., 2012). Economically, the agency refers to the occasion when maximizing the interest of one person or one (principal) team depends on the behavior of another (agent). It can still be conceptualized as any behavior of the agent that contradicts the interests of shareholders, directly or indirectly (Pimenta, 2018).

According to Lacruz (2020), the Agency Theory has as one of the fundamental assumptions the existence of conflicts among the objectives of the parties involved, where the main contractor hires the agent to perform activities, and among these activities are decision making, autonomy and authority. Being one of the most investigated theoretical frameworks, the Agency Theory addresses possible problems that may occur between shareholders and executives of organizations, because there may be divergence of objectives between them (Kaymak & Bektas, 2017). The directors, also called *Chief Executive Officer* (CEOs), are hired to manage shareholders' capital, promoting the separation of ownership and control. However, as the dispersion of property increases, these directors can act in such a way that the best interests of the principal are not affected, generating agency conflicts (Dal Magro et al., 2019; Koprowski et al., 2020).

The conflicts foreseen in this theory occur because the objectives between the owners and managers are not in common agreement, while the costs are related to the monitoring of contracts

and the financial disclosure of the results, considering that the CEOs are also monitored by the results achieved (Depoers, 2000). The existence of conflicts and agency costs highlight the need to establish control mechanisms. In this sense, the principles of corporate governance contribute to the harmonization of the interests of the parties involved with the company's operations, and Law 12.846/2013 aims to promote transparency and good corporate management practices (Koprowski et al., 2020).

Within this context, as a way to reduce the conflicts addressed by the Agency Theory, Law 12.846/2013 considers it a harmful act to obtain advantage or any benefit gained through fraud or by contractual change signed with the public administration, In addition to the normative instruction that provides a series of actions aimed at inhibiting or even avoiding corruption actions in organizations (Gabardo, & Morettini, 2015; Pestana, 2016), which is shown below.

2.2 Anti-corruption Law

Directly linked to morality, corruption can be understood by the preference of particular interests in relation to the public interest, because it is correlated with power, discretion and disability of *accountability* (Pavesi, 2016; Zhang, 2016). Corruption practices generate negative impacts because they increase the social inequality of the country, reduce the quality of benefits to society, discourage foreign investments and distort government incentives (Dutta, & Sobel, 2016; Azevedo, 2018).

Taking into account the increasing recognition of the social, economic and political costs of corruption, Brazil has made international commitments that, together with the demonstrations of indignation with the existing corruption, led, on August 1st, 2013, to the promulgation of the Federal Law 12.846, which began to be applied from January 29th, 2014 (Góis et al., 2016; Sadek, 2019; Ferreira, & Leismann, 2020). This law deals with the administrative and civilly accountability of legal entities that incorporate into illegal acts against the public administration (national or foreign), in addition to indicating other measures that are necessary (Castro et al., 2019; Cardoso et al., 2019).

Subsequently, Federal Decree 8.420/2015 was published, with the purpose of regulating the Anti-Corruption Law and signaling the need for *compliance* in organizations (Pavesi, 2016; Pestana, 2016; Koprowski et al., 2020). From the decree, the legal entity starts to respond for acts of corruption and fraud, regardless of the liability of individuals, that is, inserted the legal provision for the accountability of companies for illegal acts affecting the public administration (Mendes & Carvalho, 2017). As a preventive measure, Article 7 of the Anti-Corruption Law provides that the existence and effectiveness of internal programs of integrity, audit, incentives to complaints, code of ethics and conduct may be taken into account in cases of sanctions. In this sense, *compliance* becomes a management practice that allows to ensure ethical conduct, integrity, financial security and corporate policies (Campos, 2014; Sadek, 2019).

Given the above, the existence of integrity tools, such as a channel of denunciations, dissemination and application of sanctions of the code of ethics and conduct, are softening of the punitive rigor for companies (Campos, 2014; Góis et al., 2016; Castro et al., 2019). In addition, the adoption of internal monitoring and control procedures are fundamental to identify the occurrence and threat of corrupt acts, conflict of interests and generate credibility for the organization (Koprowski et al., 2020). The penalties provided for in the law are cumulative, and it is possible to apply fines from gross invoicing, even before there is a process. It also provides for the publication in the channels of communication of the conviction, the repair of full damage, the application of sentence to those responsible for the administration, loss of goods, temporary suspension and/or partial prohibition of activities, and there may even be the dissolution of the legal entity (Cella et al., 2019; Ferreira, & Leismann, 2020). Table 1 shows the main guidelines provided for in the legislation.

The validity of the Anti-Corruption Law is related to the conflicts of interest between agent and principal addressed in the Agency Theory. The perception of the role of the private agent in corrupt acts highlights the importance of control mechanisms to minimize risks, combating deviations of ethical conduct through disincentives of illegal acts by the entities that have relationship with the government, supported by the procedures foreseen in the *compliance program* (Campos, 2014; Leal & Ritt, 2014; Góis et al., 2016; Azevedo, 2018).

Frequent discussions on *compliance*, anti-corruption mechanisms, and good corporate governance practices have contributed to further research being carried out. Castro et al. (2019) evaluated the effects that occurred from the implementation of the Anti-Corruption Law in Brazil, observing the degree of adherence of Brazilian publicly traded companies to the criteria proposed by the integrity program in that law, also involving the existing internal controls and those established after its implementation. The results indicated that the public capital entities have a significant degree of adherence to the parameters of the integrity program and presented higher levels of implementation of internal control mechanisms and compliance with the said law.

Table 1
Aspects of the Anti-Corruption Law “Good Practices”

Procedures	Guidelines
Audit (internal and external)	<ul style="list-style-type: none"> - Verification, during mergers, acquisitions and corporate restructuring processes, of irregularities committed, illegal or of vulnerabilities; - Accounting records that fully and accurately reflect the transactions of the legal entity.
Corporate governance, risk management and corporate compliance	<ul style="list-style-type: none"> - Commitment of senior management and councils, evidenced by visible support to the program; - Accomplishment of periodic risk analysis to make necessary adjustments to the integrity program; - Independence, structure and authority of the internal body responsible for the application of the integrity and enforcement program; - Transparency of the company regarding donations to candidates and political parties.
Internal controls and specific control and monitoring procedures	<ul style="list-style-type: none"> - Existence of internal controls that ensure the prompt preparation and reliability of reports and financial statements of the entity; - Specific procedures to prevent fraud and illicit activities in bidding processes, in the execution of administrative contracts or in any interaction with the public sector, even if intermediated by third parties (payment of taxes, subjection to inspections, or obtaining authorizations, licenses, permissions and certificates); - Continuous monitoring of the integrity program aiming its improvement in the prevention, detection and fight against the occurrence of harmful acts provided for in article 5 of Law no. 12.846/2013.
Policies, standards and procedures	<ul style="list-style-type: none"> - Procedures to ensure the interruption of irregularities or infringements detected and the timely remediation of the damages generated; - Appropriate attention for contracting and, as appropriate, supervision of third parties (suppliers, service providers, intermediate and associated agents).
Training	<ul style="list-style-type: none"> - Promotion of constant training on the integrity program.
Channel of whistleblowing	<ul style="list-style-type: none"> - Existence of channels for reporting irregularities, open and widely disseminated to officials and third parties, and mechanisms for protecting whistleblowers who act with seriousness and integrity.
Code of Ethics and Conduct	<ul style="list-style-type: none"> - Existence of standards of conduct, code of ethics, policies and integrity procedures applicable to all employees and administrators, regardless of position or function exercised and extended, where necessary, to third parties (suppliers, service providers, intermediary agents and associates); - Disciplinary measures in the event of a violation of the integrity program.

Source: Adapted from Law 12,846/2015 and Decree 8.420/88

Cella et al. (2019) addressed the influence of the Anti-Corruption Law on the conservatism of the financial reports of Brazilian companies listed in B³ – Brasil, Bolsa e Balcão. The findings pointed to an increase in the degree of conservatism in Brazilian organizations after the law came

into force, which demonstrates that organizations would be realizing the scope of the said law and began to anticipate the risk, causing an increase in conservatism.

In view of the disclosures that occurred by the media regarding corruption and money laundering to which Brazilian companies were involved, Façanha et al. (2020) sought to identify the main characteristics related to risk management and internal control management, disclosed in their reports regarding the financial years 2013 to 2016, of six publicly traded companies listed in B³ and that were being investigated by the Federal Public Prosecutor's Office. From this analysis, it was possible to observe that some companies did not have a formal risk management policy or began to implement it recently. Others judge the management of internal controls inefficient.

Crisóstomo e Girão (2019) analyzed *compliance* with good corporate governance practices in the context of 167 publicly traded companies in the Brazilian market. Through statistical analysis, it was identified that there is a tendency for Brazilian companies to seek to improve their governance system from the adoption of good practices, but there are still possibilities for progress, considering that the findings indicated non-compliance with some recommendations that may mitigate the transparency and internal control of organizations.

The research by Koprowski et al. (2020) analyzed whether specific corporate governance mechanisms and political connections influence voluntary disclosure of anti-corruption practices in organizations, through companies listed in B³ in the 2016 and 2017 financial years. The results indicate that the presence of politicians on the board of directors reveals lower levels of disclosure, considering that the presence of these politicians, most of the time not evidenced, facilitates the practice of corrupt acts.

In general, previous studies show that from the Anti-Corruption Law it is necessary to adopt integrity measures by companies, as well as need to create audit mechanisms, controls, reporting channels and structures that stimulate good management practices (Castro et al., 2019; Cella et al., 2019; Façanha et al., 2020; Koprowski et al., 2020). In Brazil, the adoption of these mechanisms needs to be researched also in companies not listed, because they have increasingly interacted with public agents, participating in bids in order to offer products and services to the government (Leal & Ritt, 2014). Thus, it is explored in this study, adherence to *compliance mechanisms* established in the Anti-Corruption Law by industrial companies not listed in B3.

3 METHODOLOGICAL PROCEDURES

Regarding the objectives, the research is characterized as descriptive, regarding the procedures is *survey* and regarding the approach to the problem is characterized as quantitative. As a population of this study, it was delimited to industries of Rio Grande do Sul, Paraná and Santa Catarina states. According to data from the National Confederation of Industry (CNI), these three states have 132,285 industrial establishments, represent 20.4% of the country's GDP and 69.2% of Brazilian exports of goods and services (CNI, 2021). Data from 2014 already showed that the southern region has a significant share on the national economy, contributing more than 21% of exports, being the second largest exporting region, behind only the Southeast. It is also estimated that about 2 million people are employed in the transformation industry in the South, which is equivalent to a quarter of Brazilian jobs in this sector (Montibeller Filho & Gargioni, 2014).

The questionnaire was sent to 117 industrial food companies, production of goods, fertilizers, animal nutrition and construction, whose selection was by accessibility. Of these, 74 answered the questionnaire and made up the final sample of the study. Data collection took place from October to November 2020 in which an electronic form (*Google Forms*) was sent by *email* to companies. The representativeness of the sample is justified considering the sector of activity and the size of the industries participating in the study, because they assume greater operational risks and the need to comply with Law 12.846/2013.

The research instrument is divided into three blocks and 15 questions: (i) in the first block open questions aimed to identify the characteristics of the respondents; (ii) the second block

addressed the aspects of organizational structure and governance, auditing, and these questions were closed with Likert scale responses ; (iii) whereas, the third block already covered specific questions about the anti-corruption practices adopted by the companies, having the questions about the organizational structure adapted from the study by Castro et al. (2019), observing also the indications of Law 12.846/2013. For the validation of the questionnaire a pre-test with two managers was performed from different industries, and the questionnaire was modified from the suggestions; after the adjustments the sample consisted of 74 respondents. It is noteworthy that the pre-test questionnaires are not part of the study sample.

After the collection of the information, it was verified if the respondents exercised some position in the entity that ensured reliability to the answers obtained, as well as the working time in the company, safeguarding the validity of the content. Table 2 presents the characterization of the respondents.

Table 2
Position performed by the respondents and company time

Position	Absolute frequency	Relative frequency (%)
Management/Coordination	26	35.1
Analyst/Controller	15	20.3
Director	12	16.2
Accountant	8	10.8
Administrative/Financial Assistant	6	8.1
Supervisor	4	5.4
Others	3	4.1
Total	74	100
Company time	Absolute frequency	Relative frequency (%)
Up to 01 year	5	6.8
From 02 to 05 years	17	23.0
From 06 to 10 years	16	21.6
From 11 to 15 years	9	12.2
More than 15 years	27	36.5
Total	74	100

After the data collection and organization stage, tables were elaborated to better demonstrate the findings, in addition to facilitating the understanding and allowing the comparison and analysis of the results of the research in relation to *the compliance mechanisms* adopted by the sample companies. The analysis of the results performed by means of frequency analysis includes: (i) characterization of respondents and companies; (ii) aspects of organizational structure and governance; (iii) anti-corruption practices adopted.

4 ANALYSIS AND INTERPRETATION OF RESULTS

The research aimed to identify the adoption of *compliance mechanisms* established in the Anti-Corruption Law by industrial companies not listed in B3. Initially, regarding the characteristics of the respondents: a) it was observed that 66% of the respondents are male and 34% female; b) when analyzed their age, 72% are over 30 years old, evidencing the maturity and experience of the respondents; c) 59% have a degree in accounting sciences, 21% in administration and the others have a degree in law, engineering and other areas. As for the state to which the headquarter company is located, branch of activity, number of employees, tax regime, company age and management structure, Table 3 is presented.

Table 3
Characteristics of the sample companies

Headquarter State	Absolute frequency	Relative frequency (%)
Santa Catarina – SC	45	60.8
Rio Grande do Sul – RS	17	23.0
Paraná - PR	12	16.2
Total	74	100
Industrial segment	Absolute frequency	Relative frequency (%)
Goods Production	36	48.6
Agro-industrial/food	28	37.8
Civil Construction	7	9.5
Others	3	4.1
Total	74	100
Quantity of direct employees	Absolute frequency	Relative frequency (%)
Up to 19 employees	3	4.1
From 20 to 99 employees	24	32.4
From 100 to 499 employees	28	37.8
More than R\$ 500	19	25.7
Total	74	100
Taxation (year 2020)	Absolute frequency	Relative frequency (%)
Real Profit	51	68.9
Assumed Profit	17	23.0
Simplified Taxation System	6	8.1
Total	74	100
Age of the company	Absolute frequency	Relative frequency (%)
From 1 to 10 years	4	5.4
From 11 to 20 years	18	24.3
From 21 to 30 years	17	23.0
From 31 to 40 years	13	17.6
More than 41 years	22	29.7
Total	74	100
Management Structure	Absolute frequency	Relative frequency (%)
Family Management	27	36.5
Mixed Management	23	31.1
Independent Business Society	10	13.5
Cooperative	6	8.1
Publicly Traded Company	8	10.8
Total	74	100

Table 3 shows that most companies are framed in Real Profit, representing 69% over the total. 23% are taxed by the Assumed Profit and only 8% opted for the Simplified Taxation System. In this aspect, it can be highlighted that the legal format, especially the real profit, represents another characteristic aspect of larger companies, which due to billing, perceive tax advantages in the real profit regime. In this tax model, monthly or quarterly accountability requires internal organization and support (systems and people) for the sending of information and accountability.

Regarding the age of the analyzed companies, it was observed that only 5% of them have less than 10 years of activity; 24% from 11 to 20 years; 23% from 21 to 30 years; 18% from 31 to 40 years and 30% over 41 years. Thus, it is noticed that 70% of the companies that make up the research sample have more than 20 years of activity in the market, evidencing the social representation regarding the generation of jobs and income in the region where they operate. As for the management structure, Table 3 shows that 36% of the companies surveyed have family management; 31% mixed management, composed of family members and hired professionals; 13% constitute an Independent Business Society (without family ties); 8% are cooperatives and 11% are publicly traded corporations.

It is assumed that cooperatives are governed by democratic principles and are autonomous in the context of their decisions, especially because they aim at the common good of their cooperatives (Silva et al., 2022), which may favor adjustments and/or concerns with the Anti-Corruption Law, as a form of transparency and communication.

Respondents were also questioned about the governance structure of companies, as well as the mechanisms that help promote reasonable security for the organization, according to Table 4.

Table 4
Governance Structure

Governance Structure	Yes	No	I do not know how to answer	Total
The company has/performs external audit.	45%	55%	0%	100%
The external audit is carried out by a Big Four (Deloitte, Price Waterhouse Coopers, Ernest & Young or KPMG).	18%	73%	9%	100%
The company has internal audit.	58%	41%	1%	100%
The company has Board of Directors.	50%	47%	3%	100%
The board of Directors has existed for more than 5 years.	34%	58%	8%	100%
The company has the controllership formalized through a specific department.	57%	42%	1%	100%

Table 4 shows that of the 74 companies surveyed, 45% have external audit, and of these, only 18% are carried out by *big four*. According to Baier, Alievi and Bortolaso (2020), the hiring of an external audit generates credibility for companies, since they present an independent opinion on the organization management. Koprowski et al. (2020) argue that organizations audited by *big four* and holding an audit committee provide greater evidence of anti-corruption practices.

When asked if they have an internal audit structure, 58% of the companies responded that they have this area. In addition, it is noteworthy that 57% of companies have the area of controllership formalized through a department. When analyzed about the existence of the board of directors, 50% of companies responded that they have this body, among which, 34% have in their structure the board of directors for more than 5 years and 47% of companies do not have this board.

According to the Brazilian Institute of Corporate Governance (IBGC, 2015), the fact that there are independent members on the board of directors, audit committee, independent audit and mechanisms aimed at the control of the organization, protection of shareholders and administrative transparency is considered good practices for any and all organization, regardless of the stage in which the company is located. The research also sought to verify the respondents' perception regarding the organizational structure and decision-making power of companies, according to Table 5.

Table 5 shows that 50% of respondents disagree and 19% totally disagree that the company can be considered small when compared to the competition. On the concentration of centralized decision-making power in the hands of the founders, 22% totally agreed and 42% agreed with the questioning. Upon questioning whether most decisions are made by managers or teams seeking to facilitate the growth of the company through participation, 54% of respondents agree and 12% totally agree. At the same time, when asked whether the management process of the organization is discussed among the supervisors of the departments, 64% agree and 19% totally agree. These answers can be explained by the management structure of the companies, presented in Table 5.

Table 5
Perception of the respondent regarding the organizational structure and decision-making power

Please indicate as you consider the following situations:	I totally Disagree	I disagree	Indifferent	I agree	I totally agree	Total
The company is small in size compared to competitors.	19%	50%	12%	9%	9%	100%
The decision-making power is mainly in the founders' hands.	9%	16%	11%	42%	22%	100%
The organizational structure can be considered simple.	9%	20%	8%	47%	15%	100%
The processing of information can be described as simple in the "word of mouth" style.	31%	45%	8%	14%	3%	100%
The management process is discussed among the supervisors of the departments.	3%	9%	5%	64%	19%	100%
The decision-making power is divided between many managers and/or investors.	11%	32%	11%	35%	11%	100%
Most decisions are made by managers or teams who are trying to facilitate growth through participation.	1%	19%	14%	54%	12%	100%
There is interaction between senior management and department/unit managers in the control process.	0%	8%	4%	61%	27%	100%
They often use information from control instruments to question and discuss decisions and actions.	0%	7%	8%	57%	28%	100%
The managers eventually engage or in exceptional character with the control system.	7%	28%	14%	39%	12%	100%

Regarding the control processes, 27% of the respondents pointed out that they totally agree and 61% agree that there is an interaction between senior management and department managers in the control process. It was also evidenced that managers usually use information from control instruments to question and discuss decisions and actions, and for this questioning 28% of the respondents totally agree and 52% agree. Regarding the involvement of managers eventually or exceptionally with the control system, 39% of respondents agree that there is involvement and 28% disagree.

In this analysis, it can be highlighted that the high administration of an organization with a large volume of demands and many employees do not participate in all activities and operations, is usually guided by accounting and financial reports to follow up the business (Rocha et al., 2012). In the agency context, the principal must have a structure to monitor the agent's actions (Kaymak & Bektas, 2017). Considering that it is not possible to transfer all knowledge to the decision-maker, the delegation takes place, and from this it is necessary to adopt an efficient control system to mitigate conflicts of interest (Lacruz, 2020).

The Agency Theory recommends that the asymmetry of information that occurs in organizations because managers have more information than shareholders can be partially mitigated by an active board of directors, preferably using impartial and objective external members, protecting the organization against concealment and managerial distortion (Kaymak & Bektas, 2017). In this sense, the results show the relevance of audit activities, board of directors and controllership, as risk mitigators related to business management.

Cella et al. (2019) and Façanha et al. (2020) mention that the combat against corruption in organizations can occur at two moments: (i) in the phase that is independent of news and event, where there are investments and adoption of good corporate governance practices and *compliance mechanisms*; and (ii) at the stage when the discovery of corrupt practices, fraud investigation and other factors that impact reports occur. In this context, Table 6 reveals the adherence of companies to anti -corruption compliance mechanisms.

Table 6
Organizational structure about the Anti-Corruption Law (Law 12.846/2013)

Organizational structure about the Anti-Corruption Law	Yes	No	I do not know how to answer	Total
The company has a code of ethics, conduct and integrity.	51%	38%	11%	100%
The company has ethics and/or <i>compliance committee</i> .	22%	66%	12%	100%
The organization has a whistleblowing channel with the aim of avoiding irregularities, such as fraud, illegal acts and non-compliance with ethical principles and internal policies.	24%	64%	12%	100%
The company promotes training of people at all levels, aiming to disseminate the culture of compliance and good management practices.	64%	30%	6%	100%
Employees' commitment to the integrity program as well as their participation in training are documented.	51%	38%	11%	100%
The organization has procedures and controls to verify segregation of functions in order to avoid the occurrence of conflicts of interest and fraud.	50%	35%	15%	100%
The internal controls coming from the Anti-Corruption Law integrity program contribute to minimize errors and fraud.	46%	28%	26%	100%
The Anti-Corruption Law created the need for adjustments or new internal controls.	24%	49%	27%	100%
Only after the regulation of the Anti-Corruption Law were controls created to prevent fraud in bids or in any interaction with the public sector.	5%	64%	31%	100%
The adjustments of the Anti-Corruption Law brought an increase in costs (in the implementation and monitoring).	5%	62%	33%	100%
There was insertion of the function of <i>the compliance officer</i> /internal auditor.	8%	66%	26%	100%
The function of the <i>compliance officer</i> already existed before the regulation of the Brazilian Anti-Corruption Law.	9%	59%	32%	100%

Through the results evidenced in Table 6, one aspect that deserves prominence when analyzing compliance with the criteria of the integrity program established in the Anti-Corruption Law is that of the 38 companies that have code of ethics and that correspond to 51% of the sample, 12 are family companies and 9 have mixed management (family and hired professionals), which demonstrates that the adoption of *compliance mechanisms* is not restricted to publicly traded companies and multinationals.

As pointed out by Baier et al. (2020), it is possible that small and medium-sized enterprises introduce integrity programs into their routines, which allows to improve their reputation in the market, in addition, the application of sanctions provided for in the Anti-Corruption Law becomes milder for administrators who prove to stimulate ethics in the corporate environment (Leal & Ritt, 2014). By investing in training, companies improve perceptions about business ethics (Cella et al., 2019). An important aspect for the dissemination of compliance culture and good management practices is the promotion of training. Thus, it was asked if the company promotes training at all levels. Among the respondents, 64% answered positively, 30% answered that the company does not promote training to disseminate compliance and 6% did not know how to respond. When asked whether the company maintains a record of training and commitment signed on the integrity program, 51% responded positively, 38% signaled that there is no record and 11% did not know how to respond.

When analyzing the existence of an ethics or *compliance committee* of the sample companies, it was observed that only 22% have the said committee, while 66% do not have and 12% did not know how to respond. The same happens with the existence of the whistleblowing channel in order to avoid irregularities in the companies, and 24% responded that they have the said channel, 64% do not have and 12% did not know how to respond.

Despite the low adherence of whistleblowing channels in the analyzed companies, the channel is considered as an efficient tool in reporting irregularities and is part of integrity programs. Silva et al. (2016) indicate that there is greater adherence to whistleblowing channels when the tool can be used anonymously and operated within the organization itself. When investigating whether the organizations that answered the questionnaire have internal procedures and controls to verify the segregation of functions, in order to avoid the occurrence of conflicts of interest and fraud, 50% responded that the company has procedures, 35% responded that they did not and 15% did not know how to respond.

When addressing preventive measures of internal control from the Anti-Corruption Law Integrity Program adopted by the companies surveyed, 46% of respondents indicate that internal controls can contribute to reduce possibilities of errors and fraud, 28% responded that they did not and 26% did not know how to respond. Regarding the need for adjustments or new internal controls with the implementation of the Anti-Corruption Law, only 24% of respondents indicated that this adequacy was necessary, 49% responded that they did not and 27% did not know how to respond.

It was questioned whether only after the regulation of the Anti-Corruption Law were controls created to prevent fraud in bids or in any interaction with the public sector. 5% of companies responded positively, 64% negatively and 31% did not know how to respond. When asked whether the adjustments of the Anti-Corruption Law caused an increase in the costs of implementation and follow-up, 5% responded positively, there was an increase, 62% responded negatively and 33% did not know how to respond.

The organization, by promoting adjustments, will need to invest in continuous training, develop a code of ethics and conduct, improve its internal control procedures, invest in information technology, among other investments that vary depending on the size, culture and objectives of each company (Ribeiro, & Diniz, 2015; Cella et al., 2019). Cost-benefit studies of implementing a *compliance program* in companies demonstrate that for each dollar spent, there is a five-dollar savings with mitigating fraud risks, loss of productivity, and legal processes.

Regarding the inclusion of *compliance officer/internal auditor* in companies, 8% responded that there was, 66% indicated that they did not and 26% did not know how to respond. Of the companies surveyed, 9% indicated that *the compliance officer function* already existed in its organizational structure before the regulation of the Anti-Corruption Law in Brazil, 59% responded that it did not and 32% did not know how to respond. Chandler (2014) mentions that *the compliance officer position*, despite having spread widely in companies, is still recent and little known. In this regard, considering the percentage of respondents who did not know how to respond (32%), it is assumed that it was possibly due to ignorance.

When analyzing the percentage of adherence to the criteria of the integrity program in companies with more than 500 employees, it was observed that of the 19 companies classified, 68% have code of ethics, conduct and integrity. Regarding the commitment of employees to the integrity program, as well as if their participation in training is documented, 63% indicated that yes, it is recorded. When analyzed if the organization has procedures and controls to verify segregation of functions and if they contribute to minimize errors and fraud, 58% indicated that yes, the controls contribute.

From these findings, it can be assumed that the size of the companies can influence, but it is not the only aspect that prevails in the adoption of the mechanisms provided for in the program of the Law integrity. These findings confirm that the adoption of *compliance mechanisms* must also be adapted for small companies, considering that they have increasingly interacted with public agents, participating in bids and providing products to the government (Leal & Ritt, 2014). The study corroborates the findings of Castro et al. (2019), empirically proving that national companies seek adequacy to the integrity program proposed in the Anti-Corruption Law. The results indicate that not only publicly traded companies, but also family companies, cooperatives, etc., are adapting to the said law. According to Baier et al. (2020), a positive image to society, market and

shareholders comes from good governance practices applied within the organization, *compliance programs* and effective internal controls, which disseminate the culture of compliance, ethics and transparency.

In the context of the capital market, publicly traded companies (listed in B3) suffer from the lack of asymmetric information and sometimes some participants have privileged information and others do not, generating Agency conflicts (Anguleri et al., 2022). However, companies not listed on B3 are also subject to risk and fraud. In this sense, the Anti-Corruption Law provides prevention mechanisms that, combined with corporate governance, allow the promotion of informational equality, accountability and risk reduction. Upon recognizing *compliance* as a strategic tool for the process of mitigating corruption risks and inhibiting fraud, its implementation corroborates the regulation of the Anti-Corruption Law (Melo & Lima, 2019).

5 FINAL CONSIDERATIONS

The objective of this study was to identify the adoption of *compliance mechanisms* established in the Anti-Corruption Law by industrial companies not listed in B3 located in the states of Paraná, Santa Catarina and Rio Grande do Sul, based on the assumption that illegal acts practiced by corrupt agents negatively affect the company, deteriorating its image and generating financial losses.

The results showed that the companies included in the survey sample have greater adherence to some criteria of the integrity program established in the Anti-Corruption Law, however, there are still opportunities for improvement in their control systems. However, there are still opportunities for improvement in their control systems. When observing if the companies have a code of ethics, conduct and integrity, of the 74 companies surveyed, 51% have this document. Another important aspect to be analyzed is the promotion of training, and 64% responded that this type of training occurs. When addressing the adoption of procedures and internal controls to avoid the occurrence of conflicts of interest and fraud, 50% of the companies have these procedures and 15% did not know how to respond. In addition, 46% of respondents indicated that internal controls contribute to minimize errors and fraud.

Thus, it is suggested that the entities implement control systems and use them as a tool to protect possible illegal practices and as an instrument of transfer of responsibility, in order to avoid or mitigate the liability of the legal entity when the occurrence of deviations of conduct occurs. The law under discussion in this study serves as a guide for entities to mitigate and inhibit fraud, as well as to discourage illegal practices that generate insecurity and harm the integrity of the business.

The results of the study demonstrate that the Anti-Corruption Law advocates ethical and transparency posture, signaling that companies need to adopt a certain pattern of conduct in business relations, both internal and external, and the Agency Theory inserted in this study helps in the understanding of the risks of certain behaviors. The law aims to mitigate risks between agents and the principal. Also, knowledge, disclosure, implementation and enforcement of the Anti-Corruption Law will require efforts from all parties (companies, educational institutions, government and organizations in general), aiming to curb corruption in the country.

As limitations of the study, there is the absence of confrontation of results with data from companies, as well as that respondents may not be present in organizations during the period of implementation of the Anti-Corruption Law. Thus, these respondents may not associate compliance mechanisms with the effects of the Anti-Corruption Law. Therefore, the reflections are made from the perception of the respondents not allowing the generalization of the data. In addition, there is the sampling restriction and the research method adopted.

In general, the research contributes to broaden the existing discussions on the subject by addressing the adherence of companies with different management structures, mainly family and mixed to the criteria of integrity programs, bringing relevant contributions to society, academic and business community. Taking into account the objectives of the Anti-Corruption Law, integrity programs are opportunities to develop a preventive and compliance culture within any type of organization, requiring legal and ethical conduct, seeking profitability in a sustainable way and minimizing harmful acts through supervision and control by the legal entity itself.

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