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A brief account of how the profession
evolved in Brazil
and how it is still developing

Brazil

by Jorge Fischer, Jr.
TROBAS-Brazil

LOOKING BACK OVER THE PICTURE OF AUDITING IN BRAZIL, we have noticed from the early days the existence of two types of firms. First, the Brazilian firms, made up of people who were born here, studied and acquired their basic experience here. Second, the branch firms or those affiliated with large American or English organizations, whose partners and managers are foreigners in the great majority.

The type of work done was also quite different. The foreign firms followed the standards used in the United States, making tests of transactions during one or two definite periods of the business year and certifying the balance sheet and preparing analysis thereof at the end of the year. The clients of these firms were almost all non-Brazilian firms, or those which were financially associated with American or European organizations. The economic support of these international auditing firms came from other countries, however, and they could go on remaining almost completely aloof to the financial conditions existing among us.



The partners hold a weekly meeting. From left, Jorge Fischer, Júnior; Paulo Vasconcellos, Helmuth Probst and Roberto Dreyfuss.

However, with the Brazilian firms, who with the greatest effort fought to obtain a place in the business community, the problem was different. At the stage our economy was in twenty-five years ago—and this is still partially true today—the industrial and commercial organizations were always the closed type; that is, the property of one person or family, or of a very small group. Their external financial relations consisted of their relations with various banks, where they obtained credit for their operations. Thus there was no interest whatsoever by outsiders in having some confidence about what happened within these companies and, consequently, they couldn't see any advantage in giving third parties a certified statement concerning the accuracy of their accounting or the efficiency of their directors in a given period.

Remember, in this respect, that the management and the stockholders were the same people. Thus, contrary to what has happened in other countries, even today the Brazilian laws do not require auditing certificates, not even for the balance sheets of enterprises which sell

shares to the public. In this environment, the domestic accounting firms had to take another path. Thus they began to appear before their clients as elements of support to the management of a firm and of technical assistants and instructors to the accounting department.

Considering the surge of industrial and commercial development that had already begun to accelerate at that time, the number of firms and their needs along the technical and administrative lines increased much more rapidly than the number of truly competent professional men. The auditing firms then began to be important to their clients as supervisors and examiners of the company's accounting work, with an internal rather than a public function.

These were the conditions of the background that forced auditing companies to begin to exercise the role of verifying the daily book-keeping and accounting of the various enterprises, of faithful compliance to the complex fiscal laws and of furnishing necessary orientation in the field of applying the technical principles of sound accounting. It also became the duty of the auditors to play the role of private detectives, thus preventing or discovering any shortage that might have occurred by any means.

The insufficient number of experienced employees within the industrial and commercial companies to satisfy the demand created by the nation's progress was also the principal reason that the majority of the large Brazilian accounting firms created at the same time management services departments, which today still continue with intense activity.

Without a doubt this broad function of accounting firms played a most important role in popularizing and consolidating good accounting techniques, and in forcing business organizations in general to use more efficient methods in their administration. On the other hand, however, it placed a tremendous burden on the firms because of the huge volume of service that this type of work requires. Today conditions among us are changing and, consequently, the true function of the auditor can begin to approach the international standards.

The biggest fight, however, is to educate the local clients so that they begin to understand the true function of an auditing firm of recognized capacity, unimpeachable and with a good reputation in economic-financial circles.

Our own firm knows only too well the above-mentioned history that we have experienced. When we began our activities eighteen years ago, we followed the necessary domestic procedure. The first stage of our evolution (which was a very long one) consisted in



A large staff of secretaries handles the work at busy São Paulo.

Senior auditors examine working papers and reports in the office.



dedicating all our efforts to the execution of the most perfect service possible, in every respect, including the entire broad field the auditor must consider. Through this policy our clients increased, we attained a reputation and prestige among important business firms and continued preparing our auditors to be highly competent in their profession.

Then we began our second phase little by little. This was to move closer to American standards, applying an auditing service less extensive, but deeper and more analytical. This evolution has been slow and has entailed sacrifices, because it demands major alterations in the entire internal organization, which became difficult due to the simultaneous existence of two different processes. However, we believe that we are quite near our objectives. Our clients are beginning to understand that what we now offer them is the true auditing service and, what is more important, the service that best attends to their own interests. We cannot, at the moment, reduce the horizontal extension of our auditing service down to the point which we consider desirable. The clients and the environment in general are still very poorly educated in this respect, so we must continue to make some concessions to them in the volume of work they expect. However we can state that in the course of the ensuing years, our firm will be striving to work within the international standards.

As to the results, we find that they have been very good for our clients and for us as well.

Partners of TROBAS, São Paulo discuss problems with Robert Fulton, manager of our South American Central Office. From left, Helmuth Probst, Roberto Dreyfuss, Mr. Fulton, Jorge Fischer, Júnior.

