

RESEARCH ARTICLE

The Prevention of Error and Fraud in Accounting

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Abstract

Accounting and its insertion to the international standards of accounting standards and procedures also includes forms of control aimed at deterrence of fraud and error. This article focuses on the prevention of fraud and errors in accounting and aims to present the legal mechanisms for such restraint in the context of Accounting Science. Through literature expounds on the requirements for recognition, presentation and disclosure of assets, being also characterized the need for internal controls. Supported the discussion of the topic: Almeida [1] Attie [2] Atkinson [3]; Iudicibus [4], concluding that the main factors that increase the risk of fraud or error in the economic result of the absence of internal audits and external, as well as the pressure imposed by unstable market and competitive businesses.

Keywords: *Accounting, Asset Control, Fraud and Accounting Errors.*

Introduction

One question always discussed in the current economic scenario is the importance of the detection of fraud and accounting errors, since this concern is crucial given the activities accounting that govern the entire procedure of asset control and configure themselves based on the record. This article discusses the internal control sheet as an instrument to curb the possibility of fraud and accounting errors, thus highlighting the importance of the role of accounting professionals in all segments of the economy and society.

According Quezado [5], "The accounting professional, in the job of professional person, public servant or a partner company to provide accounting services, is involved in a web of legal relationships between entrepreneurs, investors, government, banks, Justice (accounting expert) and so on." [5]. Thus, the accounting professional, to develop their activities is imbricated with a set of normative and legal relations, especially in relation with federal entities and other entities and different users of accounting information, so that the product of his work covers not only the entity that administers, but also the whole economy and society in which it operates its professional activities. In this regard, the activities accounting in an organization are not just due to legal requirements and procedural, but rather the importance of the control of activities in favor of assets managed, since the asset

management, due to their complexity is subject to situations of risk, fraud and errors.

The error occurs involuntarily, as opposed to fraud, made voluntarily. This description is addressed in Brazilian Accounting Standard NBC T11-IT-03, Fraud and Errors. Fraud can occur at all levels of an organization, characterized by different reasons. However, even the most effective internal controls and external guarantee full legitimacy of the financial statements. The object of the study in question is always treated superficially in the studies. Therefore, those who are usually affected - companies and their internal and external users - holds no information about the problem, which maximizes risk.

Research Methodology

This study is classified as an academic subject and seeks to deepen relations with accounting knowledge, while it subsidizes the training of the researcher. Research of this nature are important, since they require the systematization of concepts to their methodology for achieving the objectives of the study. Gil [6] defines research as "the systematic and rational procedure that aims to provide answers to the problems that are proposed." The systematization of knowledge in the form of research reports and to widen the conceptions of a specific area of knowledge, expanding the understanding of the variables under investigation. Junior Pacheco [7] refers to scientific research as:

"The pursuit of scientific knowledge, transforming data into information and that they are usable in various means of production, on an organized, rational and following established rules or that will be recognized as valid, allowing the formulation of theories and laws of phenomena".

Considering the objectives of the discussion focused on the systematic knowledge about fraud and accounting errors, this research opted for exploratory research design. According to Pacheco Jr. [7] exploratory research "constitutes the first stage of scientific research, since features, classifies and defines the problem." Gil says the exploratory research "aim to provide greater familiarity with the problem in order to light it more explicit or build hypotheses" and indicates that most of the time, these surveys include bibliographic, interviews and analysis of studies. According to exploratory research aimed at increasing understanding of accounting errors and fraud, it was the use of bibliographic resource for discussion of concepts on the subject [6].

The Asset Control : Registration as a Foundation

"Accounting is, objectively, an information system and evaluation designed to provide its users with demonstrations and analyzes of economic, financial, and physical productivity, relative to the accounting." [4].

The Science Book as applied social science has as its object of study the heritage of physical entities and / or entities with or without profit. The social nature of an asset, even though the particular nature and / or public, usually involves a set of persons, entities and facts in a particular social context can produce quantitative and qualitative changes in its measurement and scope insertion. In their social - applied the object of study of accounting involves social aspects of the human condition, since its use arise different situations. Nevertheless, in its actuality, is the recording of accounting events that allows any inference and analysis about its different aspects and variations. So is the recording of accounting events that characterizes the relationship between internal / external information with the equity changes, consisting in evidence and shape control.

Within the qualitative importance is immeasurable characteristic of accounting information, the nature of which is the primary accounting record of events that extends and

covers the conditions for making decisions under equity. In his important position to provide reliable and timely information to users on equity, scales the structure of the ancient technique of scriptural the broad field of decisions and monitors the development of accounting and its specificities.

With the advent of technological advancements, the bookkeeping process previously done manually, now done by electronic systems keeping their foundational aspects concerning the date of occurrence, event held, the transaction amount and the assets involved. Thus, electronic processes inserted in the record of accounting events is the essential condition for its analysis and composition.

In the current scenario of organizations such advancement follows the needs of effective controls, which in turn have resulted in the accurate and full disclosure of changes to the financial statements for each fiscal year of the equity of the entity. Featuring this very important feature, the internal and external controls become indispensable to the security of property, company and accuracy of reports and accounting reports, in order to avoid errors, fraud, abuse of power and especially the inefficiency of accounting.

Part accounting control is, therefore, a uniform procedure for registration of all events that may alter accounting sheets, articulating accounting principles, accounting standards and procedures, as well as the current legislation. In the current scenario of mercantile society, permeates the area of accounting for changes in relation to the collection of information and its relationship with the labor market and the world of organizations. Thus, under operational and strategic profession has innovated practices and procedures at a steady pace, presenting more complex, complete and sophisticated.

Need to Control

In its current stage of modernization and integration with international standards of rules and procedures, accounting has been assuring and improving the quality and ways to provide information of economic reality, political and social entities on equity; much context as forms of control of the assets managed. Such changes in procedures and actions aimed at entrepreneurial mindset of transparency in the measurement and disclosure of assets under administration of the companies, not only by being inserted in competitive markets and unstable, but rather as sustainable responsible actions.

In the instrument cluster verification of accounting practices already available, the Control Accounting tends to meet the needs arising from the changes in that express decisions consistent information and configures the necessary amendments and adjustments to the organizational culture to new accounting standards. Thus, the accounting control may be a set of procedures and evaluation practices, improvement and monitoring of operations.

"Control is the process involving the steps to monitor actual performance, comparing it to planned, in order to identify situations in which the plan is unworkable and therefore is not being achieved [2]

Procedures for monitoring the events resulting from the planning is that it embodies the disclosure of the required changes in the organization's business continuity in unstable environments and competitive. Thus, control should be directly linked to the other functions of the administrative process - planning, organizing and directing . Altogether these functions will be evidenced ; beyond the necessary changes and the dynamics underlying asset , the right and proper measurement of results of the action business .

According Crepaldi [8] the "Cycle Control" can be defined as: (1) Determination of objectives, (2) strategic planning, (3) Determination of the activities, (4) determination of the resources needed, (5) Approval, (6) implementation, (7) comparison of budgeted and realized; (8) comparison between results and goals; (9) comparison between results and objectives.

Through the records , here considered of fundamental importance for understanding the nature of accounting events and in it, the complexity of bookkeeping , the control process can ensure the disclosure of the property on the identification , existence, amount , book value, residual value of these adjustments . Therefore, may favor the identification and verification of material movement of any kind; since the larger and more complex the organization, the greater the need for agile and effective mechanisms of control. Forms of financial control activities assume a substantive character. According to Cruz and Glock [9].

"As a stay-at - home controls household spending and every citizen keeps under control the balance of your bank account, a public or business organization is a set of procedures designed to ensure the achievement of results and, in particular, second case, to ensure compliance with the legislation . "

The control instruments used in organizations seek to harmonize the relationship between state and society through legal and social conventions, ensuring the interest of the public administration in line with the organization and its mission , as well as the rights and guarantees individual and collective. However, beyond the legal prescription that involves parties which control is to ensure the safety and objectivity sheet.

A full understanding of the forms of control and its articulations with entrepreneurial mindset and organizational culture favors the timeliness of internal and external information, which in turn, can provide data and variables of fundamental importance to the development of new prospects for investment and improvement activities already undertaken and developed by management. Likewise , the non-observation of the " Cycles of Control" can undermine the reliability of the evaluation and measurement of assets, indicating only the need for changes in certain structures of the organization between strategic, tactical and operational, but without indicating the reasons effective changes .

According to what said Anthony A. Atkinson [2], the control cycle involves five (5) steps that can be seen as essential, namely: (1) Planning, (2) Run (3) Monitor, (4) evaluate and (5) Correct. Together, these goals tend to promote situations where there is :

"Support to the process of organizational learning, the performance measurement system serves as the primary means of locating the company to achieve higher levels of performance on their primary objectives [2].

Thus, changes or certifications of planned actions constitute control as evidence of organizational learning in which leverages the dynamic organizational guidelines giving her streaming . In his preventive, corrective and noticeable , the control process aims to minimize risks and protect society and the entity itself , manipulations and hidden risks . Through control, can identify operations that contribute to the development and continuity of the enterprise market, ensuring the protection and proper valuation of the assets and to continue the flow of operations which in turn, may undergo internal and external actions .

In the effective action control analyzes the present and the past, as well as establishing foundations for future decisions . Therefore, it is necessary that the control systems and sheet set of norms and legal procedures that establish and

govern them are operated with a view to sustainable management.

In this set of reflections notes the importance of adopting and implementing effective ways of internal and external controls . That for organizations in their routines and procedures can achieve its mission and its objectives, which have to present themselves directly related to their organizational processes, leadership, improvement and monitoring actual performance and results of business action in different contexts.

Characteristics and Methods of Control

External Control

According to Article 70, § 1. the Constitution of 1988, section IX, Inspection Accounting, Financial and Budget:

"The accounting, financial, budgetary, operational and property of the Union and of the entities of the direct and indirect, as to the legality, legitimacy, economy, implementation of grants and waiver of revenue, shall be exercised by Congress, by external control, and the internal control system of every power [10]. "

It is noteworthy here that the external control should not be confused with Internal Control, since one can oppose each other according to the philosophy and culture of organizational procedures. However, although it is the same need for Internal Control, External Control will not be addressed in this article. However, we emphasize its importance in the maintenance and control of the assets given, as well as the importance of diversity in procedures and user information seeking answers.

Internal Control

Almeida defines internal control as:"[...] The set of procedures, methods and procedures with the objective of protecting the assetsproducerreliable accounting data and assist management in the orderly conduct of the business [1]."

The objectives of internal control are addressed by several authors , especially Attie [3] which presents as a rule, four basic objectives of internal control : (i) to safeguard the interests of the company, (ii) the accuracy and reliability of reports and accounting, financial and operational, (iii) to encourage operational efficiency, and (iv) adherence to existing policies [3].The importance of internal controls for management , auditors and even external parties has been discussed and recognized professional in the area long ago . The

use of internal control systems to ensure the smooth flow of business operations , as well as the reliability of the information generated by the organization itself , constitute extreme necessity, since their absence leaves organizations at the mercy of endless and innumerable risks .

The existence of an adequate internal control system ensures reliability and veracity of your records and accounting management . However , to become useful and valid, the system must be closely linked to a proper accounting system. Otherwise, you cannot give credibility to the information obtained . Still according to the author, the internal control has controls with peculiarities regarding accounting and administration [3] :

"Accounting controls comprise the plan of organization and all methods and procedures directly related mainly to the safeguarding of assets and reliability of accounting records . Generally include the following controls: system of authorization and approval; separation of bookkeeping and reporting statements related to those transactions or safekeeping of , and physical controls on these values. administrative controls include the plan of organization and all methods and procedures that relate to operational efficiency and adherence to the policy laid down by the management usually relate to indirect financial records [...] .

However, the system of internal controls has restrictions as to the effectiveness. [1]Almeida states that the limitations of internal control are mainly due to: (i) collusion of officials in the appropriation of the company's assets, (ii) employees not properly instructed regarding internal standards, (iii) officials negligent in performing their daily tasks .

Fraud versus Errors

Internal controls are essential to the security of assets against errors and fraud, since they may be present in all business activities . It is worth noting that the growth in the number of fraud or errors in the economic sector , is due to the absence of internal and external audits, without disregarding the pressure imposed by the competitive market for micro, small, medium or large companies .

With regard to fraud and error concepts, they differ from many perspectives and demonstrate , however what characterizes your ranking is willfulness . The user of accounting information to assess whether the act done is a simple error or

constitutes a fraud. Therefore, it can draw on concepts presented by the Federal Accounting Council, which characterizes fraud and error, respectively as:

"The intentional act of omission or transaction handling, tampering with documents, records and financial statements. Fraud can be characterized by: (i) manipulation, falsification or alteration of records or documents in order to modify the records of assets, liabilities and results and (ii) misappropriation of assets, (iii) suppression or omission of transactions in accounting records, (iv) transaction log unproven, and (v) application of improper accounting practices."

"The act unintentionally in the preparation of records and financial statements, resulting in inaccuracies of them consisting in: (i) any arithmetical errors in accounting records or the financial statements, (ii) incorrect application of accounting standards, and (iii) misinterpretation of changes in equity."

In short, the distinction between fraud and error is in fact constitute an intentional action which results in implicit falsification of financial statements. The Federal Accounting Council in a Standard (NBC - TA 240) provides the following characterization of fraudulent financial reporting.

"Manipulation, falsification (including signature) or alteration of accounting records or supporting documents that were the basis for preparation of financial statements. Lie or willful default on the financial statements of events, transactions or other significant information. Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure." It also specifies the techniques that circumvent internal controls:

"Register fictitious entries in the log book, especially at the end of the accounting period, in order to manipulate operating results or achieve other goals. Adjust unduly alter the assumptions and judgments used to estimate account balances. Omit, advance or delay the recognition in the financial statements of events and transactions that have occurred during the period of the financial statements being presented. Hide or not to disclose facts that may affect the amounts recorded in the financial statements. Hiring complex transactions that are structured to reflect the financial position wrongly or performance of

the entity. Change records and conditions related to significant and unusual transactions."

It is stated that these techniques evade the internal control system, as the risk of not detecting fraud is greater than the risk of not detecting error, since the first actions may involve sophisticated and meticulously planned. As a result of the uncertainties inherent in business activities, it can be said that the control systems used by organizations for more preventive as they are, are subject to fraud and error. Fraud usually appear in accounts totally different to what exactly correspond; often distributing "errors" for multiple accounts, which makes your statement even more difficult. Proven fakes, constitutes an infraction of the law, since the financial statements are not in accordance with law; fraudsters in this case being subject to punishment. Found the error, according to CFC Resolution No. 1179 DE 24.07.2009. [11], appropriate action should be taken.

"Potential current period errors discovered in that period must be corrected before the financial statements are authorized for issue. However, material errors, sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements of the period subsequent".

According to the same aforementioned Resolution, Resolution CFC No. 1179 DE 24.07.2009. [11], the entity shall correct material prior period errors retrospectively in the first set of financial statements which authorization for publication occurs after the discovery of such errors by restating the comparative amounts for the prior period presented that occurred in the error if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

The primary responsibility for the prevention and detection of fraud and accounting errors are at the highest hierarchical level of the organization, i.e., the presidency. Within organizations there must be an initial involvement of stakeholders and so this concern reflected in the other levels. According to Jenny [12] the causes that motivate fraud can be classified into two groups: (i) employees infidels, (ii) the actual employer and the reasons for presenting false position of your business operations.

"Violations of the first category represent nearly always the result of irregularities have occurred and simply designed by employees. Interested in hiding the thefts , rapes , frauds of money , goods or other values of inventories , deposits, etc. And hinder their discovery in the case of subsequent investigations . Bills preferred for these maneuvers are the "overhead " and every great movement impersonal " [12].

"Crimes like accounting consequences of infractions committed against the owner of the company represent the prevalent cases. These false entries, while the second group has no interest in changing the balance, merely to cover the irregularities . Often there is the repetition of certain falsehoods , so that you can speak perfectly a chain of crimes. In such cases, the process is entirely systematic often been used for years same media , especially when the first well and the deviation occurred was not observed immediately. "[12].

The Author Ernest G. Jenny [12] states that the grounds of the owner in cases of accounting distortions usually consist of a representation biased swing to forge a financial position higher or lower than would be obtained from accounting correct , and that the targets of these representations can be fraud: creditors, shareholders, treasure and even , in the case of corporations , the public has invested in securities exchanges.

As security measures accounting principles express how they should be made accounting entries . CFC Resolution No. 1282/10 [13], updated by CFC Resolution No. 1.282/10, of May 28, 2010 , provides for Accounting Principles , [Principle Of Entity Principle Of Continuity Principle Of Opportunity Principle Of Registration For Original Value , the Competence Principle, the Principle Prudence], which characterize essentials in understanding and operationalization of the events of Accounting Science.

Nevertheless, it is the appreciation of the accounting, stimulated primarily by the accounting professionals, since they must observe and act in accordance with ethical and moral principles in the performance of its core business . When facing corporate scandals involving these professionals end up by putting the whole category suspected . For this type of conduct not Vigore before the class; accounting professionals

have a code of ethics that underpins and guidance for all acts performed in the profession , outlining intrinsically licit and illicit. The Code of Ethics of Professional Accounting is pretty straightforward when dealing with the duties and obligations of the counter. Given the CFC Resolution No. 1307/10 amending Resolution CFC No. 803/96 remains in force the following article:Article 3 . In performing its functions, it is forbidden to Professional Accounting:VIII - to contribute to the accomplishment of an act contrary to the laws or intended to defraud her or practice, the profession, the act defined as a crime or misdemeanor;Besides the devastating impact on many sectors of the entity, fraud and errors taint the entire business environment, denigrating both the image of the company rigged as the professionals involved, whatever [14-20].

Conclusion

The topic has been discussed Accounting Fraud recursively by different national and international media in the context of business . However, this discussion does not occur in depth and often in academia, so that users who do not have solid financial information of organizations tend to be prominent in the vicinity of the risks of errors and fraud activities . Such problems demand a study on the importance of internal controls and also external, as contributions to the full exercise of its social organizations, seeking to avoid manipulation and misuse of resources. The current unstable scenario -economic and exposes society contributes to an uninterrupted series of questions and fears that in most cases, constitute a risk of fraud or accounting errors, which may cause irrecoverable damages .

What distinguishes Fraud errors , as we can understand from the above concepts , is the willinness of the action, if unlawful. Accounting professionals whose main goal to present and make legitimate the financial statements of assets managed lose credibility and professional merit incur when such acts . Without forgetting the devastating repercussions in the business because another function of the professional class to be to support decision making .

Still, for reliability accounting , organizations should use the different types of existing controls, and internal controls are mainly aimed at preventing situations involving errors and fraud . Conjugate to all the professional legislation, codes of conduct and procedures of internal control mechanisms are viable and sustainable

management and asset control . However, for the more resolute they may be, do not prevent the actions of handling asset value thither, as these are of a behavioral. Use of these instruments may minimize the incidence of cases, but not eradicate

them. This is due to the fact that they are the economic activities produced by professionals are not always aware that they represent a class and professional activity and that of their actions resulting social consequences .

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