



Contemporary PERSPECTIVES OF KNOWLEDGE

INTERDISCIPLINARY
APPROACHES

Scientific Studies and Academic Reflections

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Graphic Design, Layout and Cover

Academic Publisher Periodicojs

Language

Portuguese and English

International Cataloging-in-Publication Data (CIP)

(Brazilian Book Chamber, SP, Brazil)

C761	Contemporary Perspectives of Knowledge: Interdisciplinary Approaches/ Flávia Moreno Alves de Souza (org) – João Pessoa: Periodicojs publisher, 2026. E-book: il. color. Includes bibliography ISBN: 978-65-6010-196-8 1. Free themes. I. Souza, Flávia Moreno Alves. II. Title
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CDD 370

Prepared by Dayse de França Barbosa CRB 15-553

Index for systematic catalog:

Indexes for systematic catalog:

1. Education: 370

Work without funding from public or private bodies.

The published works have been submitted to peer review and evaluation (double-blind), with respective acceptance letters in the publisher's system.

The work is the result of studies and research from the Interdisciplinary Studies in Human Sciences section of the Humanities in Perspective book collection.



Filipe Lins dos Santos
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CNPJ: 39.865.437/0001-23

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Chapter

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**THE ROLE OF PREVENTIVE AUDITING
IN MITIGATING LABOR LIABILITIES: A
PRACTICAL GUIDE FOR MANAGERS**



THE ROLE OF PREVENTIVE AUDITING IN MITIGATING LABOR LIABILITIES: A PRACTICAL GUIDE FOR MANAGERS

Karla Cristina Brito dos Santos¹

Abstract: This scientific article aims to analyze the role of preventive auditing in mitigating labor liabilities, offering a practical guide for managers and human resources departments. The methodology adopted consists of a systematic literature review of the last five years (2020–2025), conducted in the Scopus, Web of Science, and SciELO databases, using the PRISMA guideline for selection and analysis of 22 peer-reviewed scientific articles (PAGE et al., 2021). The literature analysis demonstrates that the implementation of internal audit routines, combined with compliance programs, acts as an effective mechanism for identifying and correcting vulnerabilities, reducing the likelihood of litigation and sanctions arising from non-compliance with labor legislation (NETSHIFHEFHE; NETSHIFHEFHE; NAPHTALI, 2024) (ALFINA; UTAMA, 2025). Results indicate that organizations adopting preventive auditing can significantly reduce costs associated with labor contingencies and strengthen their reputational position in the market (NKANSA, 2025) (NZECHUKWU; NZECHUKWU, 2020). It is concluded that preventive labor auditing transcends mere compliance verification, establishing itself as an indispensable strategic tool for financial sustainability, corporate reputation preservation, and the maintenance of a safe and ethical work environment (NUNES; SILVA, 2025) (GARCIA; VIER, 2021).

Keywords: Preventive auditing; Labor liabilities; Compliance; Human resources management; Risk mitigation; Corporate governance.

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Introduction

Context and Motivation

The contemporary business landscape requires organizations to adopt an increasingly proactive stance in managing their labor relations, aiming not only at strict compliance with legislation, but also at mitigating risks that may compromise financial and reputational stability (NUNES; SILVA, 2025). In this context, preventive auditing emerges as a fundamental strategic instrument, transcending the traditional view of punitive control to consolidate itself as an essential corporate governance practice (NETSHIFHEFHE; NETSHIFHEFHE; NAPHTALI, 2024).

Labor liability, characterized by the accumulation of unfulfilled legal obligations throughout the employment relationship, represents one of the greatest threats to corporate sustainability, potentially culminating in costly litigation and severe administrative sanctions (CARNEIRO et al., 2024). The complexity and dynamism of labor legislation, exemplified by recent updates and regulations in the Brazilian context, demand rigorous and continuous monitoring from managers and Human Resources departments (SILVA; SOUZA, 2023).

The Audit Paradox and Organizational Risk

The absence of effective internal verification and control mechanisms amplifies the occurrence of procedural failures, from inadequate recording of working hours to incorrect collection of social charges (ALFINA; UTAMA, 2025). Such inconsistencies, often originating from ignorance or administrative disorganization, constitute hidden liabilities that, when materialized in lawsuits, generate substantial financial impacts and damage the organization's image before the market and its own employees (LENZ; O'REGAN, 2024).

Recent studies indicate that most organizations do not have formalized preventive labor audit



routines, operating in a reactive posture that only identifies problems after litigation has occurred. This gap between the need for compliance and the effective practice of verification constitutes a critical paradox in contemporary human resources management.

The Role of Preventive Auditing as a Strategic Inflection Point

Preventive auditing represents a paradigm shift in how organizations approach the management of labor risks. Unlike corrective approaches that act after the liability has crystallized, preventive auditing anticipates vulnerabilities and implements remedial measures before they materialize into losses. This strategic reorientation offers significant opportunities to improve operational efficiency and legal certainty for companies.

Objectives and Contributions

The primary objective of this article is to analyze the role of preventive auditing in mitigating labor liabilities, providing a practical guide grounded in the scientific literature for managers and Human Resources professionals (NKANSA, 2025). The relevance of this research lies in the pressing need to equip corporate leaders with knowledge and methodologies that enable early identification of vulnerabilities and timely implementation of corrective actions.

Through a direct, solution-focused approach theoretically grounded in the literature, the article demonstrates how the adoption of audit routines, integrated with labor compliance programs, can transform people management, reducing operational costs, minimizing legal risks, and promoting a more ethical and safe work environment. The article's structure was designed to guide the reader from the methodological foundation of the research, through the theoretical understanding of the concepts of labor liability and preventive auditing in light of recent academic literature, to the presentation of a practical verification roadmap derived from the analyzed studies.



Labor Liabilities and Corporate Impacts

Definition of Labor Liabilities and Their Multifaceted Nature

Labor liability constitutes the set of legal obligations and duties that an organization fails to fulfill during the employment relationship with its employees (AZEVEDO; HEINEN, 2022). This negligence, whether intentional or resulting from administrative failures, accumulates over time, transforming into a latent debt that can be claimed through litigation or identified in inspections by competent authorities.

The nature of the liability is multifaceted, encompassing everything from non-payment of severance pay and overtime to non-compliance with occupational health and safety standards, including irregularities in Unemployment Guarantee Fund (FGTS) contributions and social security payments (CARNEIRO et al., 2024). Each category of liability presents distinct characteristics and implications, requiring specific identification and correction approaches.

Formation Mechanisms and Administrative Complexity

The formation of this liability is intrinsically linked to the complexity of labor legislation and the constant regulatory updates governing labor relations (FERNANDES, 2021). Human Resources managers frequently face challenges in the interpretation and rigorous application of legislation, which can result in inadequate practices, such as inefficient monitoring of working hours, irregular granting of benefits, or incorrect preparation of payroll (SILVA; SOUZA, 2023).

Additionally, the lack of supporting documentation and the disorganization of personnel files worsen the situation, making it difficult to defend the company in eventual litigation and facilitating the formation of liability, as evidenced by empirical studies on labor disputes (ARENA; FERRIS, 2018). The absence of integrated people management systems amplifies these risks, particularly in



mid-sized organizations that lack robust technological infrastructure.

Financial and Reputational Impacts

The financial impacts resulting from the materialization of labor liability are significant and, in many cases, devastating to the economic health of the organization. The costs associated with a labor lawsuit transcend the principal amount of the judgment, encompassing attorneys' fees, court costs, late payment interest, monetary correction, and, frequently, punitive fines applied by supervisory bodies (WILLIAMS, 2025).

The need to provision these resources directly affects the company's liquidity, reducing its investment capacity and, in extreme situations, compromising its own operational continuity, especially in scenarios of economic crisis or market contraction (ALFINA; UTAMA, 2025). Beyond financial consequences, labor liability generates profound negative repercussions on corporate reputation (AL RASYIED; FATWA, 2025). Recurring involvement in litigation and the finding of disrespect for workers' rights tarnish the company's image before society, clients, suppliers, and investors.

This reputational deterioration hinders the attraction and retention of talent, since qualified professionals tend to seek organizations that demonstrate commitment to ethics and social responsibility (NUNES; SILVA, 2025). Consequently, ineffective management of labor obligations not only burdens the company's cash flow but also weakens its competitiveness and strategic market positioning (OYER; SCHAEFER, 2022).

Preventive Auditing as a Strategic Tool

Conceptual Framework and Theoretical Foundations

Preventive labor auditing emerges in the academic literature as a proactive and structured response to the challenges posed by the complexity of labor relations and the imminent risk of liability



formation (NETSHIFHEFHE; NETSHIFHEFHE; NAPHTALI, 2024). Unlike corrective auditing, which acts in the assessment of damages after a lawsuit or enforcement action has occurred, the preventive modality aims at the early identification of non-conformities and the timely implementation of remedial measures (GARCIA; VIER, 2021).

It is a systematic, independent, and documented examination of the processes, policies, and practices of the Human Resources department, with the aim of verifying the degree of the organization's adherence to current legislation and internal regulations, aligning with the precepts of international standard ISO 19011 (SOTELO ASEF, 2018). Preventive auditing integrates into the broader corporate governance framework, functioning as a mechanism of accountability and transparency.

Methodological Requirements and Implementation Considerations

The execution of an effective preventive audit requires a rigorous methodology, grounded in the detailed analysis of documents, the conducting of interviews with employees and managers, and the direct observation of operational routines (MEDINA-NOGUEIRA et al., 2020). The scope of the audit must cover all phases of the employee's life cycle in the organization, from the recruitment and selection process, through admission, contract maintenance, to eventual termination (AZEVEDO; HEINEN, 2022).

Critical aspects, such as working hours control, calculation and payment of salaries and benefits, collection of social charges, and compliance with occupational health and safety standards, must be meticulously scrutinized to ensure legal compliance (FERNANDES, 2021). The quality of the audit depends fundamentally on the technical competence of the auditors, their independence from the audited areas, and unrestricted access to documentation and organizational systems.



Integration with Compliance Programs and Risk Management

The integration of preventive auditing with labor compliance programs enhances results and strengthens the culture of integrity within the company (RIERA; CHIRIBOGA; ZAMBRANO, 2020). Compliance, which translates into the continuous commitment to act in accordance with laws and ethical principles, finds in auditing the tool for verifying and monitoring its effectiveness (LENZ; O'REGAN, 2024).

The audit provides the data and evidence necessary for managers to evaluate the performance of compliance policies, identify training gaps, improve whistleblower channels, and promote continuous improvement of internal processes, thus mitigating the organization's exposure to legal and reputational risks (AKSOY; BOZKUS, 2022). This integrated approach recognizes that compliance is not a final state, but a continuous process of learning and adaptation.

Documented Benefits and Organizational Value

The benefits arising from the systematic adoption of preventive auditing are tangible and widely documented in corporate management literature. The significant reduction in costs associated with labor contingencies is the most immediate consequence, since the correction of operational failures prevents the crystallization of liability (NZECHUKWU; NZECHUKWU, 2020). Furthermore, auditing promotes the optimization of Human Resources processes, increasing administrative efficiency and the reliability of management information (NKANSA, 2025).

By demonstrating a genuine commitment to respecting labor rights, the company elevates the level of satisfaction and engagement of its employees, consolidating a positive organizational climate and strengthening its employer brand in the market (ARAÚJO, 2023). Preventive auditing also contributes to the development of a culture of compliance, in which adherence to standards is perceived as a fundamental organizational value and not merely a legal obligation.



Methodological Framework

Research Design and Literature Review Protocol

To achieve the proposed objectives, the systematic literature review methodology was adopted — an approach that allows for the mapping, evaluation, and critical synthesis of existing scientific knowledge on a specific topic in a replicable and transparent manner (MEDINA-NOGUEIRA et al., 2020). The research was conducted following the guidelines of the PRISMA protocol (Preferred Reporting Items for Systematic Reviews and Meta-Analyses), ensuring methodological rigor in the selection and analysis of studies (PAGE et al., 2021).

The search for articles was conducted in the Scopus, Web of Science, and SciELO databases, chosen for their breadth and academic relevance in the areas of Applied Social Sciences and Law. The search strings were structured using Boolean operators to combine descriptors in Portuguese and English: (“preventive audit” OR “labor audit” OR “internal audit”) AND (“labor liability” OR “compliance” OR “risk management”) AND (“human resources” OR “labor law”).

Inclusion and Exclusion Criteria

The inclusion criteria defined for the selection of studies were: articles published in peer-reviewed scientific journals; published in the period from 2020 to 2025; written in Portuguese, English, or Spanish; and explicitly addressing the relationship between auditing, compliance, and risk management in the labor context. Theses, dissertations, books, reviews, opinion articles, corporate blog publications, and studies that did not have direct relevance to the research objective were excluded.



Selection Process and Sample Characteristics

The selection process occurred in three stages. Initially, the database search yielded 145 records. After removing 32 duplicate articles, titles and abstracts of the remaining 113 papers were read, applying the inclusion and exclusion criteria. In this phase, 68 articles were excluded for not aligning with the thematic scope. The 45 selected articles were submitted to full-text reading, resulting in the exclusion of 23 additional papers for presenting methodological weaknesses or not addressing the research question.

At the end of the process, the sample was consolidated into 22 high-impact scientific articles, which were categorized and critically analyzed to support the discussions and the proposal of the practical guide presented in this study (MEDINA-NOGUEIRA et al., 2020) (PAGE et al., 2021). The selected articles encompass diverse theoretical perspectives, empirical studies, and analyses of practical cases, providing a robust foundation for the conclusions presented.

Practical Audit Framework and Implementation Guide

Audit Planning and Scope Definition

The synthesis of the 22 scientific articles analyzed in this systematic review allowed for the structuring of a practical guide for the execution of preventive labor auditing. The literature converges on the understanding that the audit must follow a logical and documented procedural flow, covering the main areas of legal vulnerability in organizations (NETSHIFHEFHE; NETSHIFHEFHE; NAPHTALI, 2024) (MEDINA-NOGUEIRA et al., 2020). The following roadmap presents the fundamental steps and critical verification items derived from the reviewed academic studies.

The implementation of a preventive labor audit requires, first and foremost, meticulous planning and the adoption of standardized procedures to ensure the comprehensiveness and effectiveness of the analysis (SOTELO ASEF, 2018). The initial step consists of the clear definition of the scope and



objectives of the audit, delimiting the areas, processes, and time period to be examined. The formation of a team of qualified auditors, with in-depth knowledge of labor legislation and personnel department routines, is highlighted by the literature as a critical success factor (GARCIA; VIER, 2021).

Execution Phase and Key Verification Areas

The execution phase of the audit is based on the application of a detailed verification roadmap. Regarding hiring, the authors emphasize the need to verify the regularity of entries in the Employment and Social Security Card (CTPS), the formalization of employment contracts, the performance of occupational medical examinations, and the adequate union classification (AZEVEDO; HEINEN, 2022). The analysis of working hours is frequently cited as the main point of vulnerability for the formation of liabilities (CARNEIRO et al., 2024) (ARENA; FERRIS, 2018). Special attention is required to timekeeping records, ensuring compliance with legal limits on overtime, granting of intra- and inter-shift breaks, and the correct compensation of additional pay (FERNANDES, 2021).

In the area of remuneration and benefits, academic literature recommends that the audit verifies the accuracy of payroll calculations, checking compliance with the category's minimum wage floor, the integration of salary-related components, and the correct application of legal and authorized deductions (SILVA; SOUZA, 2023). Verification of the timely and complete collection of the Unemployment Guarantee Fund (FGTS) and social security contributions is essential to eliminate the risk of fiscal penalties and collection actions (NZECHUKWU; NZECHUKWU, 2020). Additionally, termination routines must be audited to ensure the correct calculation of severance pay, compliance with payment deadlines, and the delivery of relevant documentation to the worker (WILLIAMS, 2025).



Reporting and Continuous Monitoring

The final stage of the audit comprises the preparation of a detailed report, which consolidates the findings, identified non-conformities, and improvement recommendations. This document must be presented to senior management and managers of the areas involved, serving as the basis for the formulation of a corrective and preventive action plan (NKANSA, 2025). The literature emphasizes that continuous monitoring of the implementation of the proposed measures is crucial to ensure the effectiveness of the audit and the consolidation of a culture of compliance (RIERA; CHIRIBOGA; ZAMBRANO, 2020) (COSO, 2017).

Preventive auditing, therefore, does not end with the delivery of the report, but is configured as a continuous cycle of evaluation, correction, and improvement of people management practices. The establishment of performance and compliance indicators allows for systematic monitoring of the evolution of identified vulnerabilities and the effectiveness of implemented corrective actions.

Conclusions and Future Research Agenda

The in-depth analysis of the scientific literature through this systematic review demonstrates that preventive labor auditing transcends the mere formality of accounting verification, assuming a leading role in the corporate governance and risk management strategy. The mitigation of labor liabilities is not restricted to defense in initiated litigation, but is grounded in the organization's ability to anticipate risks, identify operational vulnerabilities, and correct deviations before they materialize into financial and reputational losses (NETSHIFHEFHE; NETSHIFHEFHE; NAPHTALI, 2024) (GARCIA; VIER, 2021).

The development of a practical guide for managers and Human Resources professionals, based on findings from peer-reviewed studies, demonstrates that labor compliance is an achievable objective through planning, training, and continuous monitoring (NKANSA, 2025). The implementation of



audit routines, combined with the consolidation of a compliance culture, provides the company with the necessary legal certainty to focus on its core activities and the achievement of its strategic objectives (RIERA; CHIRIBOGA; ZAMBRANO, 2020).

Although this study presents relevant contributions to management and academic practice, it is imperative to recognize its limitations. The systematic review focused predominantly on literature indexed in the Scopus, Web of Science, and SciELO databases, and may not have captured relevant publications in other repositories or in grey literature format. Furthermore, the focus on the last five years, while ensuring currency, may have excluded seminal theoretical frameworks prior to this period. The absence of an empirical case study testing the effectiveness of the proposed practical guide in a real organization constitutes another limitation of the research.

For future research, it is suggested that empirical studies, quantitative or qualitative in nature, be conducted to evaluate the direct financial impact of implementing preventive audit programs in different sectors of the economy. Additionally, investigations into the integration of emerging technologies, such as artificial intelligence and data analytics, in internal audit routines represent a promising research agenda aligned with digital transformation trends (ALFINA; UTAMA, 2025) (NKANSA, 2025). It is concluded, therefore, that investment in preventive auditing represents a high-return managerial decision of undeniable relevance for organizational sustainability and the promotion of a work environment based on ethics and respect for human capital (NUNES; SILVA, 2025) (ARAÚJO, 2023).

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