

A Comparative Study on Internal and External Audits in Forensic Accounting: Effectiveness and Impact on Organizational Integrity

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Abstract: and prevent financial irregularities. This study aims to provide a comprehensive comparative analysis of internal and external audits, focusing on their effectiveness in ensuring organizational integrity within the realm of forensic accounting. The research investigates the inherent differences, advantages, and limitations of both internal and external audits, considering factors such as cost, independence, expertise, and the scope of review. It explores the extent to which these audit mechanisms contribute to fraud detection, risk management, and overall organizational compliance.

Through a systematic review of existing literature and empirical data, this study evaluates the impact of internal and external audits on organizational performance and transparency. It also assesses their effectiveness in uncovering financial misconduct and ensuring that corrective actions are taken. By drawing on case studies and real-world examples, the study delves into the practical application of internal and external audits in various industries and sectors. It examines the role of auditors, the tools and techniques employed, and their ability to provide actionable insights that support forensic investigations.

The findings of this comparative study are intended to guide organizations and regulatory bodies in making informed decisions about the optimal audit approach for their specific needs. While recognizing that no one-size-fits-all solution exists, the study aims to shed light on the relative merits of internal and external audits in the context of forensic accounting. Ultimately, the research seeks to enhance the understanding of how these audit methods can best serve organizations in their pursuit of financial transparency and integrity.

Keywords: Forensic accounting, Internal audit and External audit

Introduction:

Forensic accounting plays an essential role in detecting, preventing, and addressing financial fraud, mismanagement, and other irregularities within organizations. As organizations navigate complex financial landscapes, the requirement for robust auditing mechanisms becomes increasingly evident. Internal and external audits are two important components of these mechanisms, each serving distinct purposes and playing unique roles in ensuring organizational integrity.

Internal audits are conducted by an organization's internal audit team, which operates independently to evaluate and recover the effectiveness of risk management, control, and governance processes. On the other hand, external audits include third-party audit firms that provide an independent and objective valuation of an organization's financial statements, ensuring compliance with significant accounting standards and regulations.

This relative study aims to delve into the effectiveness and impact of internal and external audits in the realm of forensic accounting, particularly concerning organizational integrity. The term "organizational integrity" encompasses not only financial transparency but also obedience to ethical standards, governance practices, and overall trustworthiness.

Objectives of the Study:

1) To measuring the Effectiveness of Internal Audits:

Inspecting the internal audit processes and methodologies.

Analyzing the ability of internal audits to identify and prevent fraudulent activities.

Investigating the role of internal audits in maintaining and improving internal controls.

2) To evaluating the Impact of External Audits:

- Scrutinizing the contribution of external audits to financial transparency.
- Measuring the role of external audits in providing stakeholders with confidence in financial reporting.
- Exploring the effectiveness of external audits in uncovering hidden financial irregularities.

3) To comparative Analysis: Internal vs. External Audits:

- Contrasting the strengths and weaknesses of internal and external audit processes.
- Investigating the collaborative potential of combining internal and external audit findings for a all-inclusive forensic approach.
- Identifying areas of synergy or potential conflicts among internal and external auditing.

4) To implications for Organizational Integrity:

- Understanding how the findings from internal and external audits impact an organization's overall integrity.
- Evaluating the role of forensic accounting in reinforcing ethical standards and governance practices.
- Discovering the long-term effects of internal and external audits on organizational reputation and stakeholder trust.

By addressing these objectives, this study aims to provide valuable insights into the dynamics of internal and external audits in forensic accounting, offering practical recommendations for organizations seeking to enhance their integrity and resilience against financial misconduct. As we commemorate the first anniversary of this study, the journey towards a deeper understanding of these critical auditing processes continues.

Importance of Internal Audit:

- **Governance and Risk Management:** Internal audit contributes in effective governance of Organization by classifying risks and safeguarding proper risk management practices.
- **Compliance and Controls:** Analyze the role of internal audit in ensuring compliance with laws, regulations, and internal policies while assessing the effectiveness of controls.
- **Objectives and Focus Areas:**
- **Assurance and Advisory:** internal audit plays the dual role in providing guarantee to stakeholders while also offering advisory services to improve operations.
- **Focus Areas:** Discuss the significant areas of focus for internal audits, such as financial controls, operational efficiency, fraud prevention, and IT systems.
- **Methodologies and Practices:**
- **Risk-Based Approach:** internal audits accept a risk-based approach to prioritize audit activities based on the import of risks.
- **Audit Planning and Execution:** the methodologies used in planning, executing, and reporting internal audit outcomes, including sampling techniques, interviews, and data analytics.
- **Value Addition and Impact:**
- **Operational Improvements** internal audit recommendations contribute to operational improvements, process efficiencies, and cost savings.
- **Risk Mitigation:** internal audit helps in identifying, evaluating, and mitigating risks to protect the organization's assets and reputation.
- **Challenges and Considerations:**
- **Technological Advancements:** The emerging technologies influence internal audit practices, such as data analytics, AI, and cyber security concerns.
- **Talent and Skills:** Internal Auditors faces challenges allied to skill gaps and the need for continuous professional development among them.
- **Stakeholder Expectations:** Analyze the complexities of meeting various stakeholder expectations, balancing assurance, advisory, and oversight roles.
- **Future Trends and Innovations:**

Technological Integration: The increasing use of technology and data analytics to improve audit processes and derive deeper insights.

Agile Auditing: The trend toward agile methodologies in internal audit, enabling quicker response to changing risks and business needs.

Definition of External Audit: An external audit is a financial review that is led by a party not related with the company or department that is voluntarily or involuntarily under audit. An external audit takes place within a defined set of rules or laws. And its role in providing independent assurance on the fairness and accuracy of financial statements.

Highlight the importance of external audits in improving trust among stakeholders and ensuring regulatory compliance.

- **Purpose and Objectives:**
- **Financial Statement Assurance:** the primary objective of external audit, which is to express an outlook on whether the financial statements present a true and fair view.
- **Compliance Verification:** External audits authenticate compliance with accounting standards, laws, and regulations.
- **Methodologies and Practices:**
- **Risk Assessment and Planning:** external audits conduct risk assessments to plan audit procedures, as well as understanding the business and industry.
- **Audit Testing and Evidence:** The audit testing methods used to gather necessary appropriate audit evidence, such as substantive testing and tests of controls.
- **Independence and Professional Scepticism:**
- **Independence:** The importance of independence in external audits, safeguarding auditors' impartiality and liberty from undue influence.
- **Professional Scepticism:** The role of professional scepticism in maintaining an objective mindset and questioning the evidence obtained during the audit.
- **Audit Reports:** The content and structure of audit reports, with the view expressed by auditors on the financial statements.
- **Communicating Findings:** Auditors communicate audit results and references to management and stakeholders.
- **Value and Impact:**
- **Credibility and Trust:** External audits contribute to improving the credibility of financial information, fostering trust among investors, creditors, and regulators.
- **Quality Enhancement:** External audits might lead to enhancements in financial reporting processes and internal controls.
- **Challenges and Considerations:**
- **Regulatory Environment:** Address the challenges posed by evolving regulatory necessities and compliance standards.
- **Technological Advancements:** Auditors adapt to technological advancements and address challenges associated to cyber security and data analytics.
- **Future Trends and Innovations:**
- **Technology Integration:** External audits embrace technology, such as data analytics and artificial intelligence, to enhance audit effectiveness and efficiency.
- **Integrated Reporting:** The trend towards integrated reporting, where audit functions incorporate non-financial inform for a Holistic review.

Importance on Internal Audit

Definition of Internal Audit: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- **Importance of Internal Audit:**

- Governance and Risk Management: internal audit contributes in effective governance of Organisation by identifying risks and ensuring proper risk management practices.
- Compliance and Controls: Analyse the role of internal audit in ensuring compliance with laws, regulations, and internal policies while evaluating the effectiveness of controls.

Objectives and Focus Areas:

- Assurance and Advisory: internal audit plays the dual role in providing assurance to stakeholders while also offering advisory services to improve operations.
- Focus Areas: Discuss the key areas of focus for internal audits, such as financial controls, operational efficiency, fraud prevention, and IT systems.

Methodologies and Practices:

- Risk-Based Approach: internal audits adopt a risk-based approach to prioritize audit activities based on the significance of risks.
- Audit Planning and Execution: the methodologies used in planning, executing, and reporting internal audit findings, including sampling techniques, interviews, and data analytics.

Value Addition and Impact:

- Operational Improvements internal audit recommendations contribute to operational enhancements, process efficiencies, and cost savings.
- Risk Mitigation: internal audit helps in identifying, assessing, and mitigating risks to protect the organization's assets and reputation.

Challenges and Considerations:

- Technological Advancements: The emerging technologies impact internal audit practices, such as data analytics, AI, and cybersecurity concerns.
- Talent and Skills: Internal Auditors faces challenges related to skill gaps and the need for continuous professional development among them.
- Stakeholder Expectations: Analyze the complexities of meeting diverse stakeholder expectations, balancing assurance, advisory, and oversight roles.

Future Trends and Innovations:

- Technological Integration: The increasing use of technology and data analytics to enhance audit processes and derive deeper insights.
- Agile Auditing: The trend toward agile methodologies in internal audit, enabling faster response to changing risks and business needs.

Conclusion:

- Summarize Key Points: Recap the importance, objectives, methodologies, and impact of internal audit within organizations.

- **Emphasize Continuous Improvement:** Highlight the need for internal audit functions to evolve continually to meet the dynamic challenges of the business environment.

Recommendations and Future Prospects:

- **Suggestions for Improvement:** Propose potential areas for enhancing internal audit practices, such as adopting new technologies or refining methodologies.
- **Future Prospects:** Discuss future prospects for internal audit in embracing innovation, adapting to changing risks, and adding more value to organizations.
- **Ensure your discussion and analysis cover the various dimensions of internal audit,** addressing its importance, methodologies, impact, challenges, and future trends while emphasizing its role in ensuring effective governance, risk management, and compliance within organizations.

Review of Literature

Mihret&Yismaw (2007) scrutinized how internal audit quality, management support, organizational setting, auditee attributes, and the interplay among these factors, impact internal audit effectiveness. The results of the study highlight that internal audit effectiveness is strongly inclined by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong influence on audit effectiveness.

Cohen&Sayag (2010) empirical study was to build a conceptual understanding of the success of internal audit in organizations. They recognised a scale to quantify the efficiency of internal audit and a model of its determinants. One hundred and eight Israeli organizations that employ internal audit contributed in the study (a 37% response rate). Data on the effectiveness of internal audit were composed from the organizations' general managers and data on the determinants from their internal auditors. The outcomes revealed good psychometric properties for the scale developed in this study. The correlation and regression analyses showed maintenance from top management to be the main determinant of internal audit effectiveness, with some effect also establish for the organizational independence of internal audit. The outcome of the predictors was consistent between the public and private s each model explained a large amount of variance of internal audit effectiveness.

Mustika (2015) verified the factors that impact the internal audit effectiveness, including internal auditor competencies, internal auditor independence, auditee support to internal audit activity, and the internal and external auditor relationship. Using the internal auditor inspectorate in Java Province, Indonesia, the researcher found that the internal audit effectiveness can be achieved through rise internal audit competence, independence and strong relationship among internal and external auditor. However, this study found that auditee support has no consequence on internal audit effectiveness.

Chevers, Lawrence, Laidlaw & Nicholson (2016) examined the factors that impact the effectiveness of the internal audit function in Jamaican commercial banks. The study create that the superiority of audit investigation, organizational independence, professional proficiencies and management support have a substantial impact on internal audit effectiveness. They determined that it is

imperative for stakeholders and policy makers to grow the important role internal audit plays in the financial viability and financial health of any financial institution.

There is growing recognition in the public audit profession that the emergence of big data as well as the developing use of analytics by audit clients has brought new opportunities and concerns (Appelbaum, Kogan&Vasarhelyi, 2017).

AS 2305 (PCAOB, 2016a) defines Analytical Procedures (APs) as an “important part of the audit process that comprises of evaluations of financial information made by a study of plausible relationships between both financial and nonfinancial data.” AS 2305 states that APs may range from basic judgements to the use of more complex models including multiple relationships and elements in the data. APs are essential in the planning/risk assessment phase and in the review phase of the engagement.

Al-Twajjry et al. (2003) use institutional theory to interpret the results of two Questionnaire and research interviews concerned with internal audit in the Saudi Arabian corporate sector. The outcomes show that internal audit is not well developed. Where it does exist, it operates in departments that are inadequately resourced, lack Qualified staff, have limits on their degree of independence, concentrate on Compliance audit rather than performance audit, and where internal auditors are not recognised by management and auditees. Using institutional theory, the authors suggested that the state should play a more strong role by encouraging organizations to establish internal audit departments and organize their activities in the manner Specified in internal audit standards.

Based upon a case study of a large public sector higher educational institution in Ethiopia, Mihret & Yismaw (2007) scrutinized how internal audit quality, management Support, organizational setting, auditee attributes, and the interplay among these Factors, influence internal audit effectiveness. The outcomes of the study highlight that Internal audit effectiveness is strongly inclined by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong influence on audit effectiveness.

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Hailemariam (2014) examined on the determinants of internal audit effectiveness in the selected Ethiopian public sector offices. The examination was focused on 15 purposely selected public

sector offices that are expected to characterise all other sectors. The management teams and the internal auditors of the selected public sector office were the source for the obligatory data to the researcher through the questionnaires

administered. In addition, the finding of this study was to show the direct relation effects of management perception, management support, organizational independence of internal auditors, adequate and capable internal auditor's staff and the presence of approved internal audit charter with the internal audit effectiveness on the public sector management. According to the regression productivity the management support, the existence of adequate and competent internal audit staff, and the availability of approved internal audit charter were contributed for the internal audit efficiency in the public sector significantly and positively. The residual two variable; the managements perception for the internal audit value and the organizational independent of internal auditors were positively connected with the internal audit effectiveness but their impact for the internal audit effectiveness were statistically not significance. All of these five independent variables made 55.10% of the contributions for internal audit effectiveness in the public sector offices.

Baharud-din, Shokiyah and Ibrahim (2014) examined the factors that contribute to the effectiveness of internal audit in the Malaysian public sector. It was to determine the auditors' perception in the direction of the effectiveness of internal audit work, inclined by the quality of audit work in order to complete in an effective manner as control instrument in public financial management. It also aimed to define the relationship between factors that donate to the effectiveness of internal audit works in promoting better transparency and integrity of public management. The scope of this study covered the internal auditors that work in the ministries in Putrajaya. This study employed a cross sectional survey to examine the effectiveness of internal audit. Several statistical techniques such as the descriptive statistic, correlation and regression analysis were used to analyse the data from the survey. The result of the study showed that there were important positive relationships among the factors analysed in the study such as auditor competency, auditors' independence and objectivity and management support to the effectiveness of internal audit. Thus, the effectiveness of internal audit will depend strongly on the attributes of the factors analysed in this study.

Alzeban & Gwilliam (2014) assessed factors influencing internal audit effectiveness (IAE) in Saudi Arabia. Data were obtained from 203 managers and 239 internal auditors from 79 Saudi Arabian public sector organizations. Multiple regression analysis observes the association between IAE and five principal factors. Results suggest that management support for IAE drives perceived effectiveness of the internal audit function from both management and the internal auditors' perspective. Management support is linked to hiring trained and experienced staff, providing sufficient resources, improving the relationship with external auditors, and having an independent internal audit department. Saudi Arabia is representative of many developed and developing environments, and its recent tradition of governance and audit is mirrored in countries worldwide. Moreover, its specific cultural traditions involving clan and tribal allegiances, and pervasive and core religious beliefs, characterize the GCC countries, the Arab World generally, and indeed, many other developing countries, irrespective of wealth. Thus, links between

management support and internal audit effectiveness are likely generalizable beyond the Saudi public sector context.

Mustika (2015) tested the factors that influence the internal audit effectiveness, including internal auditor competencies, internal auditor independence, auditee support to internal audit activity, and the internal and external auditor relationship. Using the internal auditor inspectorate in Java Province, Indonesia, the researcher found that the internal audit effectiveness can be achieved through growth internal audit competence, independence and strong relationship among internal and external auditor. However, this study found that auditee support has no effect on internal audit effectiveness.

Endaya and Hanefah (2016), examined the direct relationship between internal auditors' characteristics and internal audit effectiveness, and the moderating effect of senior management support. Standard multiple regression and moderated multiple regression were applied, and the data were gathered from 114 members of Libyan Association of Accountants and Auditors by using personally administered questionnaire. The results revealed that internal auditors' characteristics have a significant influence on internal audit effectiveness and senior management support has a moderating effect. The outcomes would encourage Libyan organizations to concentrate on the issue of internal audit effectiveness, and will strengthen the capacity of internal auditing in public organizations.

Dellai & Omri (2016) examined factors influencing internal audit efficiency in the Tunisian context. Data was collected from replies to a questionnaire addressed to Chief Audit Executives of 148 Tunisian organizations. Multiple regression analysis examines the association among the effectiveness of the internal audit function and six principal factors. Results revealed that the effectiveness of internal auditing is influenced by: the independence of internal audit, the objectivity of internal auditors, the management maintenance for internal audit, the use of internal audit function as a management training ground, and the sector of organization. The study provided valuable information to practitioners and academics who are interested to identify the factors of internal auditing effectiveness in developing countries.

Tackie, Marfo-Yiadom and Achina (2016) scrutinised the factors of internal audit effectiveness in decentralized local government administrative systems of Ghana. Ghana's local government system is structured into Metropolitan, Municipal, and District Assemblies (MMDAs). For the purpose of the study, the researchers focused on the Ashanti region of Ghana which has the highest number of MMDAs. The motivation for the study was derived from the enlarged interest in the internal audits of local government units. Using a descriptive survey, the data gathered, through the use of questionnaire, revealed that majority of the internal audit staff of MMDAs in the Ashanti Region of Ghana possess the requisite professional proficiency. Contrary to the perception that audit quality in the public sector is usually compromised, the study discovered that there exists high quality of audit work due to compliance with the international standards on auditing and local audit legislations. Professional proficiency, organizational independence, and career advancement were originate to have statistically important positive relationship with internal

audit effectiveness, while top management support was found to have no effect on internal audit effectiveness.

Chevers, Lawrence, Laidlaw & Nicholson (2016) examined the factors that influence the effectiveness of the internal audit function in Jamaican commercial banks. The study found that the quality of audit investigation, organizational independence, professional proficiencies and management support have an important impact on internal audit effectiveness. They concluded that it is imperative for stakeholders and policy makers to understand the significant role internal audit plays in the financial viability and financial health of any financial institution.

Lenz, Sarens and Hoos (2017) examined the relationship between Chief Audit Executives (CAEs) and Senior Management (SM) and its relationship with internal audit (IA) effectiveness. The study revealed differences between more and less effective IA functions and offers explanations by studying organizational, personal, and interpersonal factors within the German corporate governance context. The discoveries showed that the pattern of interaction between CAEs and SM is a key determinant of IA effectiveness. This study highlights the danger of viewing customer satisfaction as the key measure of IA effectiveness since in practice expectations can vary significantly and as sometimes very little may be demanded. Moreover, CAEs typically adjust to expectations, upward and downward. CAEs can drive the agenda as well. When it comes to personality factors, "Finger-feeling" and swimming in the organization characterize the successful internal auditor. IA designations for CAEs were not found to be of added value. At the organizational level, the outcomes show that companies that are considered as "hidden champions" demand and benefit from effective IA practices.

Shamki & Alhajri (2017) examined the extent internal audit effectiveness could be inclined by selected factors namely internal audit scope, internal auditor's experience and senior management & response in the Omani public sector. Employing Questionnaire comprising four sections with 48 questions for responses of 45 managers and 163 employees in Public Authority for Social Insurance (PASI) in the Sultanate of Oman, descriptive analysis, correlation analysis, and multiple regressions were employed to examine the relationships among the study's variables. The study found that a significant relationship among internal audit effectiveness and its scope and auditors' experience in the employees' sample while they were insignificant in the managers' sample. Finally, it is found that there is insignificant relationship between internal audit effectiveness and senior management & response. Based on the conclusions, an awareness has to be maximized on employees to better cooperate with internal audit staff to increase the applications of internal audit standards. Managers are well interested in organization's activities and performance reliant on the internal audit answers and observations. The board of directors has to take in its considerations the reasons of these insignificant results if the reasons are not related to the small size of the managers' sample. The study's contribution is to provide evidence regarding the influence of three mentioned factors on the internal audit effectiveness in public sector.

Bednarek (2017) sought to escalate the factors that affect internal audit efficiency. Based on the survey from 342 organizations in Poland it was found that the internal audit effectiveness is affected by: 1) the features of the internal audit, 2) audit activity, and 3) inter-organizational relationships. The effectiveness surges when the age of the internal audit grows, performing audit engagements is regularly monitored, the results of measuring the audit performance and self-assessment are working for introducing changes, audit committee indicates significant risks and sets main concern for the annual and strategic audit plans, and commissioned audits do not exceed 20% of the work of the internal audit.

Rudhani, Vokshi & Hashani (2017) asserted that since audit has a great implication in avoiding, consulting and finding cases of funds misuse, it was thought of analyzing the factors that contribute to rising the efficiency of internal audit in the public sector which would support to set proper and more transparent governance of public financial resources. They therefore undertook a study that examined the relationship between effectiveness and contributing factors. The data for the study were collected through an online questionnaire and direct hand-outs of such. The results of the empirical analysis proved that effectiveness has a positive relationship with internal audit quality, the competence of the internal audit team, the independence of internal audit, as well as with the support of internal audit from the management. Besides, it was confirmed that audit quality is the fundamental element of the effectiveness of internal audit since it was among the most influential factors in the sample.

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Musah, Gapketor, & Anokye (2018) observed factors that determine internal audit effectiveness among SOEs in Ghana. The study was conducted in response to various scandals among Ghanaian SOEs and the lack of empirical studies on factors of internal audit effectiveness that can compact with these problems. The study specifically inspected the respondent's perception about the result of factors such as; competence of internal audit unit, size of internal audit unit, relation among internal and external auditors, management support for internal audit function, and independence of internal audit unit on internal audit effectiveness among SOEs in Ghana. They surveyed internal auditors, accountants and management of these sampled SOEs in Ghana. The significances of the study presented that management support for internal audit function is the most significant determinants of internal audit effectiveness. The study also sexposed that size of internal audit unit, competence of internal audit staff, independence of internal audit unit as well as good relationship between internal and external auditors were

Interpretation of ROL:

Focus: Recent literature has delved into the growing landscape of forensic accounting, emphasizing the dynamic nature of internal and external audits in response to changing business environments and technological advancements.

Key Themes:

Technological Innovations in Forensic Accounting.

Variations in Regulatory Frameworks Affecting Auditing Practices.

Incorporation of Data Analytics in Internal and External Audits.

Case Studies Illustrating Contemporary Challenges and Solutions.

Focus: This period sees an increased emphasis on the role of internal audits in mitigating emerging risks and the evolving expectations placed on external audits for greater transparency.

Key Themes:

Internal Audit Response to Cybersecurity Risks.

External Audit Editions to Evolving Accounting Standards.

The Impression of Environmental, Social, and Governance (ESG) Factors on Auditing.

Stakeholder Perceptions of Internal and External Audit Effectiveness.

Focus: Recent literature explores the interplay among internal and external audits, shedding light on collaborative approaches and potential areas of synergy in addressing complex forensic challenges.

Key Themes:

Collaborative Forensic Approaches: Internal and External Audit Partnerships.

Cross-functional Training for Internal and External Auditors.

Progressions in Fraud Detection Technologies.

Interconnectedness of Internal Controls and External Assurance.

Focus: This period highlights the influence of internal and external audits on organizational governance and ethical standards, highlighting their role in shaping an organization's ethical culture.

Key Themes:

Internal Audit's Influence to Organizational Governance.

External Audit Influence on Ethical Decision-Making.

Assessing Organizational Integrity Through Auditing Practices.

Corporate Replies to Audit Recommendations for Ethical Improvements.

Focus: Recent literature in the last year highlights the integration of artificial intelligence (AI) and machine learning in forensic accounting practices, as well as the character of audits in rebuilding organizational trust post-financial scandals.

Key Themes:

AI and Machine Learning Applications in Forensic Accounting.

Rebuilding Organizational Trust After Financial Scandals: The Audit Perspective.

Regulatory Reforms Impacting Internal and External Audit Practices.

Case Studies Illustrating Effective Forensic Responses to Contemporary Financial Frauds.

This review of literature over the last 5 years demonstrates a developing recognition of the critical role internal and external audits play in shaping the integrity of organizations amidst technological advancements, regulatory variations, and an evolving understanding of forensic challenges. The interdisciplinary nature of recent studies underscores the need for a holistic approach in addressing the complexities of contemporary forensic accounting.

Research Methodology

1. Research Design:

Employ a mixed-methods research design, merging qualitative and quantitative approaches for a comprehensive understanding of internal and external audit practices. Utilize a longitudinal design to capture changes and trends over time.

2. Population and Sampling:

Define the population under study, including organizations across various industries. Use stratified random sampling to ensure representation from various sectors. Comprise both large corporations and SMEs to capture a broad spectrum of auditing practices.

3. Data Collection:

Quantitative Data: Collect quantitative data through surveys and structured questionnaires. Seek replies from internal and external audit professionals, organizational leaders, and stakeholders. Focus on key performance indicators, audit methodologies, and perceived impacts on organizational integrity.

Qualitative Data: Conduct in-depth interviews with internal and external auditors, forensic accountants, and organizational leaders. Discover qualitative insights on challenges faced, successful practices, and recommendations. Analyse internal and external audit reports, case studies, and industry publications for contextual depth.

Document Analysis: Review internal audit reports, external audit outcomes, and organizational records to extract relevant information. Analyse industry standards, regulatory guidelines, and academic literature to provide a theoretical framework.

4. Variables and Measurements:

Identify key variables, including internal audit effectiveness, external audit impact, organizational integrity, and forensic accounting practices. Develop measurement tools for example Likert scales, content analysis frameworks, and thematic coding for qualitative data.

Data Analysis:

Quantitative Analysis: Employ statistical tools (e.g., SPSS) to analyse survey data. Conduct correlation analyses to categorise relationships between variables. Use inferential statistics to draw conclusions about the broader population.

Qualitative Analysis: Utilize thematic analysis to identify patterns, themes, and insights from interviews and open-ended survey responses. Apply content analysis to assess internal and external audit reports and industry literature.

Comparative Analysis: Conduct a comprehensive comparative analysis of internal and external audit practices. Classify areas of convergence and divergence between the two auditing mechanisms. Explore collaborative potential and areas for improvement.

7. **Ethical Considerations:** Ensure participant confidentiality and obtain informed consent. Obey to ethical standards set by relevant professional bodies. Safeguard sensitive information and maintain data privacy.

8. **Validation and Reliability:** Implement triangulation by cross-verifying outcomes from different data sources. Establish inter-rater dependability for qualitative analyses. Use validated measurement tools and ensure reliability in data collection.

9. **Limitations:** Acknowledge potential limitations, such as sample bias, self-reporting biases, and external factors influencing audit practices. Provide a transparent discussion of limitations to improve the study's credibility.

10. **Reporting and Dissemination:** Present outcomes through comprehensive reports, academic publications, and industry presentations. Distribute consequences to academic, professional, and organizational audiences to contribute to knowledge sharing and practical applications. By employing a robust research methodology that pools quantitative and qualitative approaches, this comparative study aims to deliver a nuanced understanding of the effectiveness and impact of internal and external audits on organizational integrity within the realm of forensic accounting.

Comparative analysis on both Internal and External Audit:

Determining which Audit type—Internal or External—is more effective is not straightforward as both serve different purposes and cater to diverse stakeholders within an organization. The effectiveness of both type of audit depends on numerous factors and the context in which they operate. Some aspects are discussed as follows -

Internal Audit:

- Scope:** Internal audits emphasis on assessing internal controls, risk management, operational efficiencies, and compliance within an organization.
- Depth of Insight:** Internal audits often have a deeper understanding of the organization operations, culture, and risks due to their continuous presence.
- Goal:** While they aim to deliver assurance to management and the board, they also support in improving processes and internal controls.

External Audit:

- Independence and Objectivity:** External audits are conducted by independent third-party firms and primarily focus on financial statements; accuracy, compliance, and obedience to accounting standards.
- External Validation:** They deliver credibility and assurance to external stakeholders like investors, regulators, and creditors concerning the accuracy of financial information.

□ **Limited Scope:** External audits are usually showed periodically (annually) and might have restrictions in accepting all aspects of an organization & operations.

Effectiveness Considerations:

□ **Purpose and Stakeholders:** Internal audits provides contribution to the organization by improving internal controls and processes, while external audits primarily provides contribution to external stakeholders by ensuring financial statement accuracy and compliance.

□ **Complementarity:** Both audits support complementary purposes and collectively contribute to an organization & governance, risk management, and compliance framework.

□ **Independence and Reliability:** External audits are appreciated for their independence and external validation, while internal audits are appreciated for their insights into operational efficiencies and risk mitigation.

Conclusion:

□ It is not about which audit is more effective, but rather about their synergy and how they collectively contribute to the organization, governance and reliability.

□ Both internal and external audits perform a crucial roles in ensuring an organization's integrity, transparency, and compliance with standards and regulations.

□ While external audits deliver assurance to external stakeholders, internal audits contribute to operational improvements and risk mitigation, helping the organization internally.

In summary, the effectiveness of internal and external audits should be measured based on their respective objectives, stakeholder needs, and the overall contribution they make to an organization governance and reliability rather than comparing them in terms of superiority. Both audits are important components of a robust governance and control framework.

Future scope

Internal Audit:

Technology Integration: The future of internal audit heavily includes leveraging technology such as AI, machine learning, and data analytics to enhance audit processes, identify anomalies, and provide real-time insights.

Risk Management & Compliance: Internal auditors will perform a crucial role in not only identifying risks but also developing proactive strategies to mitigate them. Compliance with evolving regulations and industry standards will remain a primary focus.

Business Advisory Role: Internal audit functions are expanding beyond a purely compliance-oriented role to becoming strategic partners, providing valuable insights to improve operational efficiency and business performance.

Cyber security Auditing: With the growing frequency and sophistication of cyber threats, internal auditors will need to specialize in evaluating and fortifying cybersecurity measures within organizations.

Sustainability and ESG Auditing: The emphasis on Environmental, Social, and Governance (ESG) factors is growing. Internal auditors will likely have an extended role in assessing and reporting on sustainability initiatives and ethical practices.

External Audit:

Enhanced Assurance Services: External audit firms will continue to adapt and enlarge their service offerings to deliver deeper insights into financial reporting, business risks, and overall governance.

Advanced Technology Adoption: Similar to internal audit, external audit functions will embrace technological advancements to expand audit quality, accuracy, and efficiency. This includes using AI, data analytics, and automation tools.

Focus on Non-Financial Information: Besides financial statements, there will be a greater emphasis on auditing non-financial information such as sustainability reports, ESG disclosures, and other corporate reporting areas.

Regulatory Changes and Global Standards: External auditors will need to stay abreast of evolving regulations and international auditing standards to maintain consistency and quality in their audit processes across different jurisdictions.

Advisory and Consulting Services: External audit firms are gradually branching into advisory services, providing clients with consulting expertise in areas like risk management, governance, and regulatory compliance.

In summary, both internal and external audit functions will continue to evolve by incorporating technology, adapting to changing regulations, broadening their scope beyond traditional financial audits, and playing a more strategic advisory role within organizations. Professional development, staying updated with industry trends, and embracing innovation will be pivotal for auditors to thrive in the future landscape.

CAPCDR 6th CONFERENCE 2022