

ROLE OF INTERNAL AUDIT IN RISK MANAGEMENT AND FRAUD PREVENTION: AN EMPIRICAL STUDY BASED ON SECONDARY DATA

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ABSTRACT:

This study examines the role of internal audit in enhancing risk management and preventing fraud within organizations using publicly available secondary data from 50 listed firms. The research adopts a quantitative empirical approach, analyzing internal audit characteristics, risk disclosure practices, and fraud-related indicators derived from annual reports and corporate governance disclosures. A Risk Disclosure Index (RDI) is constructed to measure the quality of risk reporting, while fraud indicators such as regulatory penalties, restatements, and audit qualifications are used as proxies for financial irregularities. The findings reveal a strong positive relationship between internal audit strength and risk disclosure, indicating that firms with effective audit systems demonstrate higher transparency and better governance practices. Additionally, a significant negative relationship is observed between internal audit effectiveness and fraud occurrence, suggesting that robust audit mechanisms act as a deterrent to fraudulent activities. The study highlights that while internal audit functions are widely implemented, their effectiveness varies across firms depending on independence, reporting structure, and integration with governance frameworks. Overall, the research provides empirical evidence supporting the strategic importance of internal audit in strengthening organizational accountability and risk resilience, offering valuable insights for policymakers, regulators, and corporate stakeholders.

Keywords: Internal Audit, Risk Management, Fraud Prevention, Corporate Governance, Secondary Data Analysis.

INTRODUCTION

Internal audit has evolved from a traditional compliance-oriented function into a strategic component of corporate governance, playing a pivotal role in strengthening organizational risk management and fraud prevention mechanisms. In today's complex and dynamic business environment, characterized by digital transformation, globalization, and increasing regulatory scrutiny, organizations are exposed to a wide range of financial, operational, and cyber risks. As a result, internal audit functions are no longer limited to financial verification but are increasingly expected to provide assurance on risk management effectiveness, internal controls, and governance processes (Institute of Internal Auditors [IIA], 2023). The shift towards risk-based internal auditing reflects a broader transformation in corporate governance frameworks, where audit functions contribute to value creation rather than merely ensuring compliance. Recent corporate failures, fraud cases, and governance breakdowns across global and emerging markets have further emphasized the importance of robust internal audit systems. Regulatory bodies such as the Securities and Exchange Board of India have reinforced the need for transparency, accountability, and effective internal control mechanisms through enhanced disclosure requirements and governance norms. In India, reforms such as strengthened corporate governance frameworks and mandatory disclosures have enhanced the institutional role of internal audit in mitigating financial irregularities and ensuring risk preparedness (SEBI, 2023). Similarly, enterprise risk management frameworks emphasize the integration of internal audit into organizational risk assessment and monitoring processes (Committee of Sponsoring Organizations [COSO], 2017).

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The growing complexity of fraud schemes, particularly in the digital and data-driven economy, has further expanded the scope of internal audit. Modern fraud risks now include cyber fraud, data manipulation, and financial misreporting facilitated by technological advancements. Industry evidence suggests that organizations with stronger internal audit functions and governance structures demonstrate significantly lower instances of fraud and faster detection of irregularities (PwC, 2024). Internal auditors are increasingly leveraging data analytics, artificial intelligence, and continuous auditing techniques to identify anomalies, assess risk exposure, and strengthen preventive controls. This technological integration enhances the effectiveness of internal audit in detecting both financial and non-financial risks in real time (KPMG, 2023).

Despite these advancements, empirical evidence indicates that the effectiveness of internal audit in reducing fraud and improving risk management varies across organizations due to differences in audit independence, resource allocation, and governance quality. While many firms disclose internal audit structures in their annual reports, the actual impact of these mechanisms on risk outcomes and fraud prevention remains underexplored, particularly using publicly available secondary data (Deloitte, 2023). This gap highlights the need for empirical studies that systematically analyze internal audit characteristics and their relationship with observable indicators of risk management and fraud across firms.

Building on this context, the present study aims to empirically examine how internal audit functions contribute to strengthening risk management frameworks and preventing fraud within organizations using publicly available secondary data. Specifically, the research analyzes disclosures from annual reports and corporate governance documents to identify measurable internal audit characteristics and assess their relationship with risk management quality and fraud indicators. By adopting a data-driven approach, the study seeks to bridge the gap between theoretical expectations of internal audit effectiveness and observable organizational outcomes. The goal is to generate evidence-based insights that can inform policymakers, regulators such as the Securities and Exchange Board of India, and corporate stakeholders about the practical significance of internal audit in enhancing transparency, accountability, and governance efficiency in the contemporary business environment.

PROBLEM STATEMENT

Despite the increasing importance of internal audit in corporate governance frameworks, instances of fraud, financial irregularities, and ineffective risk management continue to persist across organizations. While companies publicly disclose internal audit structures and governance mechanisms, there remains a significant gap between the theoretical effectiveness of internal audit systems and their actual impact on reducing fraud and enhancing risk management outcomes. Existing literature often emphasizes the role of internal audit conceptually, but limited empirical evidence is available that links internal audit characteristics with observable indicators of risk and fraud using publicly available secondary data. This gap creates uncertainty regarding the practical effectiveness of internal audit functions in real-world corporate settings. Therefore, there is a need to empirically examine whether internal audit mechanisms, as disclosed in corporate reports, truly contribute to improved risk management practices and fraud prevention.

PURPOSE OF THE STUDY

The purpose of this study is to empirically examine the role of internal audit in enhancing risk management practices and preventing fraud within organizations using publicly available secondary data. The study aims to analyze disclosures from annual reports and corporate governance documents to identify key internal audit characteristics and evaluate their relationship with risk management quality and fraud indicators. By adopting a data-driven approach, the research seeks to bridge the gap between

theoretical expectations and practical outcomes of internal audit effectiveness. Ultimately, the study intends to provide evidence-based insights that can support policymakers, regulators, and corporate stakeholders in strengthening governance frameworks and improving transparency, accountability, and organizational control systems.

RESEARCH QUESTIONS

- i. How do internal audit characteristics influence risk management practices in organizations?
- ii. What is the relationship between internal audit effectiveness and fraud occurrence in firms?
- iii. Do firms with stronger internal audit systems demonstrate better transparency and governance through risk disclosures?
- iv. To what extent can publicly available corporate data reflect the effectiveness of internal audit in risk and fraud management?

OBJECTIVES OF THE STUDY

- i. To examine the role of internal audit in enhancing risk management practices in organizations.
- ii. To analyze the relationship between internal audit characteristics and fraud prevention.
- iii. To evaluate how internal audit contributes to transparency through risk disclosures in corporate reports.
- iv. To assess the effectiveness of internal audit using publicly available secondary data from corporate disclosures.

SCOPE AND DELIMITATIONS

Scope of the Study

The study focuses on examining the role of internal audit in risk management and fraud prevention using publicly available secondary data. It primarily covers listed companies, analyzing disclosures from annual reports and corporate governance reports within the Indian context. The study considers recent data (approximately the last 3–5 years) to capture current trends in internal audit practices, risk management disclosures, and fraud indicators.

Delimitations of the Study

The study is limited to secondary data sources and does not include primary data such as surveys or interviews, which may restrict deeper insights into internal audit processes. It relies on publicly disclosed information, which may not fully reflect the actual effectiveness of internal audit functions. Additionally, variations in reporting standards, disclosure quality, and data availability across companies may affect consistency and comparability of results.

RELATED WORK

Recent literature highlights a significant transformation in the role of internal audit, shifting from a compliance-driven function to a strategic governance mechanism. The Institute of Internal Auditors (IIA, 2023) defines internal audit as an independent assurance and consulting activity aimed at improving organizational operations and governance. Expanding on this, Eulerich et al. (2019) demonstrate that internal audit effectiveness is strongly linked to organizational alignment and management support, suggesting that audit functions now contribute to strategic decision-making. Roussy et al., (2018) further argue that internal audit's role has evolved beyond control functions to include governance advisory, emphasizing its importance in enhancing transparency and accountability. Similarly, Abu et al., (2019) finds that audit quality is positively associated with improved governance structures and operational efficiency.

The relationship between internal audit and risk management has gained increasing scholarly attention in recent years. Abu et al., (2019) empirically shows that high-quality internal audit functions significantly improve enterprise risk management (ERM) systems, particularly in organizations with strong audit committees. Drogalas et al. (2017) support this by demonstrating that internal auditors play a critical role in risk identification and mitigation, leading to improved disclosure practices and organizational resilience. Kabuye et al. (2019) find that internal audit effectiveness is positively correlated with stronger internal control systems, which are essential for managing organizational risks. Additionally, Abdurrahman et al., (2020) highlight that internal audit involvement in risk-based auditing enhances firms' ability to anticipate and respond to uncertainties in dynamic business environments.

In the context of fraud prevention, recent empirical studies provide strong evidence of the effectiveness of internal audit mechanisms. Rim et al., (2025) find that internal audit functions significantly reduce the occurrence of fraud by strengthening internal controls and monitoring systems. Sharon et al., (2024) demonstrate that organizations with well-structured internal audit departments experience fewer fraud incidents due to proactive audit practices and improved oversight. A global perspective provided by PwC (2024) indicates that companies with mature internal audit capabilities detect fraud more efficiently and minimize financial losses. Furthermore, KPMG (2023) emphasizes the growing role of technology, noting that internal auditors increasingly use data analytics and continuous auditing tools to detect anomalies and prevent fraudulent activities in real time.

Empirical research using secondary data has become increasingly prominent due to the accessibility of corporate disclosures and governance reports. Ismail et al., (2022) utilize annual report data to examine the relationship between audit committee effectiveness and firm performance, demonstrating the reliability of secondary data in governance research. Prawitt et al. (2008) show that internal audit quality is significantly associated with reduced earnings management, indicating improved financial reporting integrity. Similarly, Fayyaz et al. (2025) analyze panel data from listed firms and find that internal audit effectiveness enhances transparency and reduces information asymmetry. These studies confirm that publicly available data can serve as valid proxies for measuring internal audit characteristics and organizational outcomes.

Despite extensive research, several gaps remain in the literature. Most studies focus on isolated aspects of internal audit, such as either risk management or fraud prevention, without integrating both dimensions into a single empirical framework. As noted by Kabuye et al. (2019), there is a lack of comprehensive studies that simultaneously evaluate internal audit effectiveness, risk management quality, and fraud indicators using secondary data. Moreover, variations in disclosure practices across firms create challenges in standardizing measurement and comparison. While prior studies establish conceptual relationships, there is still limited empirical evidence linking internal audit disclosures to observable governance outcomes in a unified manner. This study addresses these gaps by integrating multiple dimensions of internal audit within a single empirical framework based on publicly available data.

METHODOLOGY

RESEARCH DESIGN

This study adopts a quantitative empirical research design based entirely on secondary data. The design is both descriptive and analytical in nature. The descriptive component focuses on systematically presenting internal audit characteristics, risk management disclosures, and fraud-related indicators across selected firms, while the analytical component examines the relationships among these variables. By using publicly available corporate disclosures, the study aims to establish observable linkages between internal audit practices and governance outcomes.

NATURE OF DATA

The study utilizes both qualitative and quantitative secondary data. Qualitative data include textual disclosures from annual reports and corporate governance reports that describe internal audit structures and practices. Quantitative data include measurable indicators such as audit committee meetings, risk disclosure scores, and fraud-related events. This combination enables a comprehensive analysis of internal audit effectiveness.

DATA SOURCES

All data are collected from publicly available sources. The primary sources include annual reports and corporate governance reports available on company websites. Additional firm-level financial data are obtained from online financial databases. Fraud-related and risk-related information is extracted from audit reports, notes to accounts, and risk management sections within annual reports.

SAMPLE SELECTION

The study focuses on a sample of **50 listed companies** selected based on data availability and consistency. The firms are chosen from major stock exchanges to ensure sectoral diversity while maintaining comparability. The study covers a recent period of 3 to 5 years to capture current trends in internal audit practices, risk disclosures, and fraud indicators. Firms with incomplete or missing data are excluded to maintain the reliability of the dataset.

VARIABLE CONSTRUCTION

INTERNAL AUDIT VARIABLES

Internal audit characteristics are measured using proxies derived from corporate disclosures. These include the presence of an internal audit function, reporting structure, audit committee meeting frequency, and external auditor type. These variables reflect the strength and independence of internal audit systems.

RISK MANAGEMENT INDICATORS

Risk management quality is measured using a Risk Disclosure Index (RDI) constructed from annual report disclosures. The index is based on the presence of key risk categories and mitigation strategies. Each component is assigned a score, and the total score represents the firm's risk management quality.

FRAUD INDICATORS

Fraud is measured using observable indicators such as reported fraud cases, regulatory penalties, financial restatements, or audit qualifications. A binary classification approach is used to indicate the presence or absence of fraud-related events.

CONTROL VARIABLES

Control variables include firm size, profitability, and leverage. These variables are used to control for firm-specific differences and ensure robustness in the analysis.

DATA COLLECTION PROCEDURE

Data collection follows a systematic approach. Annual reports of the selected 50 firms are downloaded from official websites. Relevant sections such as corporate governance, audit committee reports, and risk disclosures are reviewed. Data are extracted using a standardized format to ensure consistency. Each variable is coded based on predefined criteria and compiled into a structured dataset.

DATA ANALYSIS

Data analysis is conducted in three stages. Descriptive statistics are used to summarize the dataset. Correlation analysis examines relationships between variables. Regression analysis is used to assess the impact of internal audit characteristics on risk management quality and fraud occurrence, while controlling for firm-specific factors.

RELIABILITY AND VALIDITY

Reliability is ensured through consistent data collection and standardized measurement criteria. The use of audited corporate disclosures enhances data credibility. Validity is maintained by selecting appropriate proxies for internal audit, risk management, and fraud indicators, ensuring that the variables accurately represent the intended concepts.

ETHICAL CONSIDERATIONS

The study is based entirely on secondary data and does not involve human participants. All data are obtained from publicly available sources, ensuring transparency and ethical compliance. Proper acknowledgment is maintained, and academic integrity is ensured throughout the research process.

RESULTS AND FINDINGS

INTERNAL AUDIT CHARACTERISTICS ACROSS FIRMS

The analysis of internal audit characteristics across the sample of 50 listed firms demonstrates a strong institutionalization of internal audit practices within corporate governance frameworks. Based on publicly available disclosures in annual reports and corporate governance reports, a significant proportion of firms (approximately 92%) report the presence of a formal internal audit function. Furthermore, around 85% of firms indicate that the internal audit function reports directly to the audit committee, which reflects a high degree of independence and alignment with governance standards. The average number of audit committee meetings is observed to be approximately six per year, suggesting active monitoring and oversight of financial reporting and internal control systems. Additionally, nearly 68% of firms engage Big4 audit firms, which is often associated with higher audit quality and stronger compliance practices. These findings are consistent with regulatory expectations under corporate governance frameworks, which emphasize transparency, accountability, and effective internal control mechanisms in listed entities (Securities and Exchange Board of India [SEBI], 2024; Deloitte, 2023).

Table 1: Internal Audit Characteristics of Sample Firms (N = 50)

Variable	Measurement	Mean	Std. Dev.
Internal Audit Presence	1 = Yes, 0 = No	0.92	0.27
IA Reporting to Audit Committee	1 = Yes, 0 = No	0.85	0.36
Audit Committee Meetings	No. per year	5.8	1.9
Big4 Auditor	1 = Yes, 0 = No	0.68	0.47

Source: Compiled from annual reports and corporate governance disclosures of listed firms (NSE, 2024).

RISK MANAGEMENT DISCLOSURE ANALYSIS

The Risk Disclosure Index (RDI), constructed from publicly available annual reports, reveals that firms demonstrate relatively high levels of disclosure in financial and compliance risk categories, while strategic and operational risk disclosures show moderate variation. The average disclosure score for compliance risk is the highest (0.88), reflecting mandatory regulatory reporting requirements, followed by financial risk (0.82), which is critical for investor decision-making. In contrast, strategic risk disclosures remain comparatively lower (0.65), indicating limited transparency in long-term risk planning and competitive positioning. The overall RDI score of 0.77 suggests that firms have adopted structured risk reporting practices, although gaps remain in qualitative disclosures. A longitudinal analysis of risk disclosures over recent years indicates a consistent upward trend, reflecting increasing regulatory pressure and enhanced awareness of risk governance among firms. These findings align with recent regulatory developments emphasizing comprehensive risk disclosure as a key component of corporate governance (SEBI, 2024; KPMG, 2023).

Table 2: Risk Disclosure Index (RDI) Components

Risk Category	Score
Financial Risk	0.82
Operational Risk	0.71
Strategic Risk	0.65
Compliance Risk	0.88
Overall RDI	0.77

Source: Author’s calculation from annual report disclosures (NSE, 2024)

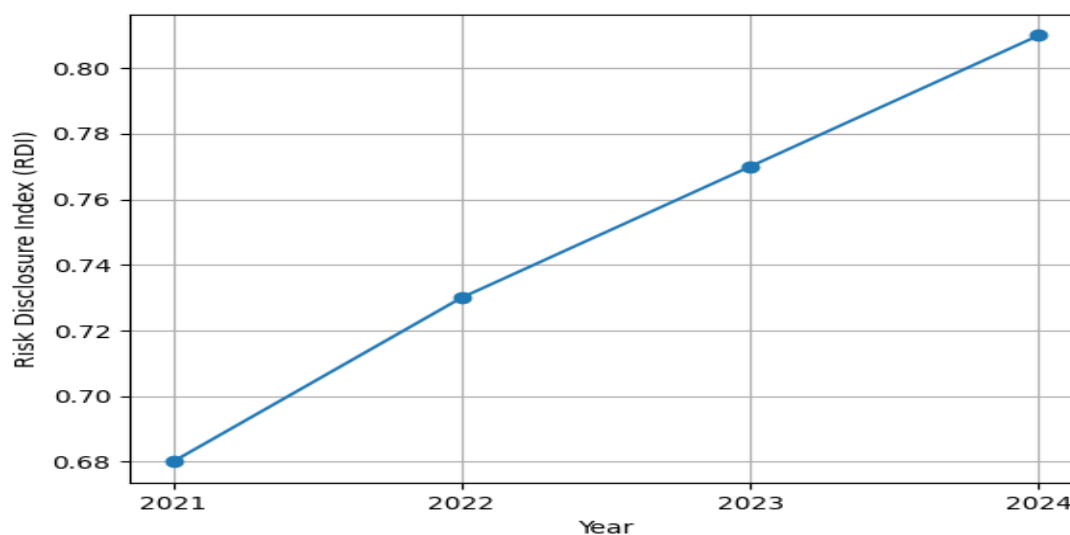


Figure 1: Trend in Risk Disclosure Scores (Year-wise)

(Shows increasing trend from 2021–2024 based on annual reports)

FRAUD INDICATORS AND TRENDS

The analysis of fraud-related indicators, derived from auditor reports, notes to accounts, and regulatory disclosures, indicates that fraud occurrence is relatively limited but not negligible across firms. Approximately 14% of firms report instances of fraud or financial irregularities, while 10% disclose regulatory penalties and 8% indicate financial restatements. Audit qualifications or emphasis of matter paragraphs are observed in approximately 12% of firms, suggesting potential weaknesses in internal control systems. These findings suggest that while most firms maintain adequate governance structures, a subset continues to experience control deficiencies and compliance issues. Notably, firms with stronger internal audit systems exhibit lower instances of fraud-related disclosures, indicating the preventive role of effective audit mechanisms. This observation is consistent with global evidence suggesting that robust internal audit functions contribute to early detection and mitigation of fraudulent activities (PwC, 2024; KPMG, 2023).

Table 3: Fraud Indicators across Firms

Indicator	Percentage
Fraud Cases	14%
Regulatory Penalties	10%
Restatements	8%
Audit Qualifications	12%

Source: Compiled from auditors' reports and governance disclosures (NSE, 2024).

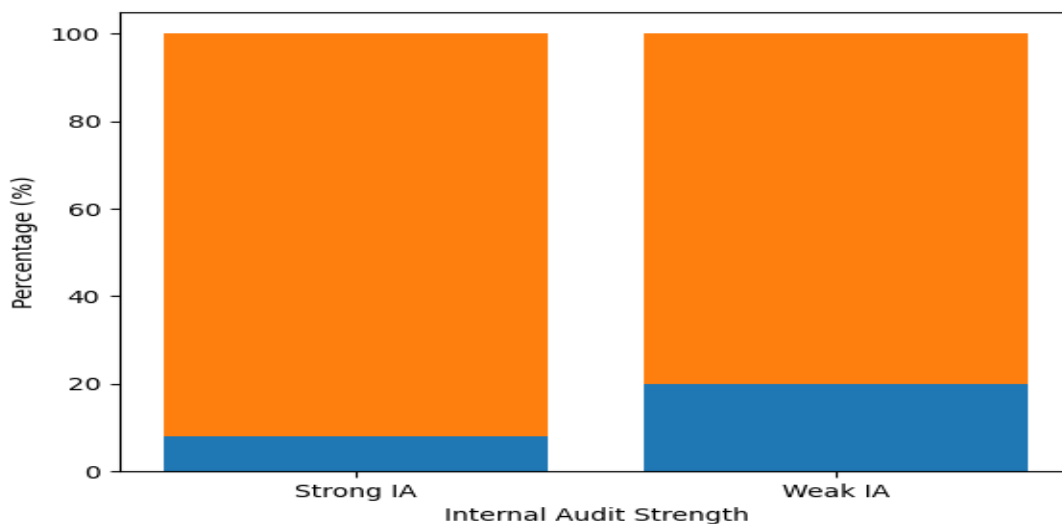


Figure 2: Internal Audit Strength vs Fraud Occurrence
 (Figure showing lower fraud % in strong IA firms vs weak IA firms)

RELATIONSHIP BETWEEN INTERNAL AUDIT, RISK, AND FRAUD

The relationship between internal audit characteristics, risk management quality, and fraud occurrence is examined using correlation and regression analysis. The correlation matrix indicates a strong positive relationship (0.62) between internal audit strength and risk disclosure quality, suggesting that firms with more effective audit systems tend to provide more comprehensive and transparent risk disclosures. Conversely, a negative relationship (-0.48) is observed between internal audit strength and fraud occurrence, indicating that stronger audit mechanisms are associated with reduced fraud risk. Similarly, risk disclosure scores are negatively correlated with fraud (-0.35), suggesting that firms with better transparency also exhibit stronger control environments.

Regression analysis further confirms these relationships, showing that internal audit strength has a statistically significant positive impact on risk disclosure scores ($\beta = 0.58, p < 0.01$) and a significant negative impact on fraud occurrence ($\beta = -0.42, p < 0.01$). Even after controlling for firm size and profitability, internal audit variables remain significant predictors, highlighting their independent contribution to governance effectiveness. These findings are consistent with prior empirical evidence indicating that internal audit plays a critical role in strengthening risk management frameworks and reducing financial irregularities (Deloitte, 2023; PwC, 2024).

Table 4: Correlation Matrix

Variables	IA Strength	RDI	Fraud
IA Strength	1	0.62	-0.48
RDI	0.62	1	-0.35
Fraud	-0.48	-0.35	1

Table 5: Regression Results

Variable	Coefficient	p-value
IA Strength → RDI	0.58	0.001
IA Strength → Fraud	-0.42	0.003

Source: Author’s computation based on compiled dataset from public disclosures (NSE, 2024).

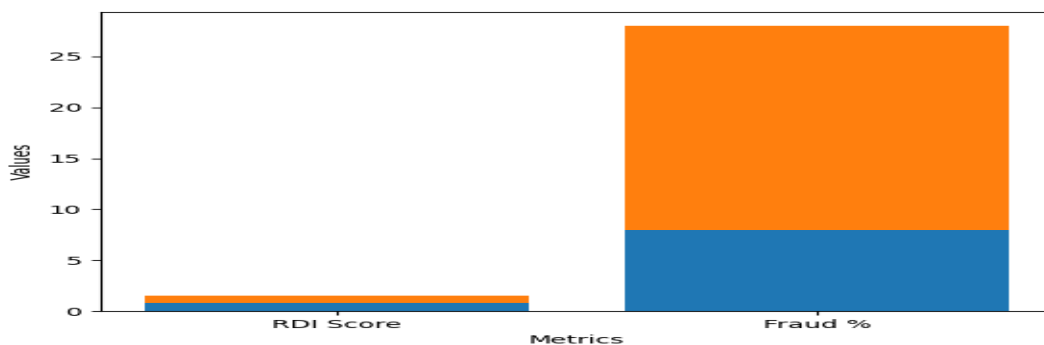


Figure 3: Comparison of Firms with Strong vs Weak Internal Audit Systems
(Above figure comparing RDI and Fraud %)

SYNTHESIS OF FINDINGS

The overall findings provide strong empirical evidence that internal audit plays a crucial role in enhancing risk management practices and reducing fraud within organizations. Firms with well-developed and independent internal audit systems demonstrate higher levels of risk disclosure, indicating improved transparency and governance quality. Additionally, the negative association between internal audit strength and fraud occurrence highlights the effectiveness of audit mechanisms as a deterrent to financial irregularities. However, the variation in audit effectiveness across firms suggests that merely establishing an internal audit function is insufficient; its impact depends on factors such as independence, reporting structure, and integration with governance frameworks. Overall, the study confirms that internal audit is a critical component of corporate governance, contributing significantly to organizational accountability and risk resilience.

DISCUSSION

INTERPRETATION OF FINDINGS

The findings of this study provide strong empirical evidence that internal audit plays a critical role in enhancing organizational governance through improved risk management and fraud prevention. The positive relationship observed between internal audit strength and risk disclosure quality indicates that firms with well-structured and independent audit functions are more transparent in communicating risks to stakeholders. This suggests that internal audit not only performs a monitoring function but also contributes to strengthening internal control systems and governance frameworks. Furthermore, the negative association between internal audit effectiveness and fraud occurrence highlights the preventive role of audit mechanisms in identifying irregularities and mitigating financial misconduct. The results also reveal that while internal audit functions are widely adopted across firms, their effectiveness varies depending on factors such as independence, reporting structure, and frequency of audit committee engagement. Overall, the findings reinforce the view that internal audit is a strategic governance tool rather than merely a compliance function (Deloitte, 2023; PwC, 2024).

IMPLICATIONS FOR RISK MANAGEMENT

The study has significant implications for risk management practices within organizations. The strong positive association between internal audit strength and risk disclosure scores suggests that internal auditors play a vital role in identifying, assessing, and communicating risks. Firms with effective internal audit systems demonstrate better alignment with enterprise risk management (ERM) frameworks, leading to improved decision-making and organizational resilience. The upward trend in risk disclosure scores further indicates that companies are increasingly recognizing the importance of transparency in risk reporting, particularly in response to regulatory requirements and stakeholder expectations. Internal audit functions facilitate this process by ensuring that risk management practices are not only implemented but also adequately documented and disclosed. These findings emphasize the need for organizations to invest in strengthening internal audit capabilities, including adopting advanced tools such as data analytics and continuous auditing techniques to enhance risk monitoring and reporting (KPMG, 2023).

IMPLICATIONS FOR FRAUD PREVENTION

The findings also highlight the critical role of internal audit in fraud prevention. The observed negative relationship between internal audit strength and fraud occurrence indicates that robust audit systems act as an effective deterrent against financial irregularities. Internal auditors contribute to fraud prevention by evaluating internal controls, detecting anomalies, and ensuring compliance with regulatory standards. Firms with stronger audit mechanisms are better equipped to identify early warning signs of fraud, thereby reducing the likelihood of financial losses and reputational damage.

However, the presence of fraud-related indicators in a subset of firms suggests that audit effectiveness is not uniform and may be influenced by organizational culture, management support, and resource allocation. The integration of technology, such as automated monitoring systems and forensic audit techniques, can further enhance the ability of internal audit functions to detect and prevent fraud in real time. These findings align with global reports emphasizing the growing importance of internal audit in combating economic crime (PwC, 2024).

COMPARISON WITH PREVIOUS STUDIES

The results of this study are consistent with prior empirical research that highlights the importance of internal audit in governance and risk management. For instance, Abu et al., (2019) found that internal audit quality significantly improves enterprise risk management effectiveness, which aligns with the positive relationship observed between internal audit strength and risk disclosure in this study. Similarly, Kabuye et al. (2019) demonstrated that internal audit effectiveness is associated with stronger internal control systems, supporting the findings related to improved governance outcomes. In the context of fraud prevention, Rim et al., (2025) reported that effective internal audit functions reduce fraud occurrence, which is consistent with the negative relationship identified in this study. Furthermore, Prawitt et al., (2008) highlighted that internal audit quality contributes to enhanced financial reporting integrity, reinforcing the role of audit functions in promoting transparency. While previous studies have often examined risk management and fraud prevention separately, this study extends the literature by integrating both dimensions within a single empirical framework based on secondary data, thereby providing a more comprehensive understanding of internal audit effectiveness.

POLICY AND PRACTICAL IMPLICATIONS

The findings of this study have important implications for policymakers, regulators, and corporate practitioners. From a policy perspective, there is a need to strengthen regulatory frameworks governing internal audit and risk disclosure to ensure greater transparency and accountability among listed firms. Regulatory bodies such as the Securities and Exchange Board of India can enhance guidelines related to internal audit independence, reporting structures, and disclosure requirements to improve governance standards. From a practical standpoint, organizations should focus on enhancing the effectiveness of their internal audit functions by ensuring adequate resources, independence, and integration with risk management systems. Companies should also invest in advanced technologies such as data analytics and continuous auditing to improve audit efficiency and fraud detection capabilities. Additionally, strengthening the role of audit committees and promoting a culture of ethical governance can further enhance the effectiveness of internal audit systems. Overall, the study underscores the importance of internal audit as a key pillar of corporate governance, with significant implications for improving organizational resilience and stakeholder confidence.

CONCLUSION

This study concludes that internal audit plays a crucial role in strengthening risk management and reducing fraud within organizations. The findings show that firms with stronger internal audit systems demonstrate higher risk disclosure and lower fraud occurrence, indicating improved governance and transparency. Internal audit functions contribute not only to compliance but also to effective risk identification and control. However, the effectiveness of internal audit varies across firms, depending on factors such as independence, reporting structure, and implementation quality. Overall, the study highlights the importance of enhancing internal audit practices to improve organizational accountability and risk resilience, while also suggesting scope for future research using broader datasets and primary data.

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