STUDY ON THE RELATIONSHIP BETWEEN INTERNAL AUDIT EFFECTIVENESS, INTERNAL AUDITOR'S RESPONSIBILITY, TRAINING, AND FRAUD DETECTION

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ABSTRACT
This study aims to understand the role of internal auditor responsibility, training, and fraud detection, as well as to demonstrate the efficacy of internal audits. Audit committees internally can spot inaccuracies or atrocities which provoke malfeasance and, therefore, internal auditing is becoming an element of current businesses for the last decade. The study emphasizes its importance, as Internal Audit is indeed very crucial to prevent accounting fraud. This research paper illustrates the significance of firms experiencing a financial recession of internal audit and fraud detection.
Keywords: Internal audit, auditor responsibility, auditor training, fraud detection, accounting fraud

I. INTRODUCTION
In recent years, demand has grown worldwide for fraud audit services [Westhausen, H.,2017]. Increased bribery cases along with uncertain environment further led to the economic downturns, rendering use of corporate auditing methods in multinational companies became an inevitable [Bekiaris, M. Efthymiou, T. &Koutoupis, A.,2013]. Embezzlement evaluation is a fairly new concept having a significant impact on the economic felony quality controls such as financial falsification, fraudulent financial reporting, asset fraud, bribery, or deceitful electronic fund transfer. The audit committee also constitutes a prominent place in today's business, since it helps an organization reach its goals through a structured and thorough methodology to contingency management, control and governance efficiency evaluating or enhancing them. The efficiency of internal audits can boost by the performance of internal auditors, the expertise of the internal audit department, autonomy of the auditing process, and assistance for managers [Drogalas, G. Karagiorgos, T. &Arampatzis, K.,2015]. Therefore, the audit committee can identify financial irregularities particularly for implementing auditing principles [Bedard, J.Simnett, R. & De Voe-Talluto J., 2015]; where the position of the internalauditor depends on the fraud detection mechanism and how he has been trained in particular training related to fraud [Petrascu, D. &Tieanu, A.,2014].
According to the Association of Certified Fraud Examiners (ACFE) 2014, fraudulence is amongst the ridiculously priced crimes of the entire business industry. As per the PWC's global economic crime survey 2016, the standard company's projected loss of forgery is 5% of its sales that might contribute to rising financial frauds for about $ 6.3 billion. Also, median fraud loss caused to an organization $150,000, including losses in cases under investigation at least $1 million to 23.2 %. Advances in IT and corporate environments has led to the growth of fraud. It's omnipresent and resides in all types of organization regardless of size, existence, and geographic area as per PwC's global economic crime survey, 2016. A similar degree of average

losses was recorded for large and small business enterprises worldwide by (ACFE,2016). Although the median loss is similar in both divisions, the cumulative effect is devastating on smaller firms. Fraud can be described as every other premeditated tactic performed to cheat someone so that the receiver was never allowed or supposed to have economic benefits instead. According to Indian Audit and Account services (IAAS), the auditor's responsibilities relating to fraud in an audit of financial statements is identifying the Risks of Material and assessing fraud' by one or more administrators, managers, workers or third parties, deliberate acts, which include using deceit to accomplish an unfair or illegal act. Capitalist theft, or deception in a corporate organization by or against a corporate institution, can be perpetrated by corporate officers or staff. This is split into two parts: deception in financial reporting and misappropriation of money. The willful deletion or misrepresentation of information in the financial statement by preparers is part of the financial reporting scam. It consists of a demonstration of misleading statistics and information mainly by management teams and seeing as asset misappropriation takes into account fraud and fraudulent financial reporting and has been usually dedicated by the organization and its employees.

An organization will establish a four-point anti-fraud framework consisting of knowledge, prevention, detection, and action as seen in the following diagram.

Figure 1.1: Quadra Anti-fraud Framework
Source: Albrecht et. al. [9]

The first two groups, knowledge and prevention are precautionary steps in the fight against fraud, whilst post- mortem steps are detection and action. Firstly, to counter fraud, you need to know what it is, why it takes place, the ramifications, and strategies. Risk reduction and surveillance mechanisms are being implemented to guarantee its non-occurrence by recognizing each other's origins in fraud. This involves removing potentially corrupt situations and guarantees proper financial management. Yet leaning on deterrence does not deter fraud, since fraud is extremely innovative and can occur in any manner. Each new case of fraud has something special that points to a lack of current mechanisms in deterrence. We must always be vigilant of methods of identification [Albrecht, W. S. Albrecht, C. O. Albrecht, C. C.& Zimbelman, M. F. ,2012].

Various techniques related with finding frauds include formal auditing, executive management performance, quality monitoring, whistleblowing, fraudulent prosecutor, and many other bits of help for fraud identification. There should be a strong proof of misconduct and/or substance errors, the defendant must be put to the law enforcement officer to investigate harsh acts such as client firing, deterioration, and civil or criminal prosecution, oral or written warning.

Any employee can conduct the fraudulent activity with or without external complicity. That being said, the primary duty of administrators is to curtail it. It is alarming to note that perhaps the majority for even most of the fraudulent activity which inflicts tremendous losses upon its organizations are perpetrated by top executives and therefore are difficult to track down [ACFE, 2016]. The faith of the stakeholders, particularly investors, was also impaired by consolidated financial statements. Regulatory authorities (Institute of Chartered Accountants of India) as well as laws and regulations (Companies Act, 2013) now are providing awareness to the issue of accountability of auditors for fraud. Under the acumen of Companies Act 2013, theaudit committee will now be expected to disclose content misconduct or theft [Indian banking fraud survey, Deloitte,2012] their highly qualified duty was already transferred to liability protection.

It's indeed a harsh truth that financial audits are a pure bureaucratic symbolic gesture and compliance officers merely strengthen the financial records meet with accounting principles fairly. Only through the intervention of multi-national firms is whistleblowing activity gained prominence in India. Yet protections for whistle-blowers remain a big concern. ACFE, 2014 found that certain incidents of fraud suggest a certain propensity for the deception that might have enabled mitigate other business failures in due course.

Rising cyber-crime cases indicate that information technology continues to be a favourite strategy for scam artists to enter. Digital protection mechanisms like encryption and password thus establish themselves as successful fraud devices. Nonetheless, a study from PwC's global economic crime survey 2016, revealed the absence of the expertise and information on IT resources relevant to the internal audit of 48 percent of surveyed companies in India. This raises the question: 'what is the safest way for a company enterprise to diagnose or mitigate fraud? 'This topic attracted the interest of regulators and analysts as the product of increased fraudulent activities and their disastrous consequences on companies and societal structure as a whole.

Given the importance of corporate governance in preventing fraud, most work analyses the role and efficacy of the internal audit rather than the audit committee's duty to fraud prevention and detection. Taking this into account this research paper aims at understanding the principles of fraud prevention and detection within the internal audit system followed by major corporate houses in India.

II. REVIEW OF LITERATURE

Companies are faced with a range of threats, such as economic, political, and business uncertainties. Fraud possibility is the presence of mammoths all over the globe. The Kroll Global Management Report (2013) reported that 80 percent of Indian employees surveyed have been hit by different forms of fraud, along with the manufacturer, retailer, or contract fraud, and also that the phenomenon is likely to escalate in the future [Deloitte fraud survey report,2012] and these business frauds become a significant liability to the company. It leads to business downfall, loss of shareholders' wealth, confidence, and much more. It eventually led to something like a downturn in commercial enterprise, a deterioration of share price, trust, and so forth. In simple terms, it is difficult to calculate damages incurred by theft. This also urges customers to seek the implementation of a strategy of zero fraud resistance by the business. It's indeed surprising that internal staff are usually the cause of forgery [ACFE report, 2016]. The initial step is to establish ethical or sound company performance. Indian businesses are now paying attention to fighting fraud efficiently and effectively instead of only sticking with the legislation. The company must, therefore, be able to prevent infringement. They put the money in economic fraud monitoring programs (Dinesh Anand, Partner, and Leader, 2014 PwC surveyreport of Forensic Accounting Services). Considering the gains of the constructive steps introduced by the companies, the history of theft remains unrevealed. Furthermore, proper attention needs to be paid to classification methods and the discovery of fraud must be accompanied further by a forceful effect. Counter measures eliminate future theft, while prevention stratReema#21egies help to determine if an integral approach fails. Appropriate protection also contributes to effective detection [ACFE,2014]. Both avoidance and identification approaches should be applied simultaneously [Rahman, R. A.& Anwar, I. S.,2014]. Some anti-fraud approaches, like the red flag, have been drawn by the majority of experts on prevention and detection of fraud including Rahman, R. A.& Anwar, I. S.,2014; Albrecht and Zimbelman ,2012 have become the subject of Corporate Fraud literature. Warning sign indicators of potential illegal activity would be an effective component for fighting business theft [Gullkvist, B. & Jokipii, A.,2013] [Mangala, D., & Kumari, P.,2017]. Furthermore, poor regulation of country anti-fraud legislation was an important cause of increased cybercrimes in the digital era [PwC's global economic crime survey, 2016]. Effective strategies of detecting fraud, for example, monitoring, controlling and internal auditing, prevent fraudulent activity and subsequent loss of income instead of passive techniques like inadvertent identification. Even so, Deloitte [Indian banking fraud survey, Deloitte,2012] viewed the preventative measures of fraud as the matter of fact of properly executing all control measures on preventing fraud, increases organizational engagement of the controls and setting their roles as well as their responsibility for preventing fraud. Irrespective of such conflicting views, it is clear that, given steps taken against it, fraud is constantly occurring. It is not possible to focus on a single strategy [Rahman, R. A.& Anwar, I. S., 2014]. Combined anti-fraud strategies, including auditing, code of ethics, whistleblowing, fraud risk management, the expertise of experts in the area of anti-fraud, database tests, data analysis, anti-fraud initiatives and training for fighting deception are included.

III. INTERNAL AUDIT AND DETECTION OF FRAUD

As Nardo, M., (2011) argues, after researching and analysing the features and processes of the unstructured economy, financial fraud has several facets and disperses widely into a wide range of experiences. That counts are on-going oversight and review, reporting, and taking the necessary steps when wrong doing is observed in a company. Rezaee's Z., (2005) study states that financial accounting fraud is a premeditated tactic by deliberately distorting or disregarding financial information to deceive organizational stakeholders, particularly shareholders and creditors, leading to misleading financial records. SAS 99 stated regarding the deception of financial statements as fraud through the ignorance of the financial accounts, by the American Institute of Certified Public Accountants. Spathis, (2002) in his study states that in the US (in major businesses) the most severe counterfeiting of accounts was recorded; the key term used is fraud and that the financial results are deliberately skewed.

The far more complex problem for companies has been the costs of forgery, examined in UK companies by Button along with others [Button, M. Blackbourn, D. Lewis, C. & Shepherd, D., 2015]. The research stated that the cost related to the companies was looked after the discovery of fraud by an employee or employees of the companies themselves. The expenses of fraud are for the investigation, regardless of the other, external penalties, and the search for new people. The sum referred is approximately £ 25,000 which was below this amount and, the cost of remedying the damage is far greater than that of amount losses that will seriously be detrimental to any business. Based on this, we conclude that perhaps the detection of fraud plays a key role in the administration of a business.

In regard to misrepresentations in accounting, different approaches are used that are part of the expression 'imaginative text.' Balaciu et al studied creative accounting in this context to explore how executives could even create one's relationships with regulators to alter the accounting policies that could benefit the company [Balaciu, D. E. Bogdan, V.Feleaga L. & Popa A. L., 2014]. Both may collaborate to attract the attention of the auditors to the risk of fraud. Internal auditors shall usually involve actions, procedures and initiatives implemented within an entity to maintain, secures and retain its properties, monitor quality and precision from its financial statements, improve its efficiencies but also facilitate the preservation of its traditional corporate policies, as per the American Institute of Certified Public Accountants (AICPA).

During the last decade, numerous companies have invested significant amounts of money in internal auditing. Carcello along with others [Carcello, J. V. Hermanson, D. R. & Raghunandan, K., 2005] states that businesses as well as big debt seem to have a high internal audit budget. Also, companies providing financial services, utility, and high cash flows utilize the internal audit procedure to monitor the business's revenues and expenditures transaction processing. Porter's commitment to regulation over the "Audit trinity" is explored by Obalola and Omoteso, (2014) which involved internal auditing and external auditing in conjunction with the Corporate Fraud Analysis and Management Committee. They take into account the relationship among these three different types of checks in addition to supporting a healthy internal checking process as a means for fraud prevention and detection. The internal auditors, therefore, safeguard the business's financial data; the external auditors monitor businesses for social safety and security, and the audit committee members look the certain measures for the fraud prevention operations.

IV. INTERNAL AUDITING EFFICIENCY AND DETECTION OF FRAUD

Detection of fraud is complex and very difficult. As per, Petrascu, D. & Tamas, A.,2013, states that first by establishing a favourable atmosphere for monitoring, and then adding trustworthy individuals to the internal auditing team, a company can effectively prevent fraud. These entities are trained in fraud prevention and will use a range of procedures to facilitate the detection of fraud. The internal control function of Tamas & Petrascu, (2013) is to enforce compliance between financial data and accounting principles and practices and to focus on ensuring that perhaps the budgetary data of the company is accurate, clear, and comprehensive. To have lookedon effective system certain measures should be taken for implementation and identification of the irregularities and fraud in an organization. A strong partnership among internal auditors, external auditors and the audit jury will create a properly organized internal control mechanism which allows the careful functioning of the company and successfully detects and handles fraud [Omoteso, K. &Obalola, M., 2014].

Monisola's study, proposed that the presence of the internal audit team in a company enhances organizational oversight over glitches, anomalies, theft and support the favourable correlations between internal audit efficacy and prevention of fraud [Monisola, O.,2013]. Coram *et. al.* [Coram, P. Ferguson, C. & Moroney, R., 2008] study stated that companies with established internal audit functions detect much more acts of frauds than companies that do not have an internal audit department.

V. INTERNAL AUDITOR RESPONSIBILITY AND DETECTION OF FRAUD

As per Harrison & DeZoort (2008), the identification of forgery is closely related to the internal auditor responsibility which involves creating such specific and audit rules, which makes a sense of fiduciary responsibility and a relation between the internal auditor and the federal lawsuit as well as how his activities will monitor that. Regulators, who were responsible, have a greater share of accountability for monitoring than anonymized regulators. In yet another report, Balaciu, along with others [Balaciu, D. E. Bogdan, V.Feleaga L. & Popa A. L., 2014] analysing the actions of auditors on creative accounting practices through which we can find the key purpose of auditors is not only to have check over fraudulent practices but in order to assess the efficiency of internal audit department as well as to recommend improvements aimed at avoiding and monitoring errors and irregularities.

Vanasco (1998) stated regarding how fraud practices are dealt by the internal auditors. He examined regarding certain number of fraud cases and their impact on management and on different kind of areas such as insurance, banking, health sectors and constructions which include different members of the organization such as board of directors, auditors and their duty is the same that to take certain kind of measures to prevent fraud. One of the researches stated that when the internal auditor becomes known to the particular fraud, he should collect adequate information regarding particular fraud in order to analyse the condition by which the fraud has been done so that he would be able to gain complete view of the incident. Similar research by Hillison *et. al.* (1999) stated that internal auditors are the main point of the anti-fraud defence as well as in this article it has been stated by the certain researchers that how the writers identify the risks of frauds and signs that internal auditors need to identify as well as assistance to the internal auditors may be provided by the external auditors which can help in the prevention of fraud, deterrence, detection and reporting and the research stated that the external auditors only identify the 5% of the fraud and for this particular reason the internal auditor presence is required to assess the auditing framework and in identification of fraud as well as recommended the audits and the audit results to the members of administration.

VI. INTERNAL AUDITOR TRAINING AND DETECTION OF FRAUD

In the field of internal auditing to become successful, it demands on-going trainings of certain people in the audit field and internal auditor is a person with experience, a degree of competence, skills, and talents, and one who is adopting international auditing practices and guarantees more efficient oversight. Fraud detection is complex, and another reason is that due to inadequate expertise in the analysis of completely fabricated business statements the internal auditors find very challenging to report anomalies. Embezzlement training includes the analysis of fraudulent activity to encourage audit committees to acquire considerable expertise [Bierstaker, J.Hunton, J. &Thibodeau, J., 2012], increase their competitiveness, and strengthen their capacity to discern signs of fraud.

In another study upon its existing monitoring processes of workplace theft and market risk, [Bierstaker, J.Hunton, J. &Thibodeau, J., 2012], contrasted the theft identification standards in U.S. and Canadian companies with favourable requirements about fraudulent regulatory compliance training, knowledge in fraud prevention techniques, awareness of mail fraud metrics and opportunities for detecting fraud. They believe that educating workers will help in handling of the risks which is the main point to be kept in mind. At last, Bierstaker along with others [23], explored the effect of audit training on the detection and prevention of fraud. A comparison study was done, with regulators taking classes focused exclusively on the prevention of fraud as well as other compliance officers taking generic classes which are based on internal auditing. Upon analysing the auditors who enrolled in the courses, they discovered that the auditors who completed the fraud classes seem to be more likely to spot it than those who followed more and more general auditing courses.

VII. CONCLUSION

If we look at the modern world the companies are interrelated with fraud. People who are linked to fraud usually work in the company or are people of administration or employees and the certain kind of incentives bring increase to the fraud acts which are usually the economic benefits which are earned by the falsification of the financial statements, misevaluation of the assets of the company which can lead to higher bonuses. It has also been noticed that there are some cases where the frauds can help in the identification of the errors so in order to identify that it is really important role of the internal auditors to detect infringements and in order to prevent such kind of actions in an organization, the company should create a positive internal audit staff in order to establish strong internal auditing system as well as hiring such kind of experience staff as internal auditors who can help in the well-being of an organization as well as which can help in development of various kind of prevention strategies. The research stated in the literature review basically stated that the fraud detection and auditing of the corporate activities through the process of internal auditing as well as large number of companies are victim of fraudism, and the cost of recovering is quite high. For a company it is really necessary to secure its financial data as well as the company should have effective control on the systemto identify the irregularities as well as well trained and experienced internal auditor can help to reduce the violation in the companies using new technologies and techniques.

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