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## A Study On The Role Of Internal And External Auditors In Private Company With Special Reference To Coimbatore District

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### ABSTRACT

This study examines the crucial roles of internal and external auditors in maintaining financial integrity within private companies in coimbatore. With rising demands for transparency and accountability, auditors serve as key safeguards against financial mismanagement. Internal auditors focus on assessing internal controls, risk management, and compliance, while external auditors provide independent verification of financial statements. The research highlights the collaborative efforts between both audit functions and explores challenges faced in fraud detection and regulatory compliance. Using a descriptive research design, data was collected through surveys and analyzed using percentage analysis, Chi-square tests, and ANOVA. Findings indicate that experience and age do not significantly influence audit practices. The study suggests strengthening auditor collaboration, investing in technology, and enhancing training programs to improve financial oversight. By adopting proactive risk-based auditing and ethical practices, public organizations can ensure greater financial accountability and transparency.

**Keywords:** Internal Auditors, External Auditors, Financial Integrity, Public Organizations, Risk Management, Compliance, Audit Technology, Fraud Detection.

### INTRODUCTION OF THE STUDY

In today's dynamic and complicated business environment, financial integrity is critical for organizations to preserve trust, credibility, and risk mitigation. Internal and external auditors play critical roles in this endeavor, analyzing financial procedures, detecting possible risks, and assuring regulatory compliance. Internal auditors are the frontline defense mechanism within organizations, providing independent audits of internal controls, risk management policies, and operational procedures. External auditors, on the other hand, offer stakeholders independent assurance that financial statements are accurate and reliable.

## STATEMENT OF THE PROBLEM

The study of internal and external auditors in safeguarding financial integrity is paramount in ensuring the reliability, accuracy, and transparency of financial information within organizations. Internal auditors play a vital role in assessing and improving internal controls, identifying operational inefficiencies, and mitigating risks.

## REVIEW OF LITERATURE

Bill Whitmore, James A. Albers, Pacific Lutheran University (2006), this paper showed how a corporate accounting department can apply KM principles. In this context, knowledge management can be defined as the “range of practices and techniques used by organizations to identify, represent and distribute knowledge, know-how, expertise, intellectual capital and other forms of knowledge for leverage, reuse and transfer of knowledge and learning across the organization” (Knowledge Management, 2006). This paper highlights the challenges, approach, lessons learned and benefits from applying KM principles in the context of a regulated and highly structured setting of an accounting organization.”

Amila Lagumdžija, Amer Celjo (2008), this paper proposed a knowledge management audit model to assist organizations to obtain an accurate picture of their knowledge-based assets and the strategies used to manage that knowledge across the organizations. The model also serves as a means for assessing how well the identified assets and strategies meet organizational business goals and strategies. The practical application of the model is illustrated in the local government environment. Implications of such an audit are also discussed.”

Mostafa Jafari, Peyman Akhavan, Ashraf Mortezaei (2009) “This paper aims to provide the organizational roles to implement knowledge management. The focus was how to devise and implement knowledge management where it is required and provides a common understanding about KM in implementation area. This paper also provides a general review on KM systems, KM architecture, KM process, KM strategy and KM critical success factors.”

Azizollah Jafari and Nafiseh Payani (2018), this paper aimed to a new systematic approach to audit organization’s knowledge and considered tacit and explicit knowledge. So the organization identified its knowledge state and prioritized knowledge fields. Proposed methodology presented a basis for identifying organization’s knowledge state developing solutions toward reaching desired state. At the end of the paper the proposed methodology’s implementation was described in an active Iranian company in industries’ pollution controlling industry

### Role of Internal and External Auditors

Internal auditors improve governance by ensuring strong internal controls and risk management (Beasley et al., 2000). External auditors enhance transparency by independently verifying financial statements (Watts & Zimmerman, 1986).

### Effectiveness of Audits in Private Companies

Internal audits work best with independence, competence, and management support (Sarens & De Beelde, 2006). External auditors, especially from larger firms, improve financial reporting quality (DeAngelo, 1981; Lennox, 1999).

## Challenges Faced by Auditors

Internal auditors face management interference and resource limitations (Carey et al., 2000). External auditors struggle with poor documentation and weak internal controls (Knechel et al., 2013).

## Auditing in India

The Companies Act 2013 improved audit regulations, but small firms still face quality issues (Sharma & Sidhu, 2018). Digital auditing is growing but requires skilled professionals (Ghosh & Mondal, 2012).

## Auditing in Coimbatore District

Private firms in Coimbatore are adopting technology for auditing (Ramasamy & Kumar, 2020). Cost concerns lead firms to prefer mid-sized external auditors, and internal auditors face independence challenges (Vijayalakshmi, 2021).

## OBJECTIVES OF THE STUDY

- To study and analyse the role of internal and external auditors and their importance.
- Identify and address challenges faced by auditors in safeguarding financial integrity.
- Investigate the methods used by auditors to prevent and detect fraud.
- Examine how regulatory frameworks affect auditors and suggest ways to make financial integrity monitoring more efficient.

## RESEARCH METHODOLOGY

### RESEARCH DESIGN

The Research design used in this study was descriptive research design. It includes surveys and fact-finding enquiries of different kinds. Data have been collected from both primary and secondary sources.

### SOURCES OF DATA COLLECTION

#### Primary Data

Primary data is the data is collected from the respondent for the first time, it is original in nature. For the purpose of collection of primary data, a well structured questionnaire was framed and filled by the respondents.

## Secondary Data

Secondary data are collected from books, magazines, web sites etc, and both open ended & close-ended questions are incorporated in the questionnaire for the collection of data.

## TOOLS USED FOR ANALYSIS

✦ Percentage Analysis

✦ Chi-Square test

✦ ANOVA

## DATA ANALYSIS AND INTERPRETION

### PERCENTAGE ANALYSIS

Percentage refers to a special kind of ratio in making comparison between two or more data and to describe relationships. Percentage can also be used to compare the relation terms in the distribution of two or more sources of data.

Simple percentage =

$$\frac{\text{Number of Respondents}}{\text{Total Respondents}} \times 100$$

**Table No.1.1**

Table showing Age of the respondents

Age (In years)	No of respondents	Percentage
31-40	56	37.3
41-50	52	34.7
21-30	28	18.7
51-60	14	9.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

(Source: Primary Data)

Of the total 150 respondents 37.3% of the respondents are belong to the age group of 31-40 years, 34.7% of the respondents are belong to the age group of 41-50 years, 18.7% respondents belong to the age group of 21-30 years and the rest 9.3% belong to the age group of 51-60 years. Thus, it is concluded that majority of the respondents belong to the age group of 31-40 years.

**Table No.1.2**

Table showing Gender of the respondents

Gender	No of respondents	Percentage
Male	84	56.0
Female	66	44.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

(Source: Primary Data)

From the above table shows that 56.0% of the respondents are male and 44.0% of the respondents are female. Hence, it can be said that majority of the respondents are male.

Table No.1.3

Table showing Marital Status of the respondents

Marital Status	No of respondents	Percentage
Married	92	61.3
Unmarried	58	38.7
Total	150	100.0

(Source: Primary Data)

Out of 150 respondents 61.3% of the respondents are married and remaining 38.7% of the respondents are unmarried. Hence, it can be said that majority of the respondents are married.

Table No.1.4

Table showing Family Size of the respondents

Family Size	No of respondents	Percentage
4-6 members	86	57.3
Less than 3 members	52	34.7
More than 6 members	12	8.0
Total	150	100.0

(Source: Primary Data)

It is observed from the above table that out of the total 150 members in the family, 57.3% of the respondents have 4-6 members in their family, 34.7% of the respondents have less than 3 members in their family and remaining 8.0% of the respondents have above 6 members in their family.

Hence, it could be inferred that majority 57.3% of the respondents have 4-6 members in their family.

Table No.1.5

Table showing Experience of the respondents

Experience	No of respondents	Percentage
Between 2 to 5 years	110	73.3
Between 5 to 10 years	36	24.0
Less than 2 years	2	1.3
Above 10 years	2	1.3
Total	150	100.0

(Source: Primary Data)

From the table, out of 150 respondents, 73.3% of the respondents have between 2 to 5 years of working in the organization, 24.0% of the respondents have between 5 to 10 years of working in the organization, 1.3% of the respondents have less than 2 years of working in the organization and remaining 1.3% of the respondents have above 10 years of working in the organization. Majority 73.3% of the respondents have between 2 to 5 years of working in the organization.

**Table No.1.6****Table showing Educational Qualification of the respondents**

<b>Educational Qualification</b>	<b>No respondents of</b>	<b>Percentage</b>
<b>PG</b>	<b>112</b>	<b>74.7</b>
<b>Graduation</b>	<b>30</b>	<b>20.0</b>
<b>Others</b>	<b>6</b>	<b>4.0</b>
<b>CA/ACS/ICWA</b>	<b>2</b>	<b>1.3</b>
<b>Total</b>	<b>150</b>	<b>100.0</b>

(Source: Primary Data)

It can be inferred from the table that, out of the total 150 respondents, 74.7% of the respondents are Post Graduates, 20.0% of the respondents are graduates, 4.0% of the respondents are belongs to other category which includes diploma holders and the like and remaining 1.3% of the respondents are studied CA/ ACS/ICWA. Thus, it is observed that most of the respondents are Post Graduates.

**Table No.1.7****Table showing Annual income of the respondents**

<b>Annual income</b>	<b>No of respondents</b>	<b>Percentage</b>
<b>Rs.60,001 - Rs.1,20,000</b>	<b>74</b>	<b>49.3</b>
<b>Rs.1,20,000 - Rs.1,80,000</b>	<b>50</b>	<b>33.3</b>
<b>Up to Rs.60,000</b>	<b>14</b>	<b>9.3</b>
<b>Above Rs.1,80,001</b>	<b>12</b>	<b>8.0</b>
<b>Total</b>	<b>150</b>	<b>100.0</b>

(Source: Primary Data)

Income wise classification of respondents reveals that, Out of the total 150 respondents, 49.3% of the respondents annual income is Rs.60,001- Rs.1,20,000, 33.3% of the respondents annual income is Rs.1,20,000- Rs. 1,80,000, 9.3% of the respondents annual income is Less than Rs.60,000 and remaining 8.0% of the respondents annual income is above Rs.1,80,001. Hence, it could be inferred that majority 49.3% of the respondents income level between Rs.60,001 to Rs.1,20,000.

**CHI-SQUARE ANALYSIS**

The chi square test is an important test among the several tests of signification developed by satisfaction. Chi-square, symbolically written  $\chi^2$  is a statistical measure used in the contexts of sampling analysis for comparing a variance to a theoretical variance. It is also been used to make comparison between theoretical population and actual data when categories are used.

**Table No.1.8****Age and Audit Practice**

$H_0 =$  There is no significant association between Age of the respondents and Audit Practice.

Age	Audit Practice			Total
	High	Moderate	Low	
21-30 years	10	10	8	28
31-40 years	16	32	8	56
41-50 years	14	30	8	52
51-60 years	4	8	2	14
<b>Total</b>	<b>44</b>	<b>80</b>	<b>26</b>	<b>150</b>

d.f.: 6    Calculated  $\chi^2$  Value: 5.040

Table Value: Five per cent level:

12.592

One per cent level: 16.812

Since the calculated  $\chi^2$  value (5.040) is less than the table value (12.592). Therefore it is concluded that there is no significant association between age of the respondents and audit practice. Hence, Null hypothesis is accepted.

Table No.1.9

## Experience and Audit Practice

$H_0 =$  There is no significant association between experience of the respondents and Audit Practice.

Experience	Audit Practice			Total
	High	Moderate	Low	
Less than 2 years	0	2	0	2
Between 2 to 5 years	38	56	16	110
Between 5 to 10 years	6	20	10	36
Above 10 years	0	2	0	2
<b>Total</b>	<b>44</b>	<b>80</b>	<b>26</b>	<b>150</b>

d.f.:6 Calculated  $\chi^2$  Value: 9.401

Table Value: Five per cent level:

12.592

One per cent level: 16.812

Since the calculated  $\chi^2$  value (9.401) is less than the table value (12.592). Therefore it is concluded that there is no significant association between experience of the respondents and audit practice.

Hence, Null hypothesis is accepted.

## ANOVA

A statistical analysis tool that separates the total variability found within a data set into two components: random and systematic factors. The random factors do not have any statistical influence on the given data set, while the systematic factors do. The ANOVA test is used to determine the impact independent variables have on the dependent variable in a regression analysis.

Anova Table Showing the Difference in Mean Scores Between

Knowledge Management in Accounting and Taxation & Age

Table No.1.10

**Anova Table Showing the Difference in Mean Scores Between  
Knowledge Management in Accounting and Taxation & Age**

Age	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.205	2	0.102	0.128	0.880
Within Groups	117.769	147	0.801		
Total	117.973	149			

The above table shows that the P value (0.880) is greater than 0.05. So, there is no significant difference in the mean scores of the respondents based on knowledge management in accounting and taxation with respect to different age group of the respondents. It is inferred that age group of the respondents does not influence the knowledge management in accounting and taxation.

**Anova Table Showing the Difference in Mean Scores Between**

**Knowledge Management in Accounting and Taxation & Educational Qualification**

**Table No.1.11**

Anova Table Showing the Difference in Mean Scores Between Knowledge Management in Accounting and Taxation & Educational Qualification

<b>Educational Qualification</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Between Groups</b>	<b>1.209</b>	<b>2</b>	<b>0.605</b>	<b>1.674</b>	<b>0.191</b>
<b>Within Groups</b>	<b>53.084</b>	<b>147</b>	<b>0.361</b>		
<b>Total</b>	<b>54.293</b>	<b>149</b>			

The above table shows that the P value (0.191) is greater than 0.05. So, there is no significant difference in the mean scores of the respondents based on knowledge management in accounting and taxation with respect to educational qualification of the respondents. It is inferred that educational qualification of the respondents does not influence the knowledge management in accounting and taxation

## **FINDINGS OF THE STUDY**

### **1. Critical Role in Financial Integrity**

- Internal and external auditors play a key role in maintaining financial integrity, ensuring transparency, and safeguarding public resources.
- Internal auditors focus on risk management, operational efficiency, and compliance, while external auditors provide independent assurance of financial statements

### **2. Challenges Faced by Auditors**

- Auditors encounter difficulties in detecting fraud due to evolving financial malpractices.
- Regulatory changes and compliance burdens add complexity to audit procedures.
- Limited coordination between internal and external auditors reduces audit effectiveness.

### **3. Impact of Age and Experience on Audit Practice**

- Statistical analysis (Chi-square test) indicates no significant association between auditors' age or experience and audit practices.

- This suggests that professional training and knowledge play a more important role than age or years of experience.

#### **4. Limited Influence of Educational Qualification on Knowledge Management**

- ANOVA analysis shows no significant difference in knowledge management capabilities based on educational qualification
- This implies that on-the-job experience and continuous professional development are more crucial in auditing practices.

#### **5. Need for Modern Audit Tools**

- Adoption of data analytics and AI-based auditing methods can improve fraud detection and efficiency.
- Investment in technology-driven audit practices is essential for strengthening financial oversight.

#### **6. Importance of Regular Internal Control Assessments**

- Strengthening internal controls can help mitigate financial risks and ensure policy compliance.
- Continuous monitoring and assessment of financial policies are necessary for effective audit practices

#### **SUGGESTIONS OF THE STUDY**

1. Strengthen collaboration and communication between internal and external auditors to benefit from their combined ideas and skills.
2. Provide auditors with ongoing education and training on new risks, regulatory changes, and best practices.
3. Invest in modern audit technologies like data analytics and artificial intelligence (AI) to improve detection and audit efficiency.
4. Internal controls should be assessed and strengthened on a regular basis to reduce financial risks and assure policy compliance.
5. Encourage a culture of ethical behaviour and integrity in organisations and among auditors.
6. Implement a proactive, risk-based auditing strategy aimed at detecting and mitigating important financial risks.

Internal controls should be assessed and strengthened on a regular basis to reduce financial risks and assure policy compliance

## CONCLUSION

. The research on internal and external auditors in public organization their vital responsibilities in guaranteeing openness, accountability, and dependability in financial reporting inside organizations. To improve auditors' efficacy in protecting financial integrity, organizations should prioritize continual education and training, invest in modern audit technology, foster a strong ethical culture, and employ proactive risk-based auditing procedures. These initiatives will enable auditors to react to changing risks and regulatory requirements while maintaining the highest levels of professionalism and integrity

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