

Klamut, Elżbieta

## Article

# Internal audit tool for minimizing the risk of fraud

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## INTERNAL AUDIT TOOL FOR MINIMIZING THE RISK OF FRAUD

ELŻBIETA KLAMUT<sup>1</sup>

### Abstract

The purpose of the article is to analyze the relevance of the audit in minimizing the risk of fraud. The methodology of the research: literature analysis, internal audit research and questionnaires for the selected group of companies were carried out for the purpose of the article. The result: internal audit of micro-enterprises is implemented sporadically, so it is difficult to talk about its effectiveness, while in other entities it fulfills its role, provided it is properly carried out, which means while maintaining its independence and impartiality.

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<sup>1</sup> University of Social Sciences, Łódź, Poland, e-mail: eklamut@spoleczna.pl, ORCID 0000-0002-4304-0665.

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## INTRODUCTION

The changing economic, organizational and legal environment requires the implementation of an appropriate system of business management. Businesses are increasingly exposed to various types of abuse or crimes that have their source in the internal or external environment. In order to be effective, the management system must be provided with the appropriate tools in the form of an audit or internal control. The lack of a customary internal audit often results from the lack of legal regulation in the private sector, but also from the nature of the activity, the size of the organization, the scale of operations, management's reluctance to further control, etc.

Due to the rise in the scale of financial scandals that were detected in the early 21st century, economic abuses have become the subject of continuous research. According to the data of the late twentieth century conducted by ACFE (Association of Certified Fraud Fitness examiners) in the US the average loss rate due to undetected economic fraud was reaching 400 billion dollars. Ten years later, this figure reached 660 billion.

The increasing interest in auditing is caused not only by increasing losses of abuse, but also by recommendations and regulations on corporate governance. It has long been concluded that internal control, even the best acting, does not guarantee the smooth operation and the detection of problems in the effective functioning of the company. In contrast to internal control, the audit focuses on counteracting risks occurring in organizations. The audit focuses not only on its function to ensure proper operation, but also provides management consulting. Not only does it check the past, but becomes a tool to support more effective management of measurable uncertainties [Kisiel&Kuc, 2006].

The purpose of the article is to assess the use of auditing in corporate fraud detection. This is a search for answers to the question of to what extent the internal audit is used in enterprises in the process of risk prevention of abuses within an organization. It is an attempt to confirm that the audit can effectively minimize the risk of fraud. The evaluation was based on the analysis of the world statistics survey.

## ECONOMIC CRIMES

Polish legal order does not define economic crime, only on the basis of economic and legal literature can we determine its identity. This is, according to these sources, a criminal offence, threatening or causing damage to economic life. It is a breach of trust associated with the institution of economic life or the position of the perpetrator that may bring about loss of confidence in the economic system or its institutions. These crimes affect the interests of the participants of the economic trade, that is, businesses and consumers, and undermine the institutions of the public finance sector [prawo karne. wykłady.org].

The definition of economic abuse using the position can be found in the studies of the International Association of Certified Fraud Examiners (ACFE). This association defines economic abuse as an activity of certain persons who use their position to enrich themselves by abusing or improper use of assets belonging to the organization in which they are employed [1996, Report].

Abuses are most commonly understood as intentional fraud, manipulation of data, misappropriation of resources to the benefit or disadvantage of an enterprise or a person. Fraud, according to ISA 240, is an intentional action taken by members or a member of the management, employees or a third party causing an irregularity in financial statements.

It can consist in:

- 1) appropriation of property,
- 2) manipulation, falsification or alteration of data or documents,
- 3) excluding or omitting the effects of transactions in the accounting records,
- 4) improper application of accounting policies,
- 5) recording of ostensible transactions.

A detailed catalogue of economic offences at the macro level (national and international economy), defines the Annex to the Council of Europe Recommendations No R/81/128. A detailed catalogue of economic offences at the micro level (national and international economy), defines the Annex to the Council of Europe Recommendations No R/81/128. This catalogue also defines the notions of micro-scale economic crimes, i.e. in enterprises. These include: tax and employee insurance offences, falsifying balance sheets and accounting records, as well as customs offences and computer offences [Catalog..].

R. Paterson describes fraud in a slightly different way. According to him, fraud is a direct or indirect appropriation of someone else’s property by tricking others, verbally misleading them, as well as falsification of documentation or theft in a way difficult to detect [Paterson,2002, p. 69]. The quoted author defines an accounting fraud as any intentional action that seeks to deceive or confuse users of the information contained in the financial statements by suitable creation of the data. In addition, he claims that accounting fraud is most often committed in order to mislead investors or lenders at the time of having to raise capital [Paterson, 2008, p. 328]

A common feature of all economic crimes is the fact that they are punishable, often with very severe penalty, which is designed to protect the proper economic trade. The provisions of civil, economic and tax laws, as well as the criminal code, which concern offences against the economic trade, determine the persons who may be held liable due to violation of these laws.

The types of economic crimes occurring in economic trade or the functioning of enterprises are mainly:

- 1) action to the detriment of the company,
- 2) breach of trust crimes,
- 3) corruption crimes,
- 4) tender crimes,
- 5) offences against creditors,
- 6) money laundering crime,
- 7) cybercrime, crime against the protection of

information,

- 8) criminal offences in the field of securities and financial instruments,
- 9) tax crimes, as well as tax, credit and insurance fraud,
- 10) criminal offences of unfair competition,
- 11) excise and foreign exchange offences,
- 12) bank offences,
- 13) Act on accounting offences.

Selected types of offences frequently found in the economic market with an overview are shown in the table below.

In recent years, the total number of disclosed crimes has been decreasing, but not in the case of economic crime. The number of these has risen, as well as the values to which they relate. According to statistics, the most frequently committed economic crimes in Poland are as follows:

- 1) criminal fiscal matters (fictitious billing, “empty invoice”, carousel tax fraud, extortion of indirect taxes - excise duties and VAT),
- 2) crime against the interests of entrepreneurs (economic fraud, money laundering, breach of trust),
- 3) financial crime (crime on capital markets, capital frauds).

The actual scale of economic crime is rather difficult to estimate, because it is barely detectable. In 2013 in Poland, 30 300 false documents were detected, while

**Table1: Selected types of economic offenses**

Offence	Description
Mismanagement, abuse of trust	Abuse of powers or failure to fulfill obligations of the managers, actions to the detriment of the company – art. 296, Criminal Code. .
Embezzlement of the property of an organization	Action to the detriment of creditors – to thwart or limit the satisfy of creditors (bankruptcy or the sale of assets or the creation of a new company) - (art. 300, 301, 302 C.C.
Money laundering	Trading of assets that have been acquired as a result of criminal offences – art. 299 C.C.
Creating false financial reporting	Creating or acquiring false, unreliable documents and submitting them in order to swindle fraudulent credit - art. 297 C.C. The publication of counterfeit information on the situation by the issuers of securities - art. 311 C.C. .
Corruption	Acquiring material or personal benefits (including their promise) for making the relevant management decisions - art. 296A C.C.
Tender fraud	Obstruction or acting in an arranged way on tenders – art. 305 C.C.
Unfair record keeping or lack of records	Keeping records unfairly or inconsistent with reality, not documenting the business – art. 303 C.C..

Source: Own study

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in 2015 this number rose to 32 000. However, they are difficult to detect, and are often disclosed by inspections not related to their search.

Many entities need professional counselling in order to reduce the risk of committing economic and fiscal crimes, and quite frequently, also in the field of crime risk management, including:

- 1) criminal liability of members of capital companies,
- 2) problems associated with obstructing of redress actions,
- 3) abuse offences,
- 4) crimes against creditors,
- 5) taking advantage of the contractor's forced situation,
- 6) managerial bribery crime,
- 7) problems with unreliable or dishonest documentation.

The size of the losses in respect to economic crime is by far greater than for criminal crime and drug trafficking taken together.

## CRIME SCALE IN POLAND AND WORLDWIDE

Considerable legal complexity, the growing influence of organized crime gangs on almost all markets and spiraling corruption cause a negative impact on the interests of honest businessmen and their customers. Both in civil - legal relations in the private sphere, as in the Polish economy, the scale of various frauds is expanding. Some of them are of a domestic nature, but more and more frequently, they are international.

Often, the slowness of the judiciary in Poland, which is manifested by the reluctance of law enforcement authorities to carry out lengthy investigations of crimes of an economic nature, and the courts, in which judicial proceedings are being dragged out for years, allow these criminals to go unpunished. In Poland, in the year 2015, 163,000 economic crimes were detected, and almost half of them were frauds [Badanie nadużyć/Fraud Study]. It is the frauds that are the source of the highest profits, hence their popularity is growing. One of the most common frauds is VAT extortion on the basis of a so-

called tax carousel<sup>1</sup>, which means a multiple export and import of the same goods with the use of a complex supply chain. Such activities are often difficult to detect, and the attempt to prove them is almost impossible. The creativity of dishonest entrepreneurs in the creation of all sorts of schemes of moving supplies is amazing. Various types of non-existent economic entities, or stolen NIPI tax identification numbers are used for that purpose.

White collar crimes<sup>2</sup> appear very often, since in most cases they do not have any physical form, they are only “on paper”. These crimes have a common nature, that is, their “creators” who hold high professional and social positions. Most often, there are two types of offences:

- 1) committed by the company employees without the company knowledge and approval (*occupational fraud*),
- 2) committed by the companies as a whole (*organizational fraud*).

The effects of such crimes can be severe for society, because they often have international coverage. Examples include data manipulations, or creative accounting, especially of public listed companies (*organizational fraud*). An example of criminal activities of individual employees of financial institutions is a commitment of expenditure for a fictitious person by an employee holding a high position, for his or her private purposes.

In recent years, more and more spectacular cases worth billions of zlotys white collar crimes are being disclosed, and this is caused by such factors as:

- 1) economic activity carried out on the basis of external sources of funding (credits, loans),
- 2) easier access to additional resources through EU or government programmes,
- 3) dispersed organizational structures,
- 4) perception of economic crimes as a means of achieving the objectives,
- 5) the employee's feeling of being financially undervalued,
- 6) more and more complex activities and narrower specializations,
- 7) evaluation of the business by its efficiency (net) without the income and expenses analysis,
- 8) lack of control of key employees,
- 9) inappropriate assignment of responsibilities and

1 Tax carousel is a crime committed by organized crime gangs who exploit the way VAT is treated within multijurisdictional trading. Fraudsters base their activities on the regulation introduced to the VAT EU system (since January 1993), imposing VAT in the destination country of the goods transferred among different EU countries.

2 This term is not new, it already appeared before WW II.

lack of the sense of control.

The lack of adequate supervision and internal control activities often cause shareholders’ and managers’ unawareness of crimes committed by employees. A study carried out by Marshall Clinard and Peter Yeager proves this. In 562 analysed large companies, they identified as many as 1,553 cases of white-collar crimes. These cases applied to about 60% of the companies investigated.

Other research confirming the number of these crimes is the Report to the Nations on Occupational Fraud and Abuse for 2014 compiled by the Association of Certified Fraud Examiners (ACFE). In this report, it is estimated that the average cost of these crimes is about 5% of the value of the total revenue of the organization.

In recent years, the most common economic offences are offences related to economic trading, mainly to the marketing of bogus invoices. Much of it is a virtual trading with foreign countries. These offences in this ultimate form are based on creating organized groups that embezzle VAT refunds [Thiel, 2014, p. 40].

According to the data available from the website of the Ministry of Finance [www.mofnet.gov.pl], the most common crimes are those of VAT embezzlement committed due to fictitious intra-community transactions worth multi-million zlotys. It is difficult to assess the scale of illegal activities in the economies of the world, as criminal groups use newer and more advanced methods. As a measure we can use the value of revealed fictitious operations in VAT. In Poland alone in 2010, scams worth 3.7 billion zlotys [Report, 2013] were revealed, and by 2013 the amount went up to 19.7 billion zlotys [Informacja,

2014]. Every year, the amount of VAT that economic operators apply for refund is increasing. Criminal activity in this area is evident also in the countries of the European Union, which raises concern of the European Commission, especially in the context of the increasing VAT tax gap [2012 Update Report, 2014]. The informal economy exists in almost every country and is difficult to estimate. Researchers studying the grey market estimate it is about 2.15 billion euros [Schneider, Kearney, 2013, p. 3]. The size of this phenomenon varies depending on the country and its development. In Western European countries (France, Germany) it is about 13% of GDP, and in Austria and Switzerland – 8%. It was high in the countries of Central and Eastern Europe (Lithuania, Estonia, Bulgaria), as it was about 30% of GDP. According to research, in Poland it is more than 25% [Schneider & Kearney 2011, p. 3]. The scale of these crimes is enormous, and it would be recommendable to take action to limit these losses. Will the audit institution reduce the number of economic frauds?

Economic crimes are not the domain of Poland, so let’s take a look at the research by EY in 2015 in Europe, India and Africa (Table 2).

The scale of the corruption is the biggest in African countries and in India, yet while the falsification of financial reports is concerned, it is Spain and India that are the leaders, however, in other countries this is also quite common.

The ACFE Report of the year 2018 indicates that the most common abuses or frauds are corruption, payment fraud, documentary fraud, misappropriation of assets,

**Table 2: Fraud, bribery and corruption across Europe, Middle East, India and Africa**

	Spain	Czech Republic	Russia	India	Nigeria	South Africa	Kenya	Middle East
Bribery/corrupt practices happen widely	69%	61%	60%	80%	72%	78%	90%	35%
Offering gifts to win business is justifiable to help a business survive	34%	16%	9%	52%	31%	10%	20%	49%
Cash payments to win business are justifiable to help a business survive	16%	6%	16%	27%	21%	15%	15%	49%
Companies often report financial performance better than it is	56%	29%	41%	59%	47%	45%	41%	34%

Source: [EY, Fraud ... 2015, p. 7]

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forgery of financial statements, etc. In many cases, crimes are committed by fraudsters in more than one way, according to the table below (Tab: 3).

Among the fraud of misappropriation property, the biggest threat (risk) is generated by: payment fraud (21%), documentation forgery (20%), bribery (15%), stealing cash (11%). Usually, such frauds were detected by employee reporting (53%), by customers (21%), anonymizers (14%) and, to a lesser extent, by suppliers, competitors or owners [report ACFE 2018, p. 17]. It is worth taking a look at the statistics on our continent (Tab. 4).

Among other cases, we often include manipulation of payments (cheque fraud), skimming and many others. The above figures show that there has been an increase in the fraud of documentation counterfeiting, bribery and cash theft in recent years, but the scale of corruption, payment fraud has been slightly reduced.

According to the PwC report [PwC, 2016], over 36% of the entities surveyed over the past two years in Poland have experienced abuses. What's more, 20% of the crimes were committed by the members of the management of the audited units, and as much as 44% suffered losses

from 400 thousand PLN up to several million zlotys. The representatives of the surveyed operators expect to experience corruption in the next two years. Similar studies carried out in the year 2018 [PwC 2018, Report] indicate an increase in the scale of abuse compared to the previous study. And so, more than 50% of the enterprises in Poland have experienced abuses over the past 24 months. As many as 55% are abuses committed by employees, and 54% out of these are the actions of executives. The report also shows that every second entity lost more than 400 thousand PLN (around 20% of the subjects involved do not know the amount of losses incurred). The bodies examined also demonstrate that as a result of these frauds, they suffered from the loss of business relationships (51%), the reduction of employee morale (58%) and the negative impact on the corporate image (48%).

It is worth to looking into KPMG's report [KPMG report, 2016], in which we read that in Poland employees commit most of the fraud (87.5%), while elsewhere in the world this is a little less, just about 65%. In addition, as many as 12.5% of criminals were employees. In Poland, in as many as 75% of the cases of fraud, the offenders

**Table 3: Frequency of committing more than one offence**

Specification	Percentage of cases
Asset misappropriation Orly	57
Asset misappropriation and corruption	23
Corruption Orly	9
Corruption, asset misappropriation, and financial statement fraud	4
Asset misappropriation and financial statement fraud	3
Financial statement fraud Orly	1
Corruption and financial statement fraud	1

Source: [Report ACFE 2018, p.17]

**Table 4: Most commonly committed economic crimes in Western Europe (%)**

Fraud	2016	2018
Corruption	40,0	36,0
Non-Cash	25,5	17,0
Billing	19,1	28,0
Expense Reimbursements	18,2	13,0
Financial Statement Fraud	17,3	15,0
Cash on Hand	9,1	17,0
Payroll	8,2	5,0
Cash Larceny	3,6	8,0

Source: [Report ACFE 2016, Report ACFE 2018]

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have acted in concert. Global research in turn emphasizes that about 38% of the perpetrators are people who are respected in the organization. In addition, the study found that weak control mechanisms, or their absence, permitted up to 81.3% of the abuses in Polish companies (worldwide 61%).

## INTERNAL AUDIT VS INTERNAL CONTROL

The Institute of Internal Auditors defines internal auditing as “independent, objective activity with verification and counselling purposes, carried out in order to contribute to the value added to the organization and to improve its operation. The Internal Audit Department supports the organization in achieving its objectives through systematic and methodological approach to evaluate and improve the effectiveness of risk management processes, control and management of the organization”. It must be therefore concluded that the audit means objective and independent activity, both preventive and advisory, verifying, systematic, focused on risk, and oriented to the studying of processes. Internal audit is designed to contribute to the implementation of effective mechanisms of control in the entities. It does this by evaluating their effectiveness and efficiency, as well as the use of continuous improvement, inter alia, through the identification of weaknesses in the management area of the entity. The effect of the introduction of the audit is to streamline processes that present the objectives and values, to monitor the achievement of those objectives, to assign responsibility for their implementation and protection of resources.

“Audit shall mean a systematic and independent investigation to determine whether the activities and related results are consistent with the planned arrangements and whether these solutions are effectively implemented and meet the intended objectives.” [EUR-Lex]. In the Polish legal regulations, the general scope of the internal audit has been formulated mainly in article 272 paragraph 1 and 2 of chapter VI of Internal Audit and internal audit coordination in public finance units of the Public Finance Act. The above records stipulate that “ internal audit is an independent and objective activity which aims to support (...) the head of the unit to achieve its objectives and tasks by systematic evaluation of management control and advisory activities. This assessment concerns in particular the adequacy,

effectiveness and effectiveness of the management control in the (...) unit “ [Act...]

When examining art. 125 (4) (c) of the regulation (EU) No 1303/2013 on common provisions, it is concluded that those provisions require operators to introduce effective and proportionate anti-fraud measures which take account of any identified types of risk. In addition, art. 59 sets out the general requirements for audit institutions regarding management and control systems, annual reports and management declarations. The Commission has also issued guidelines for the member states under the name “Risk assessment of fraud and effective and proportionate anti-fraud measures”.

Other provisions are: Standard 240 IAASB refers to the liability of the statutory auditor when examining the accounts of fraud. Standard 1240 ISSI indicates the statutory auditor’s obligations with regard to fraud during the audit of the financial statements and the direct reference to the International Standard for Auditing (ISA 240) and provides additional guidance for public sector auditors. The standards mentioned above of professional internal audit practice, developed by the Institute of Internal Auditors, set out rules on fraud risks as well as their detection by the statement of assurance and audit.

The purpose of the audit is therefore to ensure that the management and control system is effective and efficient and can provide for the prevention and correction of errors and fraud.

Internal control operates in almost every business. It is essential to control the correctness of the functions performed. Nowadays, the internal control must generate “added value”, advise on matters of hazard identification and help the organization to survive. So, what is the audit actually supposed to do? It has a very similar role, and often even the same role as internal control. However, unlike the control, it is not intended to detect irregularities (which is a byproduct of research), but to state, and assure the Executive Board, that the management system adopted by the organization operates correctly.

The main tasks of the internal audit function, regardless of the type of enterprise, are as follows:

- 1) the systematic control of the legality, efficiency and appropriateness of activities,
- 2) examining the correctness of the fulfillment of the imposed activities and objectives,
- 3) checking operational and financial information,
- 4) supervision of elements of internal control and

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examination of the compliance with internal rules (policy) of the organization,

- 5) reporting to management,
- 6) inspection of the accounting system.

The most important feature of a modern internal audit is an independent identification, evaluation and selective testing of the internal control system. The auditor's role is to evaluate the system and identify solutions that reduce the identified risks. The audit functions are primarily:

- 1) the impartial examination of objects that have a real significance for the entity,
- 2) the provision of reliable and sufficient evidence to confirm the results of the assessment,
- 3) directing resources to the most significant areas of the organization,
- 4) informing the management about how to continuously improve internal control
- 5) the cooperation with the management and staff of the entity to ensure the appropriate functioning of the internal control in the company.

Internal audit is still something new and is subject to regular change that adjusts it to the new needs and conditions. Its aims and objectives are successively defined in the standards of IIA (Institute of Internal Auditors). All standards are subject to changes and still more accurate audit methods shall be sought. Some of the changes made in the internal audit policy are shown below (Table 5).

Internal control is implemented at all levels of the organizational structure, in close connection with the objectives of the whole entity in relation to different levels of management. The greater part of economic events can be controlled, but some are beyond control. Managers may not be absolutely certain that if the organization has an internal control, the entity is running smoothly. Unfortunately, studies have shown that there are significant weaknesses in the functioning of the internal control. These are as follows:

- 1) lack of the scope of responsibilities of the internal control staff,
- 2) lack of regular trainings of the staff,
- 3) lack of appropriate IT structure in the entities,
- 4) lack of appropriate "guidance" related to the control itself and the methods of carrying out the control,
- 5) control system focused on the follow-up control (ex post), and not on the initial control (ex ante).

Internal control is to prevent errors, irregularities and fraud in the economy from occurring. These tasks

include identification, disclosure and providing objective assessment of the irregularities which occurred in the company and are the case of both mismanagement and fraud. Usually, controls on compliance with financial discipline, company assets trade and the security of property, the regularity of circulation of the documentation and the functioning of self-control are carried out. Competencies of internal control are indispensable in times of detecting fraud, as the control staff not only secure evidence of fraud in a professional way, but also prepare relevant material for taking legal actions.

Internal control is not a separate system, it is an integral part of the organization management system. Similar to the audit, it should be carried out continuously. The main objectives of internal control are as follows [Kuc 2002, p. 57]:

- 1) supporting the organization in achieving its objectives (effectiveness and efficiency of the activities and the efficiency of resource use, the reliability of financial reports, compliance with the law),
- 2) enabling the obtainment of a rational certainty that the objectives will be achieved economically and profitably for the entity,
- 3) asset protection,
- 4) detection of irregularities and fraud.

Main functions of control are as follows [Kuc, 2002, p. 58]:

- 1) anticipating – preventing (prevention of adverse events),
- 2) identifying – detecting (detection of adverse effects and taking corrective actions),
- 3) corrective - directive (causing the desired events).

If an audit has tasks similar to the control, why do we need the two institutions of a similar nature in the organization? Internal control has a longer history of operation and it is conducted on a continuous basis in the organization, while internal audit was introduced after disclosures of errors in its operation and it is carried out on an ad hoc basis. The differences between these two concepts are presented in Table 6.

In the early periods of the functioning of the audit, its assignments were only to control errors in the records and fraud. In the second half of the 20th century, the scope of tasks was extended to study the organizational structure, as well as economic and technical processes. Gradually, the control of management processes was also included (estimating risk factors, creating early warning

**Table 5: Changes in the internal audit**

The audit process	Modern audit based on risk analysis	Traditional audit
Audit area	All systems implementing business goals	As a rule, financial and accounting systems, regulatory compliance and operational activity
Audit objectives	To determine whether the risks have been limited	Evaluation of the internal control system, improving efficiency and productivity
Annual plan	Audits selected as a result of risk analysis	Recursive plans of audits can be linked to the results of the risk analysis
Types of audit	There are only two: projects' audit and continuous audit.	The distinction between financial audit, operational audit, compliance audit and IT audit
Involvement of other employees of the organization	High. The involvement at all stages starting from planning. The auditee is the owner of the risk, and he/she is responsible for the control.	Slight. They become familiar with the audit and are invited to a preliminary assessment of the report and to confirm the findings and recommendations contained in the report.
Audit staff	One auditor can perform several tasks at the same time.	The auditor performs audit tasks sequentially one after another.
Audit task completing period	Difficult to predict. Non-standard tasks, often associated with system changes.	Easy to calculate because as a rule, the audit has usually been executed previously.
Tests performed	The aim of the tests is to evaluate the work of key controls. Risk analysis allows you to determine which controls are the most important and require assessment.	The aim of the tests is to evaluate the functioning of the control. The aim of the tests is to find errors, yet with no regard to their relevance.
Report	Ensuring the auditee that his/her risks are at an acceptable level. Pointing out which risks should be limited.	Confirmation that the internal control system meets the requirements. Identified weaknesses in the system..
Auditors	Highly motivated individuals with managerial or expert experience; not necessarily in accounting. Can be employed for specific audits.	Certified auditors/accountants and professional auditors employed in the position in the company.
Organization of the Internal Audit Team (IAT)	Task structure of IAT	Hierarchical structure of IAT

Source: [Czerwiński, 2005, p. 288]

**Table 6: Differences between institutional control and internal audit**

Internal audit	Internal control
Emphasis on the causes of adverse phenomena	Responds primarily to the symptoms of an adverse phenomenon
Preventive actions, indicates potential risks	Works only post factum
Independent to a large extent	Limited scope of authorization, depends on the will of the ordering party
Activity aimed at improving business	Focused on the detection of the perpetrator of irregularities
Works on the basis of standards	Works on the basis of internal regulations

Source: [Kendler & Stasik, 2005, p. 15]

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systems) and excluded the management action, who is the ordering party of internal audit. These changes resulted in coverage by audit of all enterprise features, limiting, however, the importance of the fundamentals of internal auditing, which is the control of accounting and finance. Gradually carried out checks for compliance with the regulations have been extended to the control of security. Their aim was to determine whether the guidelines are effectively applied and provide appropriate

(sufficient) security. Security controls of economic trade and the compliance with regulations are still the most important, but increasingly, the risk, purposefulness and economic controls are becoming more significant. Internal audit limits the comparison of the actual status with the required one, and tends to provide counselling in the management of the organization, searching for sensitive sites of the management system and developing appropriate solutions to remove them.

**Table 7: Selected classifications of internal audit**

Foreign Literature		Polish Literature	
Author	Classification	Author	Classification
Sawyer L.B. Dittehofer M.A. Scheiner J.H.	- comprehensive auditing - management-oriented auditing - participative auditing - program auditing	Czerwiński K.	- IT audit - financial audit - operational audit
Fight A.	- internal control reviews - financial audit - compliance audit - operational audit - investigative audit - information audit	Stępniewski J.	- audit of regularity - audit of efficiency
Luck W.	- financial auditing - operational auditing - management auditing - internal consulting	Żytyniec D.A.	- financial audit - non-financial audit: • operational audit • compliance audit • IT audit • performance audit • programs audit
Siegel J.G. Shim J.K.	- financial audit - internal audit - management audit - compliance audit	Kuc B.R.	- business audit - quality audit - marketing audit - financial audit - operational audit - management audit - audit of compliance with objectives, standards and arrangements - project program audit - system audit - process audit - product audit - quality audit - marketing audit - health and safety audit - information system security audit

Source: [Kendler & Stasik, 2005, p. 15]

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## AUDIT AS A TOOL FOR IMPROVING ECONOMIC SECURITY

In the literature on the subject, various classifications of internal audit exist. Some of them, together with their authors, are presented in Table 7.

In the literature, the most frequently noted types of internal audit are: financial audit, performance audit, audit of systems, audit of compliance and operational audit.

Each of them relates to another area of activity of the enterprise (Table 8).

Is financial audit sufficient to detect fraud in the organization and its PR? Unfortunately not, because in the area of its interests are only effects of the activities

included in the financial reporting, which is the final product of the accounting system. Often, too much importance is attached to the financial audit, while the performance audit, system audit and operational audit are of great significance as well. By far, most opportunities for committing economic crimes, as well as the symptoms of irregularities and mismanagement, arise within these areas of activities of companies that have always been and are under special supervision of these audits. It might be better to apply new concepts of the audit i.e. implementing project audits or a continuous audit process.

The evolution of management processes, as well as the principles of functioning of the enterprises in the economy, has forced changes in the organization of internal audits. It is no longer only the audit focused on

**Table 8: The areas of application of different types of audit**

Definition	Application
financial audit - assessment of financial reports in accordance with financial auditing standards	<ul style="list-style-type: none"> <li>- assessment of accounting organization</li> <li>- inspection of accounting books</li> <li>- checking the entries in accounting books</li> <li>- analysis and assessment of financial reports</li> <li>- assessment of the method of financing the business</li> <li>- study on financial liquidity</li> </ul>
Performance audit - evaluation of efficiency and effectiveness of actions on the functioning of the organization	<ul style="list-style-type: none"> <li>- study of the efficiency of the business</li> <li>- study of the economy</li> <li>- evaluation of the implementation of operational objectives</li> <li>- evaluation of the implementation of long-term objectives</li> </ul>
System audit - monitoring of systems existing in the entity	<ul style="list-style-type: none"> <li>- assessment of the system of collection and disbursement of funds</li> <li>- assessment of the management of liabilities and receivables</li> <li>- assessment of production, supplies and sales</li> </ul>
Compliance audit - assessment of whether the actions are in accordance with guideline procedures and legislations	<ul style="list-style-type: none"> <li>- assessment of compliance of agreements with the law</li> <li>- assessments of compliance with accounting regulations</li> <li>- assessment of the quality of products with national and international standards</li> <li>- assessment of complying with reporting deadlines</li> <li>- assessment of compliance with the rules governing the functioning of the organization</li> </ul>
Operational audit – compliance with the objectives of the organization	<ul style="list-style-type: none"> <li>- assessment of PR</li> <li>- assessment of the functioning of organizational units within the company</li> <li>- assessment of products and technologies</li> <li>- assessment of the security of IT systems</li> <li>- assessment of the development of human resources and organization culture</li> </ul>

Source: [Winiarska, 2005, p. 33]

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Figure 1: Role of internal audit in ERM

Core internal audit roles in regard to ERM	Legitimate internal audit roles with safeguards	Roles internal audit should not undertake
<ul style="list-style-type: none"> <li>• Reviewing the management of key risks</li> <li>• Giving assurance on the risk management processes</li> <li>• Giving assurance that risks are correctly evaluated</li> <li>• Evaluating risk management processes</li> <li>• Evaluating the reporting of key risks</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining &amp; developing the ERM framework</li> <li>• Championing establishment of ERM</li> <li>• Developing RM strategy for board approval</li> <li>• Consolidated reporting on risks</li> <li>• Facilitating identification &amp; evaluation of risks</li> <li>• Co-ordinating ERM activities</li> <li>• Coaching management in responding to risks</li> </ul>	<ul style="list-style-type: none"> <li>• Setting the risk appetite</li> <li>• Accountability for risk management</li> <li>• Implementing risk responses on management's behalf</li> <li>• Taking decisions on risk responses</li> <li>• Management assurance on risks</li> <li>• Imposing risk management processes</li> </ul>

Source: Own study

financial aspects of the business, but on all functions of enterprises, especially those that generate significant risks. More and more competitiveness, more and more linked economies are the cause of more and more new types of risks in business. Hence, the role of auditing in risk management processes is increasing (Figure 1).

To maintain the security of doing business, it is necessary to develop and implement appropriate programs to prevent crime and fraud, and perform risk vulnerability assessment, especially the financial risks. The purpose of the audit is to improve introduced procedures for monitoring and detection of fraud, as well as mechanisms to respond to detected irregularities. Along with the change of management policy, also the areas of particular interest to the audit must change. In recent years, the audit activity areas have focused on financial risk, investigation of irregularities, fraud, protection of efficiency of control structures, etc. (cf. Table 9). Such areas as the implementation of IFRS or XBRL, environmental protection, etc. are becoming less significant.

The changes mentioned above have been confirmed by researchers. Ranking of audit activities indicates an emphasis on areas of financial risk, information

management processes and operating activities (cf. Table 10).

In order for an audit to fulfill its task, in accordance with international standards of the professional practice, the internal audit must be independent. The internal auditor carrying out the survey must be objective, and the audit manager shall confirm the organizational independence at least once a year. The fulfillment of these conditions is necessary to carry out impartial evaluation of the areas examined and to avoid attempts to misuse power or to enforce changes in opinions.

The purpose of audit activities, apart from control and the function of compliance, is to provide advisory services to increase the value of the entity and to improve operational activities of the company. On the one hand, the audit is designed to protect the value created in an entity by means of ensuring compliance with the rules and procedures by the management and, on the other hand, by means of advisory activities, it may create added value as a result of improvement of the efficiency and support of risk management processes [Bednarek, 2015]. In order to be effective, the internal audit must meet many conditions. The affecting factors for its effectiveness are those indicated and discussed below in Table 11.

Table 9: Areas of activity of internal audit

The main areas of interest of audit	Areas of the least interest of audit
Operational audit	Implementation of enhanced business reporting language (XBRL)
Audit of compliance with the regulations of the code (including privacy protection)	Assessment of the remuneration of senior management
Investigation on fraud and irregularities	Implementation of International Financial Reporting Standards (IFRS)
Protection of efficiency of control structures	Social activities and these related to environmental protection (corporate social responsibility, environment)
Financial risk audit	Quality audits /ISO

Source: Own study based on [Allegrini et al., 2011, p. 22]

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**Table 10: Ranking of audit activities**

Type of audit	%	Type of audit, cont.	%
Operational audit	88.9	Testing and support of reconstruction after a disaster	40.5
Audit of compliance with the requirements of implementing acts	75.1	Providing trainings in risk/control/compliance for employees	40.0
Financial risk audit	71.6	Audit in outsourcing	35.0
Study of fraud and irregularities	71.2	Ethical audit	32.1
Evaluation of effectiveness and control systems	68.8	Assessment of ability to continue business	26.6
Risk audit of information systems	61.7	Reviews of relationships between strategy and achievements (balanced scorecard)	25.3
Risk audit of information	61.4	Reviews of due diligence of mergers, acquisitions, etc.	24.,8
Risk audit of management processes	56.6	Quality audit	24.0
Audit of process management	55.4	Social and natural environment audits	19.6
Assessment of security and claims	52.8	Switch to MSR/MSSF	19.4
External audit support	52.0	Bonus audit	18.5
Management audit	49.9	Implementation of XBRL	5.,3
Reviews of corporate governance	44.5		

Source: [Alkafajiet. al, 2010, p. 24]

**Table 11: Internal audit efficiency factors**

Determinant	Specification
Sector affiliation	Public or private
Quality of audit services	Internal audit carried out in accordance with international standards enforces a high quality of audit services and thereby contributes to increasing its efficiency;
Professionalism of the audit team	Extensive experience, training, skills, high professional qualifications;
Independence	The relationship between the internal audit cell and the Management Board is important. There are three dimensions of independence: planning independence (it cannot be exposed to any attempt to impose an audit scope), the independence of the study (the Management Board may not affect the way in which the work is to be exercised, the limitation of financing, restriction on access to staff, data) and reporting independence (direct information to the supervisory board on the results of the studies carried out);
Personal development opportunities and career-building as an internal auditor	The availability for the internal auditor for a position on the Management Board after acquiring proper knowledge and experience;
Level of support for audit activities by the Management Board	Cooperation with the management of the unit, willingness to communicate information.

Source: [Irodenko, Factors]

## FORENSIC AUDIT IN FRAUD DETECTION

Forensic audit (forensic services) appeared recently in Poland as a new service of entities providing auditing services (Deloitte, KPMG, PwC, Ernst & Young). Across the world, it became popular again after 2003, after the frauds

of Enron and WorldCom had been revealed. Here one would like to ask the question: why forensic audit, since we have financial audit? Firstly, we should take a look at the specifics of the rules governing criminal offences.

Basic principles governing the offences are as follows:

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1) most often, they concern the embezzlement of property, but the losses here are the lowest,

2) the phenomenon of counterfeiting of financial reports (financial data) is the least common, but the level of losses is the highest,

3) they are often committed by lower-rank employees however, it is the offences committed by high-rank employees (members of the Board) that contribute to the significant volume of incurred losses.

A recent study of PwC [Study 2016] indicates that approximately 36% of enterprises in the last two years were affected by the phenomenon of fraud. Moreover, 20% of the crimes were committed by senior employees, but just slightly more than 9% seemed aware of the scale of the losses caused by their activities.

An American researcher investigating economic crime, Thomas J. Wells, commented in such words: “Every expert for crime and fraud must have the knowledge and skills in four areas: understanding of fraudulent financial transactions, legal elements of fraud, criminological concepts and detective skills. He is partly a cop, partly an accountant, a psychologist and a lawyer “.

Typically, statutory auditors are associated only with the function of examining financial reports, but sometimes one of the areas of their activities is also a forensic audit, which has a slightly different nature. Unfortunately, auditing methods used to verify the financial reports cannot be applied to the requirements of economic fraud

detection processes. Forensic audit differs from typical audit services, as shown in Table 12. It focuses on verifying any suspicions of fraud or crime. This audit is performed in Poland only by large audit entities, as statutory auditors do not have appropriate substantive preparation for the detection of economic crimes, and also the methods they use are not adapted to the requirements of the processes of detection of such crimes.

### WAYS TO MINIMIZE FRAUD

An anti-fraud policy linked to the code of business ethics should be developed in every major enterprise. In large and medium-sized enterprises, appropriate procedures should be put in place to minimize the risk of abuse.

In many companies, employees are required to report suspicions and information about corrupt activities or abuses committed by senior management or by employees, suppliers or other entities associated with the organization. Employees may report this directly to the Internal Audit Department if it exists in the company or through a direct superior or otherwise as indicated in the organization’s policies. The responsibility for detecting and preventing abuse lies with the management of the unit, and each management member should pay particular attention to any irregularities in the functioning

**Table 12: Differences between forensic audit and financial audit**

	Forensic audit	Financial audit
Aim	Identification of fraud and economic crimes, proving a suspected person is guilty or rejecting the plea.	Issuing an opinion. The accuracy, reliability, integrity, of materially-financial situation of the entity.
Frequency and form	On an ad hoc basis, at the time of the suspicion of committing a crime, fraud.	
Checking the signals of abuse.	Annually, for entities meeting the requirements of the obligation of verification. Review of financial reports.	
Scope of work	Analysis of the information and evidence of crime, abuse, detailed examination.	Analysis of annual financial reports, general check.
Relationship between parties	Carried out in secret, without the ability to influence management (independence and impartiality).	Mutual cooperation with management, internal control, internal audit.
Methodology	Different techniques depending on the kind of crime: computer forensics, the verification of the authenticity of the documentation, signatures, hearings, etc.	Techniques to study the data contained in financial reports (presentation in books and reports, the correct valuation, review the state of property resources, etc.).

Source: Own study

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of the area for which he or she is responsible. It is the management team who should appropriately manage the risks i.e. the process of identifying, evaluating and controlling potential events or situations, to ensure the rational achievement of the company's objectives.

The internal audit is intended to give the management the information that the risk management processes are functioning properly and are effective. In addition, it should identify opportunities to improve these processes in order to increase business efficiency. The process of analyzing the functioning of the risk management system requires the auditor to know the following: law, accounting, finance, logic (associating facts), finding links and logical definition of the purpose of the crime and acquiring source evidence.

The internal auditor, as defined in IIA, is required to assess the risk management processes and then check the correctness of the management control. The latter is called upon to reduce the risk of errors, but above all to limit the fraud perpetrated by employees. The auditor

should find weaknesses in the management and control processes and then introduce appropriate changes to these systems.

For the internal auditor, the starting point should be as mentioned earlier, the assessment of the effectiveness, efficiency and adequacy of control mechanisms [Knedler&Stasik, 2014]. This assessment will allow for an opinion to be given whether control mechanisms help the unit to achieve its respective efficiency, its value and market position, as well as its smooth operation, and whether they ensure the reliability and reliability of its reporting and the compatibility of its functioning with the provisions of external and internal law. The auditor is not responsible for the operation of the control; he or she can only deliver an opinion on the quality of the operation of risk management and management control.

Internal audit will not be effective if all management units do not properly cooperate. The management's awareness of the need to control and manage risk will make it a supporting and advisory tool.

**Table 13: Selected anti-fraud methods and their impact on reducing losses**

Control	Percent of cases (%)	Control in place (\$)	Control not in place (\$)	Percent reduction (%)
Code of conduct	80	110 000	250 000	56
Proactive data monitoring/analysis	37	80 000	165 000	52
Surprise audits	37	75 000	152 000	51
External audit of internal controls over financial reporting	67	100 000	200,000	50
Management review	66	100 000	200 000	50
Hotline	63	100 000	200 000	50
Anti-fraud policy	54	100 000	190 000	47
Internal audit department	73	108 000	200 000	46
Management certification of financial statements	72	109 000	192 000	43
Fraud training for employees	53	100 000	169 000	41
Formal fraud risk assessments	41	100 000	162 000	38
Employee support programs	54	100 000	160 000	38
Fraud training for managers/executives	52	100 000	153 000	35
Dedicated fraud department, function, or team	41	100 000	150 000	33
External audit of financial statements	80	120 000	170 000	29
Job rotation/mandatory vacation	19	100 000	130 000	23
Independent audit committee	61	120 000	150 000	20
Rewards for whistleblowers	12	110 000	125000	12

Source: [Report ACFE 2018, p. 28]

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The functioning of an adequate, effective system of financial fraud control can be a preventive factor and an active mechanism for preventing and detecting economic fraud. The development of an appropriate system based on the knowledge and skills gained, as well as the experience of others in combating crime will more effectively minimize the risks of fraud and economic scams.

Of course, internal audit is not the only way to detect fraud in companies. Which anti-abuse methods are most commonly used? According to the aforementioned ACFE studies of 2018, as many as 80% of the organizations had developed rules (codes) of conduct and to the same extent were used external audits of financial statements. Internal audit departments were in approximately 73% of the units surveyed and about 66% carried out the management process review. Other methods implemented in these companies included employee support programmes, staff and management fraud training, anti-fraud policies, special anti-fraud departments, monitoring and data analysis, extraordinary audits as well as employee turnover (19%) and appropriate rewarding of informants (12%) [Report., p. 22].

The efficiency of investing in ways to combat fraud is difficult to estimate as it is not possible to measure these frauds (their effects), which the unit will prevent by applying appropriate risk management procedures. Many scientists, economists, and anti-fraud specialists claim that in the units particularly prone to fraud, additional opportunities to prevent them have a business justification. Here again, it is necessary to cite the previously mentioned ACFE 2018 report showing the effectiveness of the fraud control by comparing the losses in the organizations that have implemented the control and those that have not implemented it (Tab. 13).

It follows from the above that the implementation of the control is correlated with lower losses due to fraud or fraudulent activity. It is often over 50% reduction of losses due to fraud eg. in the case of active monitoring and analysis of data, or extraordinary audits. These tools in this study have the greatest effectiveness in the fight against fraud.

It is worth mentioning here the weaknesses of fraud prevention systems. Factors that are considered to be weaknesses in fraud risk management systems are as follows: lack of internal controls (30%), failure to review management processes (18%), lack of a competent

control team (employees), lack of independent audits, lack of education of employees in dealing with fraud, lack of reporting mechanisms, lack of interest of management, etc.

Unfortunately, many business units do not report cases of fraud to law enforcement agencies. As the reasons for this, they state [Report ACFE 2018, p. 51]:

- 1) unwillingness for adverse publicity (38%),
- 2) sufficiently strong internal discipline (33%),
- 3) too expensive and time-consuming procedure (24%),
- 4) individual settlement with the offender (21%),
- 5) lack of risk management procedures or audits, lack of evidence (12%),
- 6) lack of offender (2%),
- 7) other (12%).

Looking at the results of the ACFE report of 2018 on small entities (less than 100 employees), we see that small units use less control than large units, which can make them more susceptible to fraud. The most common abuses in these units are: misappropriation of funds, corruption, manipulation, bribery, etc.

## **FRAUD AND AUDIT - POLAND COMPARED TO THE REST OF THE WORLD**

In Poland, internal audit was used basically in the area of public finances. The transformation of economic life, as well as the progressive globalization and increasing competitiveness, means that companies are more and more exposed to increased risk, including the risk of economic crime. Internal control systems are often not sufficient enough to detect irregularities in the functioning of the organization. The scale of the fraud and abuse is enormous, as evidenced by the recurrent research by PwC. More than 36% of Polish companies have been victims of abuse, about 65% of cases concern the theft of assets, about 32% of cybercrime, and 29% - abuse of accounting.

An earlier study of crime in 2011, gave similar figures for Europe (cf. Tab. 14.), yet cybercrime in Poland is twice as high.

It is encouraging that in Poland, according to the study<sup>3</sup> by PwC from 2016, in comparison to 2011, the phenomenon of corruption and bribery is decreasing, as

<sup>3</sup> Report by PwC on the study of economic crime is issued every two years. This year's study involved 6 337 respondents from 115 countries, including 94 from Poland.

**Table 14: Types of economic crime experienced**

Types crime	2011			2016	
	Poland	Europe	Global	Poland	Global
Asset misappropriation	61%	69 %	72 %	62%	64%
Bribery & corruption	26%	36 %	24 %	29%	24%
Accounting fraud	23%	25 %	24 %	b.d.	18%
Cybercrime	26%	18 %	23 %	32%	32%
Insider trading	3%	12 %	7 %	n.a.	7%
Human resources fraud	23%	10 %	7 %	n.a.	12%
Money laundering	10%	8 %	9 %	n.a.	11%
Tax fraud	16%	8 %	4 %	n.a.	6%

Source: [PwC Crime Surey 2011, Global Economic Crime PwC 2016, EY]

it was 21% in 2013 and in 2016- only 15%. Financial losses associated with these abuses are enormous, but they are not exactly estimated by companies, because many of them do not have appropriate systems or do not use them to monitor and control the processes occurring in them.

The cited study indicates that traders (22% of the examined population) were losing from

400,000 up to 4,000,000 zlotys, and a similar group even more than PLN 4 million.

A significant part of them (69%) say that such events erode employees' morale, and about 53% point to the deterioration of the business relationship. These studies reveal that about 57% of the abuse is perpetrated by people from outside of the organization, and the average internal fraud perpetrator is a person between the ages of 31-40 years, employed in a period of 3-5 years. Unfortunately, as many as 20% of the fraud committed is by the managerial staff. Strangely, every fifth enterprise does not carry out risk assessment.

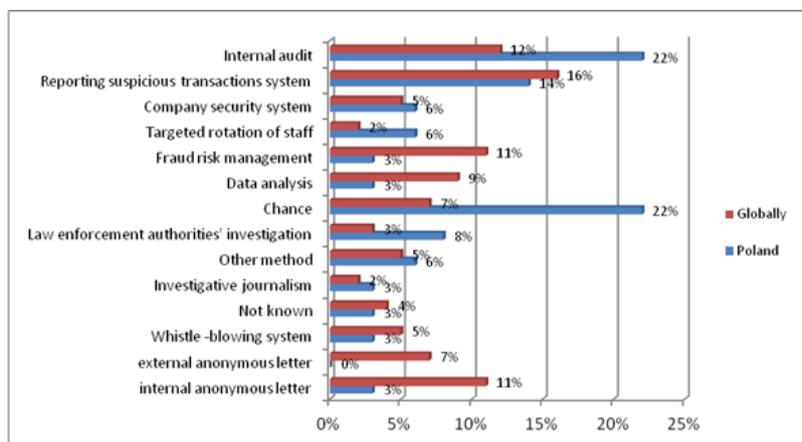
In Poland, the most common way of detecting criminal offences is through the internal audit or by accident, while elsewhere in the world it is the system for reporting suspicious transactions, audit and anonymous letters from the employees, as well as risk management and analysis of data that are the "remedy" for crime (cf. Figure 2).

In Poland you can also highlight the reporting system of suspicious transactions and the investigation of law enforcement authorities as a tool used in the elimination of economic crime, but this audit has the best results together with the offences detected by chance.

According to a recent study of the financial sector [Abuse ... 2015, p. 13], among the most-used tools used to combat the problem of fraud are:

- 1) external registers of business information (96%),
- 2) verification of documents by employees (93%),
- 3) data verification on input, as well as qualitative analysis of clients, audit and internal control (89% each),

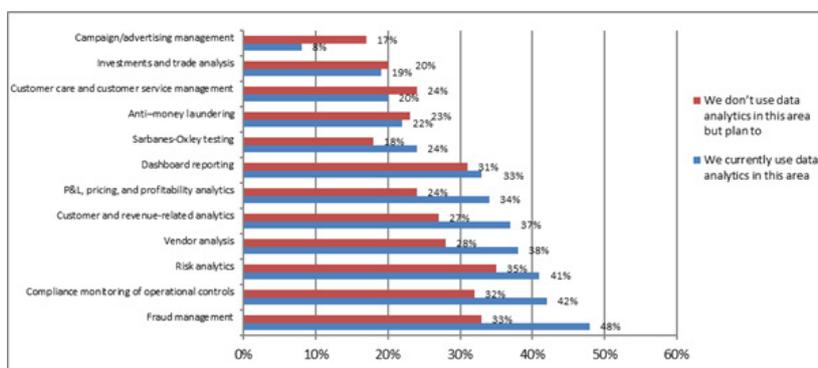
**Figure 2: How economic crime is revealed in Poland and worldwide**



Source: (Study on crime... 2014)

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Figure 3: Internal audit’s use of data analytics



Source: [2015 State.., p. 16]

4) internal database, as well as written procedures and internal policies and regular trainings (85% each).

Currently, the progress in technology and the availability of modern tools mean that the audit more and more often focuses on determining the directions of the use of information in the way that improves the performance and operation control and allows for responding more quickly to threats. Yet the information is not all, it is necessary to change the way of thinking on how to use the information in the audit process, starting with the risk assessment through planning, implementation, monitoring and up to reporting.

Studies carried out by the PwC in the area of performing the profession of auditor show that internal audit functions are used by companies for more effective threat detection. Increasingly, audit scope is expanded to a larger area of operations of the company and the information acquired by the auditor is used not only in control activities (Fig. 3). Most commonly, the information is used in audits of compliance, monitoring and risk analysis, fraud detection.

Increasingly, an audit is based on more advanced analytical tools, and on the use of more and more information from almost all areas of business. The use of modern tools and risk analysis in each of the areas of activity mostly leads to success.

## SUMMARY

Changes in the Polish and worldwide economy, the complexity of economic processes, and intensified competitiveness, force enterprises to implement more efficient risk management, including of course the risk of fraud or crime. Due to the risk increasingly occurring,

larger companies, especially in the financial sector, have implemented risk management units, regardless of the internal audit. Internal audit, which not only controls, but also more and more frequently provides advice, becomes part of the processes of management in the organization.

The audit, along with the change of management policy and the economic environment, is changing, hence adapting to the current needs of risk management. Still, the basic scope of the audit is the detection of adverse effects which could result in the company losses, which means it is still to ensure the proper functioning of internal control. In accordance with the principle that “prevention is better than cure”, an internal audit should assist in the effort of creating a system not only to detect discrepancies, but above all, to prevent the abuse from happening.

Internal audit is an instrument of control of security systems functioning in the organization. The research results presented above point to the need for relevant, accurate identification of these areas in companies that are at risk of abuse. A systematic approach to the monitoring and control of almost any process is essential. The use of analytical tools shall be of great support to the activities of reducing, preventing and fighting economic crimes. Increasingly, companies are surrounded by entities offering services related to the maintenance of economic security of enterprises. These are services like economic intelligence, debt collection, tracing of economic crime, the protection of information and professional secrecy.

Increasingly, internal audit is committed to risk management processes, its reports are better suited to the requirements of risk analysis, however, much is still to be done so that this cooperation can bring tangible results.

It seems that much less attention is paid to economic crime or fraud committed by the external environment of enterprises, and more attention is paid to the crimes committed by employees of all levels. In the time of such strong competition, it is the environment that becomes more dangerous, because it generates much more serious risks.

Also, we should not belittle the role of the correctness, accuracy and transparency of financial reports when dealing with contractors, since they

constitute the basis for economic security. Let's remind ourselves here of the words of one of the economists of the Bank Lehman Brothers, Stephan Slifer [Dusza, 2002, p. 62], who commented about the disclosure of fraud in American enterprises: "Investors are paralyzed by fear. You can't believe companies, you can't believe an accountant, you can't believe traders, probably you can't believe your spiritual adviser. What else can happen?" Unfortunately, we saw this a few years later, when the global financial crisis occurred.

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