

# Systematic Review of the Strategic Role of External and Internal Audit in Enhancing Corporate Governance and Organisational Accountability

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**Abstract:** *This study examines the role of internal and external audit in strengthening corporate governance and organisational accountability, highlighting how linking these audit functions to governance outcomes can influence practical decision-making and policy development. It addresses the lack of integrated empirical and theoretical evidence on these audit functions in prior literature by conducting a systematic literature review of studies published between 2020 and 2025. The analysis identifies that both audit types contribute significantly to improving transparency, compliance, risk management, and control systems. Findings further indicate that integrating internal and external audit enhances governance effectiveness and supports informed decision-making. The study proposes a novel conceptual framework linking audit mechanisms to governance outcomes and highlights implications for organisations seeking to strengthen accountability. These findings contribute to the existing literature by bridging fragmented audit perspectives and provide a basis for future empirical research on governance systems.*

**Keywords:** External audit, internal Audit, corporate governance, risk management, Compliance, audit integration, control systems, organisational Accountability

## 1. Introduction

Corporate governance is fundamental to any organisation. Well-established and sophisticated practices ensure transparency, accountability, fairness, and responsibility. The application of best practices increases investor confidence and supports the organisation's long-term sustainability (Marfu et al., 2025). External auditors primarily provide an independent opinion on financial statements and present an accurate view of an organisation. They conduct detailed verification and testing procedures to ensure financial statements are prepared in line with generally accepted accounting standards and relevant auditing practices, and independent parties outside the organisation offer an objective assessment.

Internal auditors are responsible for ensuring compliance with internal policies and procedures and adherence to applicable laws and regulations. An effective internal audit framework enhances the external audit process by promoting compliance and strengthening internal controls. Strong relationships among stakeholders, facilitated by good governance, contribute to the organisation's sustainability. Corporate governance encompasses the entire administrative and governance structure of an organisation, ensuring legal compliance, promoting ethical conduct, and safeguarding stakeholder interests. While corporate governance may be designed to benefit shareholders, it also promotes broader accountability within the organisation. However, existing studies largely examine internal and external audits in isolation, resulting in a fragmented understanding of their combined impact on corporate governance and accountability.

This creates a significant research gap in understanding how integrated audit functions contribute to governance effectiveness, particularly in increasingly complex and technology-driven environments. Although closely related, corporate governance and accountability are distinct: governance concerns the structural framework, while accountability pertains to the obligation to answer for one's actions. The business environment has become more complex and regulated, with increasing demands for transparency, accountability, and sound governance practices. Failures in governance, internal controls, and risk management highlight the need for strong audit functions to enhance the reliability and transparency of financial reporting for stakeholders. External and internal audits serve vital roles by providing assurance and advice to management and stakeholders.

An external audit offers an independent opinion on the accuracy of financial information and compliance with standards (Qader & Cek, 2023). Meanwhile, internal audits help management assess risk management processes, internal controls, and governance practices. Together, these audit activities form a key mechanism for strengthening corporate governance, ensuring compliance, improving control systems, and fostering accountability within organisations. For instance, audits can reveal control weaknesses that inhibit fraud or misstatement, directly supporting governance enhancement. The shift towards a technological landscape has also influenced audit procedures, introducing data-driven techniques and ongoing monitoring. It is increasingly recognised that the role of audit is becoming more dynamic, with a focus on reinforcing regulators' governance and organisational resilience. External auditors also evaluate compliance with accounting standards and legal

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requirements, thereby strengthening regulatory adherence and reducing the risk of financial misstatement. Furthermore, external audits promote accountability by holding management responsible for financial reporting and internal controls. The external audit reports and management letters provide valuable insights into control weaknesses and areas needing improvement, which are essential for governance bodies to make well-informed decisions and implement corrective actions effectively.

## 2. Research Problem and Objective

### 2.1 Research Problem

Prior literature often examines internal and external audit roles separately, creating a fragmented understanding that limits practical application. Addressing this gap by proposing a unified framework can inspire a sense of purpose and urgency among researchers and practitioners. The study identified a research gap concerning audit functions that strengthen corporate governance, with direct implications for improving organisational outcomes. Emphasising how integrating audit functions into governance frameworks can boost accountability and decision-making helps readers appreciate the practical importance of this research in advancing governance practices. Recognising this challenge encourages a proactive approach to developing comprehensive audit strategies that meet modern governance demands.

### 2.2 Research Objective

This study aims to:

- 1) Examine the distinct roles of internal and external audit in corporate governance.
- 2) Analyse their complementary functions in risk management and compliance.
- 3) Develop a conceptual framework linking audit mechanisms to governance outcomes.
- 4) Identify implications for strengthening accountability in modern organisations
- 5) To recommend strategies that are capable of enhancing the roles of the audits and increasing transparency and governance in the organisation.

## 3. Literature Review

A study conducted by Alzeban (2024) confirmed that internal audit is strongly linked to the effective implementation of corporate governance. Internal audit functions as a vital division within organisations, responsible for implementing governance principles. In some entities, internal auditing is increasingly becoming a core unit, reflecting its rising significance.

Well-established internal audit functions may enhance organisational performance by reducing risk exposure, enhancing stakeholder confidence, and maintaining the organisation's integrity and transparency. Internal auditors also help tailor and continuously improve internal control systems. The effectiveness of external and internal auditing processes and procedures can be enhanced through corporate governance and accountability. The main function of internal

audit is to evaluate internal control systems. Well-developed internal auditing and highly professional external auditing can address any contingency arising in the company's operations (Ginting Suka et al., 2025). Internal and external audit quality procedures affect the quality of entities' financial reporting. Consequently, high-quality financial reporting can be improved through informed decision-making for relevant stakeholders (Luckyanayu et al., 2025).

Internal audit plays a vital role in strengthening governance and risk management by evaluating internal controls and supporting compliance. However, while studies such as Ginting Suka et al. (2025) emphasise the importance of internal audit effectiveness, Nkansa et al. (2025) argue for a broader strategic role, signalling a shift from compliance to value creation. They often overlook the complementary role of the external audit. Similarly, Luckyanayu et al. (2025) highlight governance improvements through internal auditing but fail to assess how integrating auditing critically enhances decision-making and accountability outcomes.

Therefore, there remains a lack of comprehensive frameworks that integrate both audit functions within a unified governance model. Its contribution is essential for developing effective governance frameworks and ensuring organisational resilience, making this section more relevant to your research goals.

Internal audit is an objective, independent assurance and consulting programme aimed at adding value and improving the organisation's operations. Unlike an external audit, an internal audit is a continuous activity within the organisation. It concentrates on evaluating the effectiveness of risk management, control, and governance systems, as well as their optimisation. Internal auditors assess the adequacy of internal controls, operational efficiencies, and compliance with organisational policies and procedures. Using a risk-based approach, internal audit assists organisations in

identifying new risks and determining whether risk mitigation measures are effective. It can also assure the board and audit committee of the robustness of governance structures and ethical practices in reinforcing corporate governance. Its consultancy services help management refine processes and align operations with strategic objectives.

### 3.1 Agency Theory

Agency theory emphasises that the relationship between the principal and the agent also involves conflict, and establishing internal and external audits can reduce this conflict and promote better understanding between the parties. These theories strengthen conceptual understanding of audit roles and their importance for effective corporate governance (Yang et al., 2025).

### 3.2 Stakeholder theory

Stakeholder theory also asserts that the organisation must consider stakeholder interests in governance decisions, thereby safeguarding stakeholders' rights within corporate governance. As mentioned, the internal audit is an independent function within the organisation, and the external audit provides a true and fair view of the financial statements.

Emphasising the critical role of both audits can reassure the audience about the robustness of corporate governance and accountability processes. This supports agency theory by reducing information asymmetry and aligns with stakeholder theory by enhancing transparency and accountability.

### 3.3 Role of Audit in Risk Management and Compliance

Sound governance involves effective risk management and compliance. These aspects are addressed through both external and internal audits and are established via systematic evaluation and assurance measures. External audits focus on financial reporting, regulatory compliance, and material misstatement risks. Internal audits, on the other hand, adopt a broader, enterprise-wide approach that considers operational, strategic, and compliance risks (Nkansa et al., 2025). A combined approach to these audit functions ensures that risks are identified, assessed, and managed in an organised manner. Additionally, audits promote compliance by supporting adherence to laws, regulations, professional standards, and internal policies. Regular audits help minimise the risk of regulatory breaches, financial losses, and reputational damage.

### 3.4 Strengthening Control Systems and Accountability

Effective control mechanisms are crucial for achieving organisational goals and protecting assets. Audit procedures

evaluate the design and effectiveness of internal controls to ensure they function as intended and offer reasonable assurance regarding financial reporting and operational processes. External audits assess the effectiveness of controls specifically related to financial reporting, while internal audits cover both financial and operational controls. These analyses assist management in addressing weaknesses and improving the reliability of controls. Accountability is also strengthened through audits, as responsibilities for corrective actions are clearly assigned and their implementation monitored. Management is also responsible for responding to identified issues through audit reports, follow-up reviews, and post-audit evaluations, thereby promoting transparency and responsible governance.

### 3.5 Post-Audit and Continuous Improvement

Post-audit and post-completion audit processes ensure that audit outcomes lead to meaningful and lasting improvements. These procedures involve verifying adherence to audit recommendations, re-evaluating residual risks, and assessing the effectiveness of long-term corrective actions. By integrating post-audit into the audit framework, organisations enhance oversight, reinforce governance practices, and promote active, ongoing risk management, compliance, and control systems. Table 3.10 provides selected samples from previous studies used in the systematic Literature Review.

**Table 3.1:** Summary of Selected Studies (Samples)

Authors	Year	Method	Key Findings
Ginting Suka et al.	(2025).	Empirical	Internal audit strengthens governance
Luckyanayu et al.	(2025).	Systematic Review	Audit evolving to a strategic role
Nkansa et al.	(2025).	Conceptual	Audit evolving into strategic ERM partner
Yang et al.	2025	Theoretical	Agency theory supports the audit role in governance
Sanz Martín et al.	(2026).	Bibliometric	AI transforming accounting and auditing
Sanz Martín et al.	(2025).	Empirical	ESG integration enhances long-term value
Qader & Cek	2023	Case Study	Auditor independence improves financial reporting quality
Hashmi	2024	Empirical	Audit quality linked to governance and risk management
Hecimovic & Canestrari-Soh	2025	Conceptual	Internal auditors expanding into ESG assurance
Tawfik et al.	(2023).	Empirical	Internal audit strengthens governance using the Three Lines of Defence
Friday et al.	(2022).	Conceptual Review	External auditors enhance governance, transparency, and accountability in multinational firms.
Vadasi et al.	(2020).	Conceptual	Internal audit enhances governance using institutional theory
Tumiwa et al.	2025	Literature Review	Internal audit acts as a key pillar strengthening governance, risk control, and transparency.
Ziniyel & Twum	2024	Empirical	Internal audit improves governance but faces staffing and resource challenges.
Fonseca et al.	(2020).	Survey (HEIs)	Internal audit improves accountability, transparency, and governance
Njeza et al.	(2022).	Quantitative (Survey, SOEs)	Internal audit competence, the nature of work, and compliance significantly improve corporate governance.
Eulerich & Eulerich	2020	Literature Review	Internal audit adds value through governance and risk management, as well as qualitative and quantitative benefits.

## 4. Methodology

This study adopts a qualitative research approach, with a systematic literature review serving as its main method. It includes recent studies published between 2020 and 2025, though it is limited by potential publication bias and language restrictions. The literature examined the impacts of both internal and external audits on corporate governance and accountability, as well as their combined effects, providing a comprehensive yet not exhaustive overview of the field. Using a systematic literature review provides a solid,

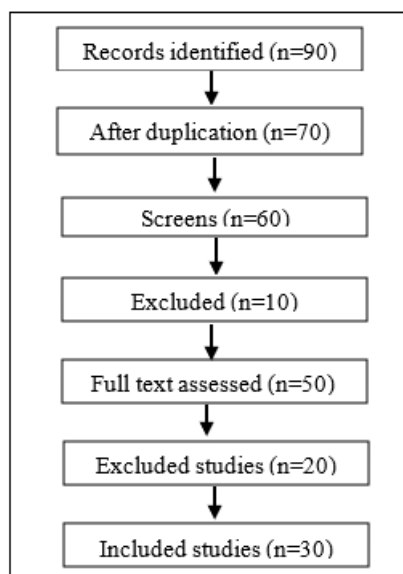
unbiased basis for the study's findings, enabling the identification of research gaps and emerging issues in the area. These insights inform future research.

The main data sources of the study are Scopus, indexed journals, Google Scholar, and ResearchGate. The primary inclusion criteria are peer-reviewed journal articles published from [2020] to [2025] on internal and external auditing and corporate governance. Thematic analysis was employed in the study to identify key patterns and relationships across the studies, ensuring the findings are credible and reliable.

The search strategy included keywords such as “internal audit”, “external audit”, “corporate governance”, and “accountability” combined using Boolean operators. This approach ensures replicability, transparency, and methodological rigour. Full research questions and sentences were also employed in search engines to locate pertinent articles. The selected articles and journals were systematically analysed to align with the study’s objectives.

Results and discussion are based on an analysis of recent strategies and scholarly research. While previous studies have often examined internal and external audits separately, this study integrates findings from both areas to present a comprehensive view of their combined effects on corporate governance and accountability.

The study employed the PRISMA methodology to maintain transparency and conduct a systematic review of the literature without bias. As shown in Figure 4.1, the PRISMA selection process identified 90 articles for the study at the initial stage via Google Scholar, ResearchGate, and indexed journals. Further, the study identified 20 duplicate articles, which were removed from the initially identified set. Once screened, 60 articles are identified as more suitable for the study. Based on the abstract and title of the study, 10 articles were excluded. Full-text assessment yielded 50 articles, and 30 were included in the study after excluding 20.



**Figure 4.1:** Selection of articles through the PRISMA flow diagram.

## 5. Results and Discussion

Several studies examine the strategic role of internal and external audits separately, while only a few explore their combined effect. As noted in the methodology above, this study merges these two areas to conduct a systematic literature review, aiming to identify their impact on organisations' corporate governance and accountability. The study has developed the conceptual framework in Figure 5.1 based on a systematic literature review.



**Figure 5.1:** Conceptual Framework for the Internal and External Audit Effects on Corporate Governance and Accountability

**Source:** Development of a conceptual Framework by the authors

Integration of internal and external auditing enhances corporate governance and accountability (Hashmi, 2024). This study extends prior research by demonstrating that audit integration not only improves compliance but also strengthens strategic decision-making and organisational resilience.

Furthermore, the findings suggest that the combined audit approach provides a more holistic governance mechanism compared to isolated audit functions. External auditing is the independent verification of the entity's financial statements and is also a mandatory requirement under the listing rules and the governing laws of any country. Internal auditing has become mandatory in certain countries, but depending on the type of entity, most external auditors recommend establishing an internal audit function. Therefore, integrating external and internal audit functions can strengthen governance and accountability by establishing and implementing internal auditing, which provides continuous monitoring of business operations, and by engaging external auditors, who provide an independent opinion on the entity's financial report.

Enhanced risk management and compliance have become core functions for any entity. Effective risk management and mitigation mechanisms can help address contingencies that arise under any circumstances. Internal auditing can develop a risk management strategy and compliance procedures to run business operations without hindrance and to focus on the entity's future growth.

The main task of the external audit is to assess compliance with the existing governing law and financial reporting standards. While external and internal auditing work together on certain principles, even though their scopes of work differ, they can strengthen risk management and help avoid noncompliance.

As noted, audit functions can enhance transparency and accountability, ensure accurate reporting and strengthen the organisation's integrity. Properly established procedures for transparency and accountability can strengthen stakeholder confidence and the entity's integrity.

Emerging technologies present new challenges for audit professionals, so data analysis and AI integration can be used to predict risks and enable real-time monitoring of the entity's outcomes. Therefore, it is highly recommended that emerging

technology be incorporated into the audit integration to enhance corporate governance and accountability (Sanz Martín et al., 2026). This suggests that audit integration is not merely a compliance tool but a strategic mechanism for enhancing organisational resilience.

## 6. Limitations and Future Research

The study relies primarily on secondary data, drawing solely on journal articles and thus potentially subject to publication bias. In addition, few studies have examined these topics, which is discouraging for the literature review.

In the future, more empirical studies can be done on the audit. Integration and impact of AI in auditing: since most studies focus on its impact on accounting and automation, there is a strong need for more research on AI's effects in auditing. Further, it is highly recommended that the sector-specific approach to corporate governance and accountability be adopted across both audit functions.

## 7. Conclusion

This study demonstrates that both internal and external audits play complementary roles in enhancing corporate governance and organisational accountability. The findings highlight that integrating audit functions creates a more robust governance framework by improving transparency, risk management, and compliance mechanisms.

Importantly, this study contributes to the literature by developing a conceptual framework that bridges the gap between internal and external audit functions.

Future research should focus on empirically validating the proposed framework and examining the role of emerging technologies, such as artificial intelligence, in audit effectiveness.

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## Author Profile



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