

LIMITATIONS OF EXTERNAL AUDIT IN DETECTING FRAUDS IN COMPANY'S OPERATIONS

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Abstract

Auditors' analysis of financial statements and pointing to potential irregularities can be a good manner for the early detection and prevention of fraud in a company's operations. There are Limitations of external audit while detecting frauds. This study will help to examine the Capabilities and Limitations of external audit while detecting and preventing Fraud in companies' operations. The outcome of the study indicated that internal control dependencies, Audit universe limitation, sampling error, Audit volatility limitations, Tight Project deadlines, Budget Constraints, and inexperienced auditors in the field are the most common Limitations of External audit in fraud detection. In total, 100 External auditors were surveyed to find out the outcome of the study. Based on the research results, it can be concluded that the Expansion of external auditors' powers and reduction of the external audit limitations would help to detect fraud more easily and it may also help to expand the domain of action. So, this study may help Auditors and other parties uncover financial frauds, often acting as expert witnesses during trials. Overly this study may help users to build a new knowledge among external Audits & Fraud detection.

Keywords: *Fraud, detection, Prevention, External Audit, Financial Fraud, Audit universe, Audit volatility*