https://doi.org/10.7251/EMC2603992P
UDK: 005.334:[657.632:343.352
Datum prijema rada: 23. jul 2026.
Submission Date: July 23, 2026
Datum prihvatanja rada: 25. avgust 2026.
Acceptance Date: August 25, 2026
Časopis za ekonomiju i tržišne komunikacije
Economy and Market Communication Review
Godina/Vol. **XVI** • Br./No. **III**
str./pp. 992-1004

ORIGINALNI NAUČNI RAD / ORIGINAL SCIENTIFIC PAPER

THE ROLE OF FORENSIC AUDIT IN IMPROVING FINANCIAL MANAGEMENT AND CONTROL SYSTEMS

Vedrana Vuković Perduv Associate Professor, Ministry of Scientific and Technological Development and Higher Education, Banja Luka, Republic of Srpska, Bosnia and Herzegovina, vedrana-vukovic@hotmail.com; ORCID ID: 0009-0005-4684-3577

Vesna Novaković Associate professor, Pan-European University Apeiron, Banja Luka, Republic of Srpska, Bosnia and Herzegovina, vesna.p.novakovic@apeiron-edu.eu; ORCID ID: 0000-0002-9495-7940

Abstract: *Forensic auditing is a significant tool for detecting, preventing, and proving financial irregularities, fraud, and corruption, thereby contributing to the strengthening of financial management and control systems in both the public and private sectors. The subject of this paper is an analysis of the role of forensic auditing in improving financial management and control systems, with a special focus on its contribution to increasing the transparency, accountability, and efficiency of financial resource management. The aim of the research is to examine the significance and potential application of forensic auditing in detecting financial misconduct, reducing fraud risk, and strengthening internal control mechanisms, based on a theoretical analysis, a review of relevant scientific and professional literature, and empirical research. The main hypothesis of this research posits that the application of forensic auditing significantly contributes to the improvement of financial management and control systems by enabling the timely detection of irregularities, more efficient risk management, and greater reliability of financial reporting. The research results indicate that forensic auditing is an important mechanism for improving corporate and public governance, strengthening the integrity of financial processes, and increasing stakeholder confidence. The scientific contribution of this paper lies in the systematization of theoretical knowledge and in highlighting the importance of the broader application of forensic auditing as a tool for contemporary financial management and control.*

Keywords: *forensic audit, financial management and control, management*

JEL clasification: *M42, G32*

INTRODUCTION

In contemporary business conditions, both in the public and private sectors, mechanisms that ensure transparency, legality, accountability, and efficiency in the management of financial resources are gaining increasing importance. The increased complexity of financial flows, the development of various forms of financial misconduct, the digitalization of business, and the growing demands for the accountability of institutions and organizations have necessitated the strengthening of financial management and control systems. In this context, forensic auditing stands out as a significant instrument for detecting, preventing, and proving irregularities, fraud, and corrupt activities. Forensic auditing represents a specific area of auditing that integrates knowledge from accounting, auditing, law, finance, and investigative techniques with the aim of identifying financial irregularities, detecting fraud, and collecting evidence that may have evidentiary value in judicial, arbitration, and other proceedings. Unlike classical auditing, whose primary task is to express an opinion on the truthfulness and objectivity of financial statements, forensic auditing is focused on the detailed analysis of suspicious transactions, determining how the misconduct was perpetrated, identifying responsible parties, and assessing the resulting damage. In the public sector, forensic auditing plays a significant role in protecting public funds, strengthening internal control systems, increasing the transparency of institutional operations, and improving citizens' trust in public administration. At the same time, in the private sector, it contributes to protecting the interests of owners, investors, creditors, and other stakeholders, reducing the risk of financial misconduct, and preserving the financial stability and reputation of the organization. The importance of forensic auditing grows even further in the context of globalization, the development of information technologies, and increasingly sophisticated forms of economic and financial crime.

Financial fraud, abuse of official position, corruption, and various forms of illegal handling of financial resources represent one of the greatest challenges in contemporary business and the functioning of institutions. In the context of globalization, the digitalization of business processes, and increasingly complex financial transactions, traditional control mechanisms are often insufficient to detect irregularities in a timely manner and prevent the occurrence of significant financial losses. For this reason, forensic auditing is gaining increasing importance as a specific area of auditing focused on detecting, analyzing, and proving financial fraud and other illegal actions (Grujic & Novakovic, 2025)

Forensic auditing represents a specific form of auditing that combines knowledge from the fields of accounting, auditing, law, finance, and investigative techniques with the aim of identifying irregularities and collecting relevant evidence that can be used in court and other proceedings. Unlike traditional auditing, whose primary goal is to express an opinion on the accuracy of financial statements, forensic auditing is primarily focused on detecting intentional abuses, fraud, and corrupt activities.

The special significance of forensic auditing is reflected in its role in strengthening the financial management and control system. An effective financial management and control system enables the lawful, economical, efficient, and transparent management of financial resources, thereby reducing the risk of abuses and irregularities. In the public sector, the application of forensic auditing contributes to the protection of budgetary funds, strengthening the accountability of institutions, and increasing citizens' trust in the work of public administration. On the other hand, in the private sector, it plays an important role in protecting corporate assets, preventing financial losses, and preserving corporate reputation.

CONCEPT AND OBJECTIVES OF FORENSIC AUDIT

Forensic auditing is a new practical discipline within the field of auditing and, as such, has not yet received a comprehensive and universally accepted definition worldwide. However, a large number of theorists, as well as numerous national and international organizations and associations, have provided a starting point for properly defining forensic auditing, describing its place and role in auditing theory and practice.

Independent forensic auditing is considered to fall under new specialized services and is one of the components of an independent audit of financial statements. Thomas Buckhoff states that independent forensic auditing is a discipline dealing with the prevention and detection of criminal acts, and to perform this, it is necessary to have a special contract/arrangement with audit firms and for auditors to be trained in this field .(DuHadway et al., 2022)

Paul Thangam also defines independent forensic auditing as a discipline that uses accounting methods to track and collect forensic evidence, with the aim of investigating criminal offenses such as fraud and embezzlement in financial statements (Kharkiv Institute of Finance of the Kyiv National University of Trade and Economics & Semenets, 2019)

Certain members of the Asian Organization of Supreme Audit Institutions (ASOSAI) have their own view of forensic auditing, defining it as a "directed audit of financing transactions or some other specific activity, which, regardless of the timeframe of the executed transactions, focuses on finding facts and legally defensible evidence regarding their validity" (Nazarova et al., 2021).

Taking into account the aforementioned views and opinions, it follows that forensic auditing is a specific service within the audit of financial statements, based on the application of accounting and auditing skills through the implementation of targeted, focused, and detailed auditing procedures, with the aim of detecting criminal acts in financial statements and presenting them in a manner acceptable for court proceedings.

The primary objective of forensic auditing is to detect criminal acts in financial statements, regardless of the opinions auditors have previously expressed. To fulfill this objective, the forensic auditor must discover who committed the criminal act, where it was committed, at what time, and what damage occurred. To fully achieve the primary objective of forensic auditing, the forensic auditor should, to the extent possible, discover and identify the perpetrator of the criminal act, determine the place and time of its commission, calculate and express the material damage resulting from the criminal act, and finally, describe the manner of its commission. According to Belak, the objectives of forensic auditing are:

- detecting areas of potential irregularities or fraud - implies narrowing the search field for specific irregularities, i.e., locating the area where the irregularity or fraud exists;
- detecting specific irregularities or fraud - implies uncovering a specific irregularity or fraud and determining how it was executed;
- assessing the level of risk from identified irregularities (intentional, unintentional, high or low level of irregularities, high or low danger from the executed fraud, etc.) - implies assessing the danger of the committed act (intentional, unintentional, high or low level of irregularities, high or low danger from the executed fraud, etc.), and

- presenting evidence - implies securing material and other evidence that the act was committed and the way it was executed." Forensic auditing also serves as a means for presenting evidence in court proceedings in the area of business operations. In this function, it is involved when conflicts and disputes have already arisen, meaning when consequences need to be assessed, so it is only a part of the evidentiary activities. By its nature, it is, above all, in the function of proving or uncovering the truth, which for many professional forensic experts, whether accountants or auditors, represents a significant practical difficulty.

According to KPMG, situations requiring the application of forensic auditing are the following:

- You suspect that your data has been lost or stolen.
- You suspect criminal activities within the company or are a victim of external attacks (cybercrime) and need a backup of digital evidence in court.
- You are in litigation or an investigation has been launched against you, and you must prepare documents containing facts that will help resolve the case.
- You want to analyze large volumes of data according to specific criteria.

The application of forensic auditing is reflected in the detection of criminal acts in the financial statements of a suspected or controlled subject of analysis, regardless of whether it is just a minor tweaking of results to achieve a temporary goal (balance sheet corrections to avoid loss-making status) or systematic falsification of data to avoid paying taxes or to extract company capital for the benefit of individuals. From the primary objective, the individual roles of forensic auditing branch out:

- detecting and identifying the perpetrators of the criminal act,
- discovering the manner, place, and time of its commission,
- determining the material damage and the impact of the criminal act on the organization's operations,
- securing evidence for judicial or disciplinary proceedings.

The fundamental characteristic of forensic auditing is contained in its main objective, which is to thoroughly examine the existence of potential criminal acts and, in the event of their discovery, to provide unambiguous material evidence for these acts.

There is a small number of people worldwide who are specially trained and experienced in the field of forensic accounting and forensic auditing, but in today's business world, every organization should have a forensic accountant and a forensic auditor.

BASIC DETERMINATIONS OF THE FINANCIAL MANAGEMENT AND CONTROL SYSTEM

Bosnia and Herzegovina, a candidate country for European Union membership, has initiated activities on the establishment and development of internal auditing in accordance with the concept of the public internal financial control system in the public sector – PIFC (Public Internal Financial Control), which was developed by the European Commission. In recent years, the development of internal financial controls has been observed, and an efficient public administration plays a key role in the European integration process. One of the preconditions for Bosnia and Herzegovina's entry into the European Union (EU) is the fulfillment of obligations from the Stabilization and Association Agreement, which entails the establishment of an internal financial control system based on internationally recognized standards of financial management and control (Chow & Aggestam Pontoppidan, 2019).

In 2016, the Law on the System of Internal Financial Controls in the Public Sector of Republika Srpska came into force. The Law defined the system of internal financial controls in the public sector of Republika Srpska as a system of financial and other controls that, in addition to the organizational structure, includes the methods and procedures of internal controls, which are established by the responsible person with the aim of successful management and the realization of defined tasks in a public, lawful, economical, efficient, and effective manner начин (Ministry of finance Government of the Republic of Srpska, 2016). The establishment of a financial management and control system is mandatory for all public sector entities and at all levels within the entity, regardless of their size and number of employees (Novakovic et al., 2026). The basic regulatory framework for the establishment of financial management and control in the public sector consists of the five elements of the generally accepted "COSO" framework. Activities on the establishment and development of financial management and control in the public sector of Republika Srpska are carried out systematically, primarily through the drafting of relevant regulations that define the methodological framework, and through the organization of training by the Central Harmonization Unit for Financial Management and Control (Vuković Perduv et al., 2024). The established financial management and control system enables the fulfillment of the entity's objectives in an efficient, effective, and economical manner on the one hand, while on the other, it ensures compliance with relevant laws, bylaws, and internal acts during the realization of daily activities to achieve defined objectives (Novaković et al., 2024) (Grujić & Novaković, 2025)

With the increase in public awareness, the need for the management of public goods also increases, making managerial accountability increasingly evident and significant. An efficient public administration, which should enable successful negotiations with the EU, plays a key role in the European integration process. The managers of entities using public funds are directly responsible for defining objectives, realizing strategic plans, managing risks, respecting legality and regularity, as well as for the efficient and effective management of public funds, establishing conditions for the lawful and ethical behavior of employees, adopting internal acts for the establishment and development of financial management and control, etc. Managerial accountability refers to the manager of the entity, but through the delegation of authority, accountability is also transferred to lower-level managers and employees. This is achieved by specifying tasks within defined processes, in a way that it is clearly known who should control what, based on what, and within what deadlines, how the conducted controls are proven, etc.

The most important segment of financial management and control is business processes, as a key precondition for identifying the entity's risks and compiling a risk register. The process of establishing financial management and control begins with the identification and listing of business processes. Business processes are identified and listed primarily at the level of organizational units, and then a process flow is prepared with the employees who participate in those processes. Business processes are already present within the business system of the entity, as daily activities are carried out based on them, but they are invisible if they are not listed; that is, they take place according to unwritten rules and are therefore not always easy to recognize. When mapping processes, it is also recommended to create a process flowchart showing inputs, tasks, and activities in the appropriate sequence. Process flowchart maps help make the business process visible and contribute to better understanding and communication among employees.

The purpose of introducing financial management and control into the public sector is reflected in the following:

- Operating in a proper, ethical, economical, and effective manner;
- Compliance of operations with laws, regulations, policies, plans, and procedures;
- Protection of assets and other resources from losses caused by poor management of public funds, unjustified and non-transparent spending, as well as protection against irregularities and fraud;
- Strengthening the accountability of managers for the successful achievement of set business objectives;
- Timely and transparent financial reporting, as well as the monitoring of business performance (Novakovic et al., 2026)

THE ROLE OF FORENSIC AUDIT IN THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AND CONTROL SYSTEMS

Forensic auditing represents one of the most significant mechanisms of the contemporary financial control and oversight system. Its importance is particularly evident in the context of a growing number of financial frauds, corrupt activities, abuses of official position, and various forms of illegal handling of financial resources. The development of the global market, the digitalization of business, and the complexity of financial transactions have led to the need for a specialized form of auditing whose primary goal is the detection and proving of irregularities. Precisely for this reason, forensic auditing plays an increasingly important role in both the public and private sectors.

Unlike classical auditing, which is primarily concerned with assessing the accuracy and objectivity of financial statements, forensic auditing is focused on uncovering intentional abuses and fraud. It encompasses a detailed analysis of financial documentation, the verification of business transactions, the analysis of internal controls, and the collection of evidence that can be used in judicial and investigative proceedings. In their work, forensic auditors combine knowledge from the fields of accounting, auditing, law, finance, and information technology in order to identify irregularities and determine how the fraud was committed. Forensic auditing is a specialized area of auditing that plays a key role in strengthening, verifying, and improving the financial management and control (FMC) system in contemporary organizations. Its significance is particularly pronounced in conditions of an increased risk of financial fraud, corruption, abuse of official position, and business irregularities, which can significantly threaten the stability and integrity of both the public and private sectors.

The financial management and control system represents a set of policies, procedures, and activities that organizations establish to ensure the lawful, economical, efficient, and transparent management of resources(Novaković et al., 2026). However, despite the existence of formal control mechanisms, in practice, they are often bypassed or insufficiently applied. Precisely in this context, forensic auditing plays the role of "in-depth control" that goes a step further than regular internal and external audits. The primary role of forensic auditing within the FMC system is reflected in the identification of internal control weaknesses and the discovery of how these weaknesses can be exploited. The forensic auditor analyzes the complete flow of financial transactions, verifies documentation, traces money flows, and determines whether existing controls are adequately designed and whether they are actually applied in practice. In this way, forensic auditing not only detects irregularities but also directly contributes to the improvement of the control system. In the public sector, forensic auditing is of special importance in protecting budgetary funds and strengthening the accountability of public institutions. Considering that the public sector manages taxpayer funds, any weakness in the FMC system can lead to serious financial losses and the erosion of citizens' trust. In this context, forensic auditing serves as a mechanism for detecting irregularities in public procurement, subsidy payments, project management, and the spending of budgetary funds. Its role in identifying corrupt patterns of behavior, such as bid rigging, conflicts of interest, and illegal payments, is particularly significant. The results of forensic investigations in the public sector often lead to the improvement of the regulatory framework, the strengthening of internal procedures, and the enhancement of the oversight system, thereby increasing the efficiency of the FMC system in the long run.

In the private sector, forensic auditing aims to protect capital, business stability, and corporate reputation. Companies operating in a competitive environment are exposed to various risks, including employee fraud, abuse of managerial authority, manipulation of financial statements, and unauthorized transactions. These risks directly affect the quality and reliability of the financial management and control system. Forensic auditing in the private sector enables the identification of weaknesses in control mechanisms, such as insufficient segregation of duties, weak oversight of financial processes, or inadequate control of data access. Based on the findings of the forensic audit, management can take corrective measures that include strengthening internal controls, introducing additional procedures, and improving the risk management system.

One of the key values of forensic auditing in both sectors is its preventive role. Although it is often associated with the detection of fraud that has already occurred, its real significance lies in preventing them from happening. The presence of forensic oversight and the possibility of detailed subsequent analysis act as a strong deterrent for potential abuses.

RESEARCH RESULTS

The objective of this study is to examine the importance and potential application of forensic audit in detecting financial misconduct, reducing the risk of fraud, and strengthening internal control mechanisms. The study is based on a theoretical analysis, a review of relevant scientific and professional literature, and the findings of an empirical survey. The empirical data were collected using a structured questionnaire consisting of closed-ended, direct, and multiple-choice questions. Since the questionnaire focused on respondents' perceptions, there were no correct or incorrect answers. The primary objective was to assess respondents' opinions regarding the importance of developing forensic audit as a tool for improving the effectiveness and efficiency of financial management and control (FMC) systems. The survey was conducted in the Republic of Srpska. A total of 46 respondents participated in the study, including:

- internal auditors;
- Financial Management and Control (FMC) coordinators employed in public sector institutions; and
- employees performing other professional duties.

The survey findings are presented in tabular form. Of the total sample, 42.10% of respondents were employed in private organizations, while 57.90% worked in public sector institutions.

The gender structure of the respondents is presented in Table 1.

Table 1. Gender of Respondents

Gender	Number of Respondents	Percentage (%)
Female	34	73.90
Male	12	26.10
Total	**46**	**100.00**

Source: Authors' calculations

Respondents were asked whether they were familiar with the concept of forensic audit. The results indicate that approximately 70% of respondents were familiar with the concept (Table 2).

Table 2. Respondents' Familiarity with the Concept of Forensic Audit

Response	Number of Respondents	Percentage (%)
Yes	32	69.56
No	14	30.44
Total	**46**	**100.00**

Source: Authors' calculations.

The findings show that 69.56% of respondents were familiar with the concept of forensic audit, whereas 30.44% had not previously encountered the term. This suggests a relatively high level of awareness among professionals, although there remains considerable scope for further education and professional development in this area.

Respondents were also asked whether they had experience in performing financial management and control activities. Their responses are summarized in Table 3.

Table 3. Experience in Financial Management and Control Activities

Response	Number of Respondents	Percentage (%)
Yes	37	80.44
No	9	19.56
Total	**46**	**100.00**

Source: Authors' calculations.

The results indicate that 80.44% of respondents have practical experience in financial management and control activities. The remaining 19.56% reported no such experience because they perform other professional functions within their organizations.

The frequency of financial process controls was examined through the question "How often are financial processes monitored and controlled?" The results are presented in Table 4.

Table 4. Frequency of Financial Process Controls

Response	Number of Respondents	Percentage (%)
Regularly	15	32.60
Occasionally	21	45.65
Rarely	8	17.40
Never	2	4.35
Total	**46**	**100.00**

Source: Authors' calculations.

Among the respondents, 32.60% stated that financial process controls are conducted regularly within their organizations, while 45.65% indicated that such controls are performed only occasionally. These findings suggest that financial oversight practices are not implemented consistently across organizations.

Table 5 summarizes respondents' perceptions of the most common risks affecting organizational financial operations.

Table 5. Most Common Risks in Organizational Financial Operations

Response	Number of Respondents	Percentage (%)
Fraud	4	8.70
Corruption	4	8.70
Abuse of authority	7	15.22
Non-compliance with procedures	15	32.60
Insufficient cost control	11	23.92
Other	5	10.86
Total	**46**	**100.00**

Source: Authors' calculations.

The results reveal that respondents identified non-compliance with organizational procedures (32.60%) as the most significant financial risk. This was followed by insufficient cost control (23.92%) and abuse of authority (15.22%). In contrast, fraud and corruption were perceived as less frequent risks, each accounting for 8.70% of responses. These findings highlight the importance of strengthening internal control systems and ensuring consistent compliance with established procedures.

Finally, respondents were asked whether the establishment of a forensic audit system would contribute to a more efficient and economical use of budgetary resources. Their responses are presented in Table 6.

Table 6. Would the Establishment of a Forensic Audit System Improve the Efficiency and Economy of Budgetary Resource Utilization?

Response	Number of Respondents	Percentage (%)
Yes	20	43.47
No	10	21.73
Not sure	16	34.80
Total	**46**	**100.00**

Source: Authors' calculations.

Overall, 43.47% of respondents agreed that establishing a forensic audit system would contribute to more efficient and economical utilization of budgetary resources. However, 34.80% were uncertain about its potential impact, while 21.73% believed that such a system would not significantly improve the management of public funds. The relatively high proportion of uncertain responses may reflect limited practical experience with forensic audit, indicating the need for greater awareness, specialized training, and broader implementation of forensic auditing practices within both public and private sector organizations.

The relationship between the frequency of financial process control and the attitude that the introduction of forensic auditing would ensure more efficient and economical use of budgetary funds was examined, as it can be seen in the Table 7.

Table 7. Relationship between the frequency of financial process control and the attitude that the introduction of forensic auditing would ensure more efficient and economical use of budgetary funds**?**

Variables	Spearman ρ	p
Frequency of financial process control – Support for the introduction of forensic auditing	0.509	0.0003

Source: Authors' calculations.

The results show a Spearman's coefficient (ρ) = 0.509 and p = 0.0003. This represents a moderate, positive, and statistically significant correlation ($p < 0.001$). This means that respondents working in organizations where financial processes are controlled more frequently show greater support for the introduction of a forensic auditing system. This is the most important statistical result of the research, as it confirms that more developed control practices are accompanied by greater support for the implementation of forensic auditing.

DISCUSION

The findings of this study provide valuable insights into the current level of awareness regarding forensic audit and its perceived role in strengthening financial management and control systems within organizations in the Republic of Srpska. Although forensic audit is increasingly recognized internationally as an effective mechanism for detecting fraud, preventing financial misconduct, and improving organizational governance, its practical implementation in many transition economies remains limited.

The results indicate that approximately 70% of respondents are familiar with the concept of forensic audit. This relatively high level of awareness may be attributed to the increasing emphasis placed on internal audit, financial management and control (FMC), and anti-fraud mechanisms within both public and private sector organizations. Nevertheless, nearly one-third of respondents reported that they were unfamiliar with the concept, suggesting that forensic audit has not yet become an integral component of professional education and organizational practice. These findings point to the need for additional professional training, continuous education, and institutional support aimed at enhancing knowledge of forensic auditing methodologies.

A significant proportion of respondents (80.44%) reported having experience in financial management and control activities. This finding strengthens the credibility of the survey results, as the majority of participants possess practical experience in financial processes and internal control systems. Consequently, their perceptions regarding financial risks and the potential contribution of forensic audit are based on practical rather than purely theoretical knowledge.

The results further reveal that financial process controls are not implemented consistently across organizations. While approximately one-third of respondents stated that controls are conducted regularly, almost half indicated that they are performed only occasionally. Such findings may indicate differences in organizational maturity, available resources, management commitment, or the effectiveness of internal control systems. International auditing standards and the COSO Internal Control Framework emphasize that continuous monitoring represents one of the essential components of an effective internal control system. Irregular monitoring may therefore increase organizational exposure to financial irregularities and fraud.

The main hypothesis is partially confirmed. The statistically significant positive correlation between the frequency of financial process control and support for the introduction of forensic auditing ($\rho = 0.509$; $p < 0.001$) indicates that organizations with more developed control activities recognize the greater importance of forensic auditing for improving the financial management and control system. However, other examined variables did not show a statistically significant correlation, which points to the need for research on a larger and more representative sample.

An important finding of this study concerns respondents' perceptions of the most significant financial risks. Non-compliance with established procedures was identified as the most frequent risk, followed by insufficient cost control and abuse of authority. Interestingly, fraud and corruption were selected less frequently than procedural weaknesses. This finding suggests that respondents perceive deficiencies in internal control processes as the primary source of financial risk rather than intentional fraudulent behaviour itself. Such an interpretation is consistent with the fraud triangle theory, according to which weaknesses in internal controls create opportunities for fraudulent activities. Therefore, strengthening procedural compliance and improving control mechanisms may substantially reduce the likelihood of financial misconduct.

The survey also examined respondents' perceptions of the potential contribution of forensic audit to more efficient and economical use of budgetary resources. Although the largest proportion of respondents (43.47%) agreed that the implementation of forensic audit would improve financial efficiency, more than one-third remained uncertain. This uncertainty may reflect the relatively limited practical application of forensic audit within the Republic of Srpska and the lack of direct experience with its benefits. It may also indicate that many organizations still associate forensic audit exclusively with criminal investigations rather than recognizing its broader preventive role in risk management, fraud prevention, and governance improvement.

CONCLUSION

Overall, the findings support the view that forensic audit has considerable potential to strengthen financial management and control systems. Beyond detecting existing fraud, forensic audit can contribute to the early identification of control weaknesses, improvement of organizational accountability, enhancement of transparency, and more efficient allocation of public resources. These findings are consistent with previous studies emphasizing that forensic audit represents a proactive governance instrument capable of improving organizational resilience against financial misconduct.

From a practical perspective, the study suggests that organizations should invest in strengthening internal control systems, increasing employee awareness of forensic auditing, and providing specialized education for auditors, financial managers, and FMC coordinators. Greater integration between internal audit functions and forensic audit techniques could significantly improve fraud risk management and support more effective organizational decision-making. It can be concluded that forensic auditing represents an important integrative element of the financial management and control system. It integrates control, investigative, and analytical functions into a unified system aimed at increasing transparency, accountability, and the reliability of financial reporting. Its role in both the public and private sectors is becoming increasingly significant, especially in the context of growing financial risks and increasingly complex business processes.

Several limitations of this study should be acknowledged. The research was conducted on a relatively small sample of respondents from the Republic of Srpska, which limits the generalizability of the findings. Furthermore, the analysis is based on respondents' perceptions rather than objective organizational performance indicators. Future research should include larger and more diverse samples, compare public and private sector organizations, and apply advanced statistical techniques—such as correlation analysis, chi-square tests, regression models, or structural equation modelling—to examine the determinants influencing the adoption and effectiveness of forensic audit practices.

Considering the findings presented above, it can be concluded that forensic audit represents an important mechanism for strengthening financial management and control systems. Its implementation contributes to enhancing transparency, operational efficiency, accountability, and integrity within organizations. The importance of forensic audit is expected to become even more pronounced in the future, particularly in the context of increasing financial risks, growing complexity of business processes, and the continuous need to preserve the integrity and reliability of organizational systems.

LITERATURE

Chow, D., & Aggestam Pontoppidan, C. (2019). The United Nations' (UN) decision to adopt International Public Sector Accounting Standards (IPSAS). *Journal of Public Budgeting, Accounting & Financial Management*, *31*(2), 285–306. https://doi.org/10.1108/

JPBAFM-08-2018-0087

DuHadway, S., Talluri, S., Ho, W., & Buckhoff, T. (2022). Light in Dark Places: The Hidden World of Supply Chain Fraud. *IEEE Transactions on Engineering Management*, *69*(4), 874–887. https://doi.org/10.1109/TEM.2019.2957439

Grujić, M., & Novaković, V. (2025). THE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE ACCOUNTING PROFESSION IN BOSNIA AND HERZEGOVINA: PERCEPTIONS, READINESS AND REGULATORY GAP. *EMC Review - Časopis Za Ekonomiju - APEIRON*, *31*(2). https://doi.org/10.7251/EMC2502296G

Kharkiv Institute of Finance of the Kyiv National University of Trade and Economics, & Semenets, A. O. (2019). Forensic Audit as an Efficient Means of Crisis Management of Trading Activities. *Business Inform*, *4*(495), 280–287. https://doi.org/10.32983/2222-4459-2019-4-280-287

Ministry of finance Government of the Republic of Srpska. (2016). *Law on the budget system of the Republic of Srpska.* Banja Luka: Offical Gazette of the Republic of Srpska.

Nazarova, K., Nezhyva, M., Lositska, T., Miniailo, V., & Novikova, N. (2021). FORENSIC-AUDIT AS AN IMPERATIVE OF ECONOMIC SECURITY AND DEVELOPMENT OF THE COMPANY IN THE CONDITIONS OF GLOBAL TRANSFORMATIONS. *Financial and Credit Activity Problems of Theory and Practice*, *4*(35), 99–106. https://doi.org/10.18371/fcaptp.v4i35.221808

Novakovic, V., Aleksić, M., & Mandžo, N. (2026). Public Internal Control System as a Measure of Business Improvement in the Public Companies in the Field of Air Transport in Bosnia and Herzegovina. In K. T. Çalıyurt (Ed.), *Corporate Governance, Sustainability and Information Systems in the Aviation Sector, Volume II* (pp. 253–265). Springer Nature Singapore. https://doi.org/10.1007/978-981-95-4314-4_11

Novaković, V., Grujić, M., Vuković Perduv, V., & Sredojević, V. (2026). APPLICATION OF GLOBAL INTERNAL AUDIT STANDARDS FOR SUSTAINABLE FINANCIAL REPORTING. *EMC Review - Časopis Za Ekonomiju - APEIRON*, *32*(1). https://doi.org/10.7251/EMC2601221N

Novaković, V., Mujkić, E., Savić, B., & Sašić, B. (2024). Digitalization as a Measure of Improving Financial Management and Controls. In K. Tunca Çalıyurt (Ed.), *Ethics and Sustainability in Accounting and Finance, Volume IV* (pp. 119–130). Springer Nature Singapore. https://doi.org/10.1007/978-981-97-4351-3_8

Vuković Perduv, V., Kremenović, D., Beke-Trivunac, J., Vidnjevič, M., & Jelić, D. (2024). UTICAJ FINANSIJKOG UPRAVLJANJA I KONTROLE NA KVALITET FINANSIJSKOG IZVJEŠTAVANJA U JAVNOM SEKTORU. *ПОСЛОВНЕ СТУДИЈЕ*, *16*(31–32). https://doi.org/10.7251/POS2432119V