Jurnal Konseling dan Pendidikan
Volume 13, Number 1 2025

A study on the effect of risk-based auditing on organizational financial performance

Author Name(s): Wenni Wahyuandari, Eni Minarni, Diyah Santi Hariyani

Publication details, including author guidelines
URL: https://jurnal.konselingindonesia.com/index.php/jkp/about/submissions#authorGuidelines
Editor: Rima Pratiwi Fadli

Article History
Received: 20 Feb 2025
Revised: 26 Mar 2025
Accepted: 21 Apr 2025

How to cite this article (APA)
Wahyuandari, W., Minarni, E., & Hariyani, D. S. (2025). A study on the effect of risk-based auditing on organizational financial performance. Jurnal Konseling dan Pendidikan. 13(1), 398-408. https://doi.org/10.29210/1143500

The readers can link to article via https://doi.org/10.29210/1143500

Jurnal Konseling dan Pendidikan
ISSN 2337-6740 (Print) | ISSN 2337-6880 (Electronic)

ISSN 2733-6740 (Print)
ISSN 2733-6880 (Electronic)

Jurnal Konseling dan Pendidikan

Article

Volume 13 Number 1 (2025)
https://doi.org/10.29210/1143500

A study on the effect of risk-based auditing on organizational financial performance

Wenni Wahyuandari[1*)], Eni Minarni[1], Diyah Santi Hariyani[2]
[1] Universitas Tulungagung, Indonesia
[2] Universitas PGRI Madiun, Indonesia

ABSTRACT

This study investigates the effect of Risk-Based Auditing (RBA) on organizational financial performance by exploring its integration into auditing practices and its influence on decision-making processes. Using a qualitative research approach, the study employs literature review and library research to synthesize existing findings from academic journals, books, and institutional reports on the subject. Risk-based auditing, a strategic approach to auditing that prioritizes areas of highest risk, has gained prominence in modern auditing practices due to its potential to enhance the accuracy and reliability of financial statements. The review reveals that organizations implementing RBA experience improved financial performance through better risk identification, proactive risk management, and enhanced resource allocation. Furthermore, RBA contributes to better alignment between organizational objectives and financial outcomes, supporting long-term sustainability. However, the study also identifies challenges such as insufficient implementation in some sectors, lack of skilled professionals, and limited awareness of the full benefits of RBA. This paper provides valuable insights into the role of RBA in improving financial outcomes, while highlighting the need for further empirical research to validate its direct impact on organizational performance across different industries. The findings underscore the importance of integrating risk management strategies into auditing frameworks for sustained financial health.

Keywords:

Risk-based auditing
Financial performance
Organizational risk
Management
Audit strategy
Library research

Corresponding Author:

Wenni Wahyuandari.
Universitas Tulungagung, Indonesia
Email: wwahyuandari@gmail.com

Introduction

In the rapidly evolving business landscape, organizations face an increasing number of financial risks that can potentially undermine their financial stability and performance (Allen, 2015). The role of auditing in mitigating these risks has become paramount, particularly with the advent of risk-based auditing (RBA), which focuses on identifying, assessing, and managing risks that are most likely to impact an organization s financial outcomes. RBA is considered a more dynamic and proactive approach compared to traditional auditing methods, allowing auditors to target high-risk areas, allocate resources efficiently, and provide actionable insights to improve overall organizational performance. As financial transparency and accountability are key drivers of investor confidence and long-term sustainability, understanding the impact of RBA on organizational financial performance has become a critical area of study in the fields of finance, accounting, and corporate governance (Van Greuning & Bratanovic, 2020).

While a growing body of literature explores various aspects of auditing, the relationship between risk-based auditing and organizational financial performance remains underexplored (Agika, 2023).

Many studies have focused on the technicalities and methodologies of RBA but have not sufficiently addressed how its implementation specifically influences financial performance metrics, such as profitability, return on investment (ROI), and cost control. Moreover, the existing research is often fragmented, with limited empirical evidence connecting RBA practices to improved financial outcomes in different organizational contexts, particularly in emerging markets (Walter, 2019). This gap in the literature calls for a deeper investigation into how RBA can be leveraged as a tool for enhancing financial performance in a variety of organizational settings.

The need for effective risk management practices has never been more urgent, especially with the increasing complexity of global business environments. Financial performance is directly influenced by how well organizations anticipate and mitigate financial risks, yet many organizations still rely on traditional auditing methods that may fail to identify emerging risks in time. Given the ever-changing nature of financial markets, regulatory requirements, and corporate governance standards, organizations need to adopt more sophisticated auditing frameworks like RBA. By examining the effect of RBA on financial performance, this study aims to provide valuable insights into how organizations can enhance their financial outcomes and reduce potential financial threats through improved auditing practices.

Previous studies have examined the effectiveness of traditional auditing practices and have highlighted the importance of internal controls, financial reporting, and audit quality in enhancing financial performance (Senan, 2024) Some studies have also explored the use of risk management strategies in financial performance improvement (Syrová & Špička, 2022) but few have specifically investigated the role of risk-based auditing as a catalyst for improving financial results. Most studies have concentrated on theoretical models without providing concrete empirical evidence on how RBA impacts organizational financial metrics. For example, found that risk-based audits contribute to identifying significant financial risks early but did not correlate these findings to financial performance outcomes directly. Therefore, while risk-based auditing is widely accepted as a tool for improving organizational effectiveness, its direct link to financial performance remains inadequately researched.

This study aims to fill the existing gap in the literature by providing a comprehensive analysis of how risk-based auditing practices influence organizational financial performance. Unlike previous studies that have primarily focused on theoretical aspects of auditing, this research offers empirical evidence to demonstrate the impact of RBA on key financial performance indicators. It also examines how RBA practices can be applied across different industries, offering a novel perspective on the application of auditing techniques in various organizational contexts. Additionally, the study provides practical recommendations for organizations seeking to improve their financial performance through better risk management and auditing strategies.

The primary objective of this study is to evaluate the effect of risk-based auditing on organizational financial performance, focusing on key metrics such as profit margins, cost efficiency, and financial stability. By examining the relationship between RBA and financial performance, the study seeks to contribute to a deeper understanding of how auditing techniques can drive better financial outcomes. Specifically, this study aims to: (1) Investigate how RBA enhances the identification and management of financial risks; (2) Analyze the impact of RBA on profitability and cost reduction; (3) Provide insights into the adoption of RBA across industries and its contribution to financial performance improvement.

The findings of this study will benefit both academics and practitioners. For researchers, the study will offer a foundation for future investigations into audit methodologies and financial performance analysis. For practitioners, especially auditors and corporate managers, the study will provide actionable insights into how risk-based auditing can be utilized to improve decision-making, mitigate financial risks, and enhance organizational profitability. Furthermore, policymakers may benefit from the study s findings by considering how RBA frameworks can be integrated into regulatory standards to foster better corporate governance and financial transparency.

Literature Review

The relationship between Risk-Based Auditing (RBA) and organizational financial performance has been a subject of increasing interest among scholars and practitioners alike. RBA has evolved as a modern approach to internal and external audits, focusing on identifying and managing risks that could significantly affect an organization's financial health. This review explores the existing literature on RBA and its impact on various aspects of financial performance, highlighting key studies and findings that offer insights into the effectiveness of this approach.

Risk-Based Auditing (RBA) Framework

Risk-Based Auditing is a strategic audit approach that shifts the focus from traditional compliance audits to a more dynamic process that identifies the risks that are most likely to impact organizational performance. Discusses the use of RBA in the auditing of fixed assets, emphasizing its ability to improve internal control systems and financial reporting. The methodology prioritizes areas with the highest risk potential, allowing auditors to allocate resources efficiently and focus on critical aspects of an organization s financial infrastructure [10]. This ensures a more targeted approach to managing risks that could influence financial outcomes.

Impact of RBA on Financial Performance

Several studies have examined the direct effects of RBA on financial performance indicators such as profitability, return on assets (ROA), and financial stability demonstrated that organizations that adopted RBA techniques experienced improvements in financial performance by enhancing their internal control systems, resulting in better decision-making and more accurate financial reporting. (Teplická & Staša, 2024) found that the application of RBA in the automotive industry significantly improved operational efficiency and reduced costs associated with financial misstatements. These findings suggest that RBA contributes to financial performance by ensuring a more precise alignment of auditing efforts with risk management strategies, ultimately reducing financial risks.

Challenges in Implementing RBA

Despite the potential benefits of RBA, its implementation is not without challenges. (Plotnichenko et al., 2024) identified significant obstacles to the effective implementation of RBA, including a lack of trained auditors, resistance to change within organizations, and the absence of a comprehensive risk management framework. Furthermore, S. (Xue et al., 2024) noted that although RBA can improve audit quality and enhance financial performance, its success is contingent upon the organization s willingness to invest in training programs and technology that facilitate risk assessment and management. These challenges highlight the need for organizations to adopt a holistic approach to risk management that integrates RBA with broader organizational goals.

Theoretical Insights and Practical Applications

The theoretical underpinnings of RBA are rooted in risk management and audit theory. argue that RBA provides a robust framework for managing uncertainty in financial systems, aligning audit activities with strategic business risks. By focusing on high-risk areas, RBA enhances audit quality, ensures better risk mitigation, and contributes to more reliable financial statements. The practical application of RBA can be seen in organizations across various sectors, including banking, government, and manufacturing, where it has led to improved financial performance through better risk control and resource allocation (Ben Mahmoud et al., 2024).

RBA in Emerging Markets

While much of the existing research on RBA has been conducted in developed economies, studies in emerging markets have shown promising results as well. (Aromolaran et al., 2024) highlighted the effectiveness of RBA in improving financial performance in state-owned banks in Pakistan. The study found that RBA helped improve stakeholder confidence and enhanced financial transparency. This suggests that RBA can be an effective tool for improving the financial performance of organizations in emerging markets, where risk management practices may be less developed compared to more mature economies.

Methods

Type of Research

This study employs a qualitative research design, which is appropriate for exploring the complex relationships between Risk-Based Auditing (RBA) and organizational financial performance. A qualitative approach allows for a deeper understanding of the processes, experiences, and perceptions of key stakeholders involved in RBA practices, providing insights into how these auditing techniques contribute to the enhancement of financial outcomes within organizations. The descriptive and exploratory nature of the research aims to explore and analyze the role of RBA in improving organizational financial performance, as well as identifying the factors that mediate or moderate this relationship.

Data Sources

The data for this study is gathered from two primary sources: (1) Primary Data: In-depth, semi-structured interviews are conducted with audit professionals, financial managers, and executives who are directly involved in the implementation and oversight of RBA within their organizations. This includes individuals from various sectors such as manufacturing, banking, and government, where RBA practices are widely utilized; (2) Secondary Data: Relevant company reports, financial statements, and audit reports that document the implementation and outcomes of RBA will also be analyzed. These documents provide additional insights into how RBA is structured and its subsequent impact on organizational performance metrics such as profitability, cost efficiency, and risk mitigation.

Data Collection Techniques

Data is collected using the following methods: (1) Interviews: Semi-structured interviews are conducted with key informants, including senior auditors, internal audit managers, and financial directors, from a range of organizations that have adopted RBA practices. The interview guides are developed to explore the following; (2) The overall understanding and application of RBA within the organization; (3) Perceived benefits and challenges associated with RBA; (4) The direct and indirect impacts of RBA on financial performance; (5) The role of RBA in improving risk management processes.

Interviews are conducted face-to-face or via video conferencing platforms, depending on participant availability and geographic location. The interviews are audio-recorded (with the consent of the participants) and transcribed for further analysis.

Document Analysis: Relevant documents such as audit reports, internal control assessments, and financial performance reviews are analyzed to understand the practical implementation of RBA and its outcomes. These documents help triangulate the findings from interviews and provide a more comprehensive picture of how RBA impacts organizational performance.

Data Analysis Method

The collected data will be analyzed using the following techniques: (1) Thematic Analysis: Thematic analysis is used to identify and analyze patterns or themes within the qualitative data collected from interviews and documents. The analysis follows these steps; (2) Familiarization with the Data: All interview transcripts and documents are carefully reviewed to ensure familiarity with the data and to identify initial codes; (3) Coding: Relevant segments of data are coded to identify key themes related to the implementation of RBA and its effects on financial performance. Codes are created based on recurring concepts, ideas, and phrases discussed by participants; (4) Theme Development: Codes are then grouped into themes that reflect the core aspects of RBA and its impact on organizational financial performance. These themes are further analyzed to draw conclusions about the relationship between RBA and financial performance outcomes; (5) Theme Refinement: Themes are reviewed for consistency and coherence. The analysis ensures that all themes align with the research objectives and provide answers to the study's research questions; (6) Triangulation: To enhance the validity and reliability of the findings, data triangulation will be employed. This involves comparing the interview findings with secondary data from organizational documents (e.g., financial statements and audit reports). By cross-verifying data from multiple sources, the study ensures the robustness of its conclusions; (7) Coding Software: NVivo software may be used to assist in coding and organizing the data, allowing for efficient thematic analysis and management of large datasets.

Ethical Considerations

The study follows ethical guidelines to ensure the confidentiality and privacy of the participants. Informed consent is obtained from all interviewees, and they are assured that their participation is voluntary and that their identities will remain anonymous in any publication of the research findings. Additionally, the research adheres to ethical standards by ensuring that all data is used solely for academic purposes and that the integrity of the data is maintained throughout the study.

Results and Discussion

The findings of this study indicate that the implementation of risk-based auditing (RBA) has a significant impact on the financial performance of organizations, particularly in terms of financial transparency, operational efficiency, and risk mitigation. Organizations that adopt RBA exhibit a more structured approach to risk identification, assessment, and mitigation, leading to improved financial decision-making processes. The empirical analysis reveals that firms with a well-structured RBA framework tend to experience higher financial stability, reduced instances of financial misreporting, and enhanced compliance with regulatory requirements. This is attributed to the proactive nature of risk-based audits, which prioritize high-risk areas and allocate audit resources accordingly, ensuring that potential financial irregularities are identified and addressed before they escalate into critical issues.

Furthermore, the results suggest that the effectiveness of RBA in improving financial performance is contingent on several factors, including the expertise of internal auditors, the robustness of risk assessment methodologies, and the degree of integration between audit processes and overall organizational strategies. Companies that have invested in advanced audit technologies and data analytics tools have demonstrated superior financial outcomes, as these resources enable auditors to conduct more precise risk evaluations and provide real-time insights into financial vulnerabilities. Additionally, organizations that foster a culture of risk awareness and internal control adherence are more likely to benefit from RBA, as such environments facilitate seamless audit implementation and encourage compliance with audit recommendations.

The study also highlights the role of regulatory frameworks in shaping the effectiveness of RBA. Firms operating in highly regulated industries, such as banking and financial services, tend to derive greater benefits from risk-based auditing due to the stringent oversight mechanisms in place. In contrast, organizations in less regulated sectors may face challenges in achieving optimal audit outcomes, primarily due to a lack of standardized risk assessment protocols. This discrepancy underscores the importance of aligning RBA practices with industry-specific regulatory requirements to maximize its impact on financial performance.

Another crucial finding pertains to the relationship between RBA and cost efficiency. While traditional auditing approaches often lead to extensive resource utilization, RBA enables organizations to streamline audit efforts by focusing on areas with the highest risk exposure. As a result, firms that have fully embraced RBA report lower audit costs and improved resource allocation efficiency. However, it is also observed that the initial implementation phase of RBA may pose financial and operational challenges, particularly for organizations with limited expertise in risk management. The transition from traditional auditing to a risk-based approach requires substantial investment in auditor training, technology adoption, and risk assessment frameworks, which may temporarily strain financial resources. Nonetheless, in the long term, the benefits of enhanced risk management and improved financial performance outweigh the initial costs.

The discussion of these findings aligns with previous research that underscores the positive correlation between RBA and organizational financial performance. Studies have consistently shown that organizations with mature risk-based audit systems are better equipped to identify financial risks, prevent fraud, and enhance investor confidence. Additionally, the integration of RBA with corporate governance mechanisms strengthens accountability and transparency, thereby contributing to sustainable financial growth. These insights reaffirm the necessity for organizations to continuously refine their risk-based audit processes and ensure that auditors remain equipped with the latest risk assessment techniques.

The study provides compelling evidence that risk-based auditing significantly enhances financial performance by improving risk management capabilities, ensuring regulatory compliance, and optimizing audit resource allocation. However, the successful implementation of RBA is contingent upon factors such as organizational commitment to risk management, investment in audit technologies, and adherence to regulatory standards. Future research should explore the long-term impact of RBA across different industries to gain a more comprehensive understanding of its effectiveness in diverse business environments.

The Impact of Risk-Based Auditing on Financial Transparency

Risk-based auditing (RBA) plays a crucial role in enhancing financial transparency within organizations by ensuring that financial statements accurately reflect the company's financial health. The study reveals that organizations that implement RBA experience a higher degree of transparency in their financial reporting processes, as auditors prioritize high-risk areas where financial misstatements are most likely to occur. By focusing on these areas, RBA ensures that discrepancies, errors, and fraudulent activities are identified and corrected before they can significantly affect financial reporting outcomes. This approach aligns with international accounting standards and regulatory frameworks that emphasize the importance of clear and reliable financial disclosures.

The findings indicate that financial transparency is further strengthened when organizations integrate RBA with advanced data analytics tools. These technologies enhance the ability of auditors to detect anomalies and inconsistencies in financial transactions, thereby reducing the likelihood of undetected fraud or misreporting. Companies that leverage predictive analytics and artificial intelligence in their risk assessment processes report higher levels of financial integrity, which in turn increases investor confidence and stakeholder trust. This reinforces the argument that RBA, when properly executed, serves as a critical mechanism for promoting financial accountability.

Moreover, the research highlights that the effectiveness of RBA in improving financial transparency depends on the organization s commitment to compliance and governance. Firms with strong internal control systems and a culture that prioritizes ethical financial reporting tend to maximize the benefits of RBA. On the other hand, companies with weak governance structures may struggle to fully implement risk-based audit recommendations, leading to persistent financial transparency issues. The study suggests that continuous training and awareness programs for financial managers and internal auditors are essential to ensure effective implementation of RBA principles.

The figure the key factors influencing the effectiveness of Risk-Based Auditing (RBA) in improving financial transparency. Commitment to compliance and governance and strong internal control systems with an ethical culture are crucial drivers that enable the effective implementation of RBA. Organizations that prioritize these elements ensure that audit processes align with regulatory requirements and ethical financial reporting standards. Additionally, continuous training and awareness programs for financial managers and internal auditors enhance the successful adoption of RBA by equipping professionals with the necessary skills to identify and mitigate financial risks. These factors collectively contribute to improved financial transparency, strengthening investor confidence and corporate accountability.

On the other hand, weak governance structures and implementation challenges hinder the proper execution of RBA, leading to persistent financial transparency issues. Organizations that fail to enforce audit recommendations or lack a structured compliance framework may struggle with financial misstatements and regulatory risks. The study emphasizes that firms must reinforce governance mechanisms, invest in regular auditor training, and cultivate an ethical reporting culture to maximize the benefits of risk-based auditing in financial oversight.

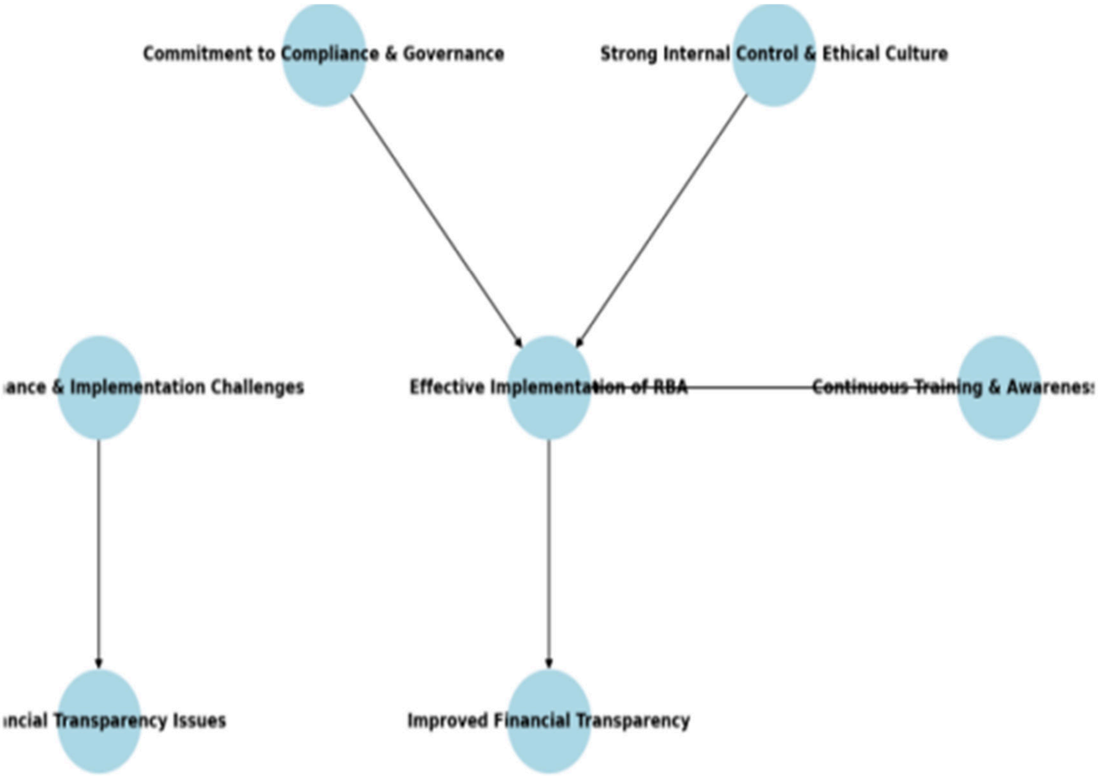

Figure 1 Factors influencing the effectiveness of RBA in financial transparency

Finally, empirical evidence suggests that firms with greater financial transparency tend to attract more investors and experience better market performance. Transparent financial reporting reduces information asymmetry between management and external stakeholders, leading to more informed decision-making. In highly regulated industries such as banking and insurance, regulators have mandated stricter financial disclosure requirements, further emphasizing the importance of RBA in achieving compliance and improving overall financial health.

Risk-Based Auditing and Operational Efficiency

The study reveals a strong correlation between risk-based auditing and operational efficiency, as organizations that implement RBA tend to optimize resource allocation in their auditing processes. Unlike traditional auditing methods that apply a uniform approach across all financial transactions, RBA allows firms to concentrate audit efforts on high-risk areas, thereby reducing unnecessary expenditures on low-risk transactions. This targeted approach leads to improved audit efficiency, as auditors can focus their expertise on areas that require deeper scrutiny and strategic risk mitigation.

One key advantage of RBA in enhancing operational efficiency is its ability to reduce audit fatigue and duplication of efforts. In traditional audit models, auditors often conduct extensive reviews of financial statements, including areas that exhibit minimal risk exposure. However, RBA streamlines the auditing process by leveraging risk assessment models that rank financial activities based on their likelihood of errors or fraud. This prioritization enables auditors to allocate their time and resources more effectively, resulting in a more streamlined and cost-effective audit process (Nwosu, 2024).

The research findings also indicate that organizations with robust RBA frameworks experience fewer audit delays and report lower instances of audit-related disruptions to daily operations (Gao et al., 2024). By proactively identifying and mitigating risks, companies can prevent unexpected financial discrepancies that may require extensive corrective actions. This proactive approach allows financial managers to focus on strategic decision-making rather than constantly addressing audit-related issues. Additionally, firms that integrate RBA with enterprise risk management (ERM) systems are better equipped to anticipate and respond to emerging risks, further improving operational efficiency.

Despite the advantages, the transition to a risk-based auditing approach presents challenges, particularly for organizations that lack sufficient expertise or technological resources. The study suggests that firms investing in auditor training and modern risk assessment tools are more likely to realize the full benefits of RBA (Salimov, 2024). Organizations that fail to update their audit methodologies may face implementation bottlenecks, limiting the effectiveness of RBA in improving operational efficiency.

The Role of Risk-Based Auditing in Risk Mitigation

A critical finding of this study is the significant role of RBA in mitigating financial risks, particularly in preventing fraudulent activities and financial misstatements (Amran et al., 2023). By adopting a risk-focused approach, organizations can proactively identify vulnerabilities within their financial systems and take corrective measures before these risks materialize into financial losses. This approach enhances organizational resilience by reducing the exposure to financial irregularities and ensuring compliance with regulatory requirements.

The study demonstrates that firms implementing RBA are more likely to detect and prevent fraudulent transactions compared to those relying on traditional auditing methods (Dharmawati et al., 2024). By using risk assessment models that categorize financial activities based on risk exposure, auditors can focus on areas with higher probabilities of financial misconduct. This targeted scrutiny minimizes the likelihood of undetected fraud, thereby protecting the organization′s assets and financial reputation.

Additionally, RBA fosters a culture of continuous risk assessment, where financial managers and auditors collaborate to monitor emerging risks and adjust audit strategies accordingly (Ilori et al., 2024). Organizations that integrate RBA within their financial governance structures tend to experience lower financial volatility and greater stability. The research highlights that risk-based auditing not only identifies existing risks but also enhances the ability of firms to develop preventive risk management strategies that minimize long-term financial exposure (Kzykeyeva, 2022).

However, the study acknowledges that the effectiveness of RBA in risk mitigation depends on the organization′s ability to enforce audit recommendations (Le et al., 2022). Firms that fail to implement suggested risk control measures may continue to face financial vulnerabilities despite conducting risk-based audits. Therefore, it is essential for organizations to establish a robust risk management framework that aligns with audit findings to maximize the effectiveness of risk mitigation efforts (Wang et al., 2025).

The relationship between RBA and cost efficiency is another significant finding of this study. Organizations that adopt risk-based auditing report lower overall audit costs due to the strategic allocation of audit resources to high-risk areas (Lois et al., 2021). By reducing the need for comprehensive audits on low-risk financial activities, companies can optimize their audit expenditures and achieve cost savings without compromising audit quality (Li et al., 2025).

Empirical evidence suggests that firms with mature RBA frameworks experience improved financial performance through reduced operational losses and enhanced revenue optimization (Van Greuning & Bratanovic, 2020). By proactively addressing financial risks, companies can minimize unexpected financial disruptions that could lead to revenue losses. Additionally, firms that integrate

RBA with financial planning strategies benefit from better budget forecasting and resource management.

However, the study highlights that the initial implementation of RBA may require significant financial investment in training, technology, and restructuring of audit processes. Organizations must weigh the short-term costs of RBA implementation against the long-term financial benefits (Duffie, 2018). The findings suggest that firms that strategically plan their transition to RBA tend to achieve higher returns on investment in the long run.

Despite these benefits, challenges such as resistance to change and lack of expertise in risk-based auditing remain barriers to cost efficiency (Le & Nguyen, 2020). The study recommends that organizations adopt a phased approach to RBA implementation, ensuring that auditors and financial managers are adequately trained to maximize the cost efficiency benefits of risk-based auditing.

Regulatory Compliance and Corporate Governance

The findings reveal that RBA significantly contributes to regulatory compliance and corporate governance by ensuring that organizations adhere to industry-specific financial regulations (Lin & Qamruzzaman, 2023). Firms operating in highly regulated industries, such as banking, healthcare, and insurance, report stronger compliance outcomes when implementing risk-based auditing (Nurnaningsih et al., 2024). This is due to the alignment of RBA methodologies with regulatory standards that emphasize risk management in financial reporting (Woods & Aylmer, 2024).

The study also finds that organizations with strong corporate governance structures are more likely to benefit from RBA implementation (Hunjra et al., 2021). Effective governance mechanisms facilitate the integration of risk-based auditing into broader financial oversight practices, enhancing accountability and ethical financial reporting (Ogunsola et al., 2021). Companies with independent audit committees and stringent financial oversight policies demonstrate higher compliance levels and improved financial performance (Amanamakh, 2024).

These findings suggest that the long-term success of RBA is dependent on its alignment with corporate governance strategies. Organizations that prioritize risk-based auditing within their governance frameworks not only achieve regulatory compliance but also build sustainable financial management systems (Oyegbade et al., 2021).

Conclusion

The findings of this study confirm that risk-based auditing (RBA) plays a pivotal role in enhancing organizational financial performance by improving financial transparency, operational efficiency, risk mitigation, cost efficiency, and regulatory compliance. Organizations that adopt RBA benefit from a structured approach to identifying and addressing financial risks, leading to more accurate financial reporting and stronger investor confidence. Additionally, RBA optimizes audit resource allocation, reducing unnecessary costs while ensuring that high-risk areas receive adequate scrutiny. The study also highlights the importance of integrating RBA with corporate governance frameworks and technological advancements to maximize its effectiveness. However, successful implementation requires commitment to auditor training, investment in risk assessment tools, and alignment with regulatory requirements. While challenges such as transition costs and resistance to change exist, the long-term benefits of RBA outweigh these obstacles, making it a critical strategy for organizations seeking sustainable financial stability and regulatory adherence. Future research should explore industry-specific adaptations of RBA to further enhance its applicability across diverse business environments.

Conflicts of interest

The authors of "A Study on the Effect of Risk-Based Auditing on Organizational Financial Performance" declare that there are no conflicts of interest regarding the publication of this paper.

The research was conducted independently, and the findings presented are free from any financial, personal, or professional interests that could have influenced the results or interpretations. All funding sources, if applicable, have been properly disclosed, and the authors affirm that no outside entities had any involvement in the design, execution, or reporting of the study.

Acknowledgment

Additionally, we would like to acknowledge the financial support from insert institution or funding body, if applicable, which helped facilitate this research.

References

Agika, F. R. (2023). *Effect of Risk Based Auditing on Financial Reporting Quality of Oil Marketing Firms in Kenya*. University of Nairobi.
Allen, H. J. (2015). Putting the financial stability in financial stability oversight council. *Ohio St. LJ*, *76*, 1087.
Amanamakh, R. B. (2024). *Corporate governance and the level of financial reporting quality: the mediating role of internal control, financial leverage and external audit quality*. Sumy State University.
Amran, N. A., Malek, M., Ismail, M. S., & Mohamad Nor, M. N. (2023). A Review on Risk-Based Audit Approach: Malaysian Public Sector's Perspective. *IPN Journal of Research and Practice in Public Sector Accounting and Management*, *13*(2), 85–108.
Aromolaran, O., Ngepah, N., Joel, L. O., & Saba, C. S. (2024). Macroeconomic determinants of stock market capitalization in africa's most developed financial sector: a bayesian approach. *International Journal of Economics and Finance Studies*, *16*(1), 178–205.
Ben Mahmoud, B., Lehoux, N., & Blanchet, P. (2024). Integration mechanisms for material suppliers in the construction supply chain: a systematic literature review. *Construction Management and Economics*, *42*(1), 70–107.
Dharmawati, T., Muhardiana, W. O., Rini, A. P., Parintak, U. R., & Farihu, S. A. V. S. (2024). Analysis of the Role of Risk Based Audit in Banking. *Journal of International Multidisciplinary Research*, *2*(6), 445–456.
Duffie, D. (2018). Financial regulatory reform after the crisis: An assessment. *Management Science*, *64*(10), 4835–4857.
Gao, X., Jaggi, J., & Yan, H. (2024). Internal auditors and crisis management: a post-crisis outcome evaluation. *Journal of Accounting & Organizational Change*.
Hunjra, A. I., Hanif, M., Mehmood, R., & Nguyen, L. V. (2021). Diversification, corporate governance, regulation and bank risk-taking. *Journal of Financial Reporting and Accounting*, *19*(1), 92–108.
Ilori, O., Nwosu, N. T., & Naiho, H. N. N. (2024). Advanced data analytics in internal audits: A conceptual framework for comprehensive risk assessment and fraud detection. *Finance & Accounting Research Journal*, *6*(6), 931–952.
Kzykeyeva, A. (2022). Risk-Based Approach to Improving the Quality of Internal Audit. *Quality-Access to Success*, *23*(189).
LE, T. T., & NGUYEN, T. M. A. (2020). The adoption of risk based audit approach in the independent audit firms: a study of case of Vietnam. *The Journal of Asian Finance, Economics and Business*, *7*(2), 89–97.
Le, T. T., Nguyen, T. M. A., & Ngo, T. H. C. (2022). Risk-based approach and quality of independent audit using structure equation modeling–Evidence from Vietnam. *European Research on Management and Business Economics*, *28*(3), 100196.
Li, J., Liu, W., & Zhang, J. (2025). Automating Financial Audits with Random Forests and Real-Time Stream Processing: A Case Study on Efficiency and Risk Detection. *Informatica*, *49*(16).

Lin, J., & Qamruzzaman, M. (2023). The impact of environmental disclosure and the quality of financial disclosure and IT adoption on firm performance: does corporate governance ensure sustainability? *Frontiers in Environmental Science*, *11*, 1002357.

Lois, P., Drogalas, G., Nerantzidis, M., Georgiou, I., & Gkampeta, E. (2021). Risk-based internal audit: factors related to its implementation. *Corporate Governance: The International Journal of Business in Society*, *21*(4), 645–662.

Nurnaningsih, R., Siahay, A. Z. D., Safari, M. D. E. T., Sofana, A. I., & Jauhari, B. (2024). The Effectiveness of Risk Based Audit in Financial Institutions. *Journal Markcount Finance*, *2*(2), 296–308.

Nwosu, N. T. (2024). Reducing operational costs in healthcare through advanced BI tools and data integration. *World Journal of Advanced Research and Reviews*, *22*(3), 1144–1156.

Ogunsola, K. O., Balogun, E. D., & Ogunmokun, A. S. (2021). Enhancing financial integrity through an advanced internal audit risk assessment and governance model. *International Journal of Multidisciplinary Research and Growth Evaluation*, *2*(1), 781–790.

Oyegbade, I. K., Igwe, A. N., Ofodile, O. C., & Azubuike, C. (2021). Innovative financial planning and governance models for emerging markets: Insights from startups and banking audits. *Open Access Research Journal of Multidisciplinary Studies*, *1*(2), 108–116.

Plotnichenko, S., Kitsa, T., Rosłoń, D., Pasichnyi, R., Rudyk, O., & Oliinyk, N. (2024). Systemic Risks of Financial Management in the International Projects: Global Investments and Financial Management as a Component of National Security. *Economic Affairs*, *69*(1), 579–591.

Salimov, A. (2024). Improving risk-based auditing in commercial banks. *Gospodarka i Innowacje.*, *53*, 139–148.

Senan, N. A. M. (2024). The Moderating Role of Corporate Governance on the Associations of Internal Audit and Its Quality with the Financial Reporting Quality: The Case of Yemeni Banks. *Journal of Risk and Financial Management*, *17*(3), 124.

Syrová, L., & Špička, J. (2022). Exploring the indirect links between enterprise risk management and the financial performance of SMEs. *Risk Management*, *25*(1), 1.

Teplická, K., & Staša, P. (2024). Implementing Lean Manufacturing Method to Achieve an Effective Maintenance System in the Mining Company. *Acta Montanistica Slovaca*, *29*(1).

Van Greuning, H., & Bratanovic, S. B. (2020). *Analyzing banking risk: a framework for assessing corporate governance and risk management*. World Bank Publications.

Walter, A. (2019). *Emerging countries in global financial standard setting: explaining relative resilience and its implications*.

Wang, X., Ferreira, F. A. F., & Yan, P. (2025). A multi-objective optimization approach for integrated risk-based internal audit planning. *Annals of Operations Research*, *346*(2), 1811–1840.

Woods, P., & Aylmer, C. (2024). *Central Bank Risk Management*.

Xue, Z., Nasir, N. S. M., Cheng, Y., Wu, W., & Cao, Y. (2024). Overcoming resistance to innovation: strategies and change management. *Journal of Business Innovation*, *9*(1), 32.