



Identification and Classification of Money Laundering Red Flags in the Internal Audit Process: A Role- and Conflict-Based Approach

Kimia Akrami¹, Habibollah Nakhaei^{2,*} and Mahmoud. Lari Dashtbayaz³



¹ Department of Accounting, Qae.C., Islamic Azad University, Qaenat, Iran; 

² Department of Accounting, Bi.C., Islamic Azad University, Birjand, Iran; 

³ Department of Accounting, Faculty of Economics and Administrative Science, Ferdowsi University of Mashhad, Mashhad, Iran; 

* Correspondence: habibollahnakhaei@iau.ac.ir

Citation: Akrami, K., Nakhaei, H., & Lari Dashtbayaz, M. (2026). Identification and Classification of Money Laundering Red Flags in the Internal Audit Process: A Role- and Conflict-Based Approach. *Business, Marketing, and Finance Open*, 3(2), 1-12.

Abstract: The present study aims to identify common red flags in internal auditing and to examine the impact of the internal auditor's role and conflicts of interest on the accuracy of their detection. This research was conducted using a qualitative method through interviews with internal auditors and audit committee members of companies listed on the Tehran Stock Exchange and regional exchanges. The findings revealed that red flags include suspicious financial transactions, documentary inconsistencies, unusual employee behaviors, and organizational conflicts. Furthermore, the internal auditor's role and independence directly increase their sensitivity to red flags, while internal conflicts of interest can reduce detection accuracy and, in some cases, lead to self-censorship or downplaying risks. The study also demonstrated that auditors' coping strategies consist of negotiation, internalization, and avoidance, with issue severity and organizational support influencing the choice of strategy. The results highlight the importance of auditor independence, continuous training, and conflict of interest management, and recommend that organizations improve red flag detection accuracy through transparent policies and enhanced internal processes.

Received: 25 June 2025

Revised: 01 September 2025

Accepted: 08 September 2025

Published: 01 March 2026



Copyright: © 2026 by the authors. Published under the terms and conditions of Creative Commons Attribution-NonCommercial 4.0 International (CC BY-NC 4.0) License.

Keywords: Internal auditing, red flags, conflict of interest, auditor's role, coping strategy

1. Introduction

Money laundering has emerged as one of the most complex global financial crimes of the modern era, undermining financial transparency, institutional trust, and organizational performance across nations. As financial transactions increasingly transcend national borders, the risks associated with illicit fund flows and disguised financial activities have grown more pressing. Scholars describe money laundering as a transnational business phenomenon that exploits systemic weaknesses in auditing, regulation, and organizational governance [1]. The internationalization of financial markets has, therefore, heightened the urgency for stronger mechanisms of detection, prevention, and reporting. Central to these mechanisms is the role of internal auditing, which serves not only as a safeguard against financial misrepresentation but also as a frontline defense against criminal exploitation of organizational systems [2].

The literature demonstrates that internal auditing functions extend far beyond routine monitoring; they actively shape organizational resilience against threats such as corruption, tax evasion, and money laundering [3]. Studies

have emphasized that when auditing standards are robust and reporting systems transparent, opportunities for illicit transactions diminish significantly [4]. Internal auditors, therefore, are not merely evaluators of financial accuracy but guardians of organizational integrity. Their role is central in detecting “red flags” such as suspicious cash flows, inconsistencies in records, and unusual managerial behavior [5].

An important dimension of combating money laundering lies in strengthening the capacity of internal auditors to recognize and act upon these red flags. The detection of anomalies in financial statements, transactions, or managerial decisions requires both technical expertise and professional independence [6]. Indeed, the role of the auditor is frequently described as one of the primary tools in identifying risks, curbing opportunities for financial misconduct, and reinforcing accountability structures [7]. Empirical research confirms that organizations where internal auditing functions are systematically embedded exhibit significantly higher reliability and financial reporting quality [8].

In parallel with organizational-level efforts, regulatory and technological frameworks have been highlighted as complementary enablers. Scholars have debated whether international legal regimes for combating money laundering are sufficiently effective or whether they still leave gaps that can be exploited by criminals [9]. National-level studies, such as those evaluating Kenya’s legal system, also point out discrepancies between formal regulations and their actual implementation [10]. This tension between rules and practice underscores the need for auditors to act as both technical experts and ethical agents, bridging the gap between compliance and real-world financial practices.

The incorporation of new technologies has increasingly shaped discussions of money laundering prevention. Advances in machine learning, for instance, have been leveraged to detect suspicious patterns in financial transactions that may escape human observation [11]. In the non-profit and charitable sectors, the application of RegTech and emerging digital solutions has also been identified as promising for anti-money laundering and counter-terrorism financing [12]. Nevertheless, technological solutions alone are insufficient; their effectiveness depends on the capacity of auditors to interpret, validate, and integrate findings into broader organizational strategies. As such, auditing expertise and human judgment remain irreplaceable [13].

Red flag identification is particularly important in contexts characterized by high complexity or weak controls. Research on the significance of risk assessment in auditing confirms that auditors who systematically evaluate money laundering risks are better able to identify irregularities before they escalate [14]. Similarly, ethical concerns arising from new financial innovations, such as Bitcoin and other digital assets, illustrate the increasing difficulty of detecting illicit flows in decentralized systems [15]. Internal auditors, therefore, must adapt their strategies to evolving technologies and new forms of financial crime, while maintaining ethical standards and compliance with regulatory frameworks.

The success of these efforts depends on the interplay between organizational support, auditor competence, and professional independence. Evidence indicates that organizational support significantly strengthens auditors’ capacity to act courageously in reporting irregularities and ultimately improves financial performance [16]. However, when auditors face conflicts of interest—such as dual roles, pressures from management, or incentives tied to short-term organizational goals—their sensitivity to red flags and the accuracy of detection decline [17]. This highlights the importance of creating environments where auditors are empowered, trained, and shielded from undue influence.

Indeed, independence and organizational backing are often cited as the foundation of effective auditing. When auditors are pressured to align with managerial interests, their role as objective evaluators is compromised,

resulting in diminished effectiveness in detecting suspicious activities [18]. Conversely, organizations that encourage whistleblowing and provide strong ethical climates strengthen auditors' willingness to report irregularities and confront managerial misconduct [19]. These conditions are vital for ensuring that the detection of red flags translates into corrective action.

Education and professional development also emerge as critical dimensions in this regard. Research suggests that auditors trained in specialized fields, such as forensic accounting, are more adept at practicing customer due diligence, a cornerstone of anti-money laundering frameworks [20]. Higher education institutions, too, benefit when internal auditing strengthens reliability and performance, underlining the cross-sector importance of these practices [21]. Continuous professional education ensures that auditors remain up-to-date with emerging techniques, regulatory requirements, and ethical considerations, thereby enhancing their capacity to detect and prevent financial misconduct.

From a broader macroeconomic perspective, money laundering not only damages organizational credibility but also distorts economic development. Research has shown that the phenomenon undermines markets, deters foreign investment, and erodes public trust in institutions [22]. It further hampers governments' ability to implement policies and allocate resources efficiently. The destructive effects of financial crime on economies reinforce the significance of auditors as pivotal actors in safeguarding both organizations and societies. Preventing money laundering is, therefore, not only an organizational imperative but a matter of national and international economic security.

The role of auditing in this broader context has been emphasized for decades. Earlier works highlighted its importance in preventing money laundering and reducing financial crime risks at both the corporate and systemic levels [23]. Contemporary research has further refined this perspective, showing that internal auditing not only identifies anomalies but also strengthens reporting, transparency, and compliance mechanisms. These cumulative insights demonstrate that internal auditing occupies a central role in shaping financial governance and preventing systemic vulnerabilities.

Emerging global trends and challenges further underscore the importance of this issue. As financial transactions become more digitalized and decentralized, auditors face new forms of risk. The capacity to identify abnormal labor investments, detect manipulated narratives, and uncover hidden conflicts of interest requires advanced analytical skills and independence [5, 13]. Internal auditing is no longer a passive role of monitoring but an active, dynamic process of safeguarding integrity in rapidly changing organizational and financial environments.

Finally, cross-national comparative studies reveal significant differences in how auditing standards and anti-money laundering frameworks are designed and enforced. Strong auditing and reporting standards are consistently linked with lower levels of corruption and financial crime [4]. Yet, despite these findings, gaps remain in many jurisdictions, reflecting the necessity for continued research into the effectiveness of internal auditing, auditor independence, and organizational support.

Drawing on the existing literature, it is clear that the detection of money laundering red flags through internal auditing is influenced by multiple interrelated factors: the professional competence of auditors, organizational support and independence, technological integration, and the broader regulatory environment. The convergence of these dimensions highlights the complexity of the auditing function in addressing financial crime. The present study seeks to contribute to this body of knowledge by systematically identifying and classifying money laundering red flags in internal auditing and examining the role conflicts and responsibilities of auditors in influencing sensitivity to such indicators.

2. Methodology

This research is qualitative in nature and is designed with the aim of identifying and analyzing money laundering red flags and examining the effects of the roles and conflicts of the internal auditor. In qualitative research, the focus is on an in-depth understanding of processes, experiences, and perspectives of internal auditors, with the primary objective of extracting patterns and conceptual relationships rather than testing quantitative hypotheses.

The qualitative method in this study allows the researcher to thoroughly investigate the challenges of identifying red flags, the impact of role conflicts, and the coping strategies of internal auditors. Instead of focusing on statistical and quantitative data, the analysis is based on in-depth interviews, case studies, and reviews of internal audit documents to clarify the auditor's decision-making process in real organizational conditions.

Furthermore, qualitative research enables the analysis of diverse perspectives of internal auditors, taking into account their experience, organizational role, and professional interactions. This approach is particularly suitable for exploring issues such as potential conflicts, organizational pressures, and methods of identifying red flags, which are inherently complex and context-dependent.

The statistical population of this research includes internal auditors and members of audit committees of companies listed on the Tehran Stock Exchange and regional exchanges. This group, due to their direct experience in the auditing process and their vital role in detecting financial fraud and money laundering, is capable of providing precise and practical insights regarding red flags and the role conflicts of internal auditors.

Given the qualitative nature of the study, the focus will be on purposive sampling to select individuals who possess sufficient experience and knowledge about identifying money laundering risks and managing role conflicts. This approach ensures that the data collected will be rich, relevant, and analyzable for extracting patterns and conceptual frameworks.

In the subsequent stage, the selected sample will consist of internal auditors with several years of experience and audit committee members active in listed companies, so that a diversity of perspectives and experiences across different industries and organizational contexts will be included. This contributes to a deeper understanding of the relationship between roles, conflicts, and the identification of red flags.

In this study, the primary tool for data collection is the semi-structured interview. Semi-structured interviews allow the researcher to address predetermined questions while maintaining sufficient flexibility to explore emerging topics and the detailed experiences of internal auditors and audit committee members. This method facilitates a deeper understanding of how red flags are identified, how role conflicts are managed, and the coping strategies adopted by internal auditors.

The interview questions are designed to cover both the experiential viewpoints and the analytical opinions of participants, providing the necessary foundation for extracting conceptual patterns and identifying the relationship between red flags and the various roles of internal auditors. Moreover, the interviews allow the researcher to examine organizational conditions, professional pressures, and decision-making processes in role conflict situations from the direct perspective of auditors.

To enhance the validity of the data, the interviews will be recorded, and after the sessions, the content will be transcribed and coded for thematic analysis to ensure precise extraction of patterns and classifications of red flags.

In this study, the data collected through semi-structured interviews will be processed and analyzed using thematic analysis. This method enables the researcher to identify patterns, concepts, and hidden relationships among the experiences and perspectives of participants.

The analysis process includes careful transcription of interviews, initial coding of data, categorization of codes into themes, and extraction of relationships between themes. This process helps the researcher systematically and interpretively investigate the relationship between various roles of internal auditors, potential conflicts, and the identification of red flags.

Additionally, thematic analysis allows for the comparison of perspectives between internal auditors and audit committee members and contributes to a better understanding of coping strategies and the influence of organizational pressures on decision-making. Thus, the data will not only be descriptive but also analytical and inferential, forming the basis for presenting the conceptual framework and the proposed model of the research.

3. Findings and Results

In this section, the common red flags in the internal audit process are identified and classified. The data were extracted from interviews with internal auditors and audit committee members and are presented in the following tables:

Table 1. Red Flags Related to Suspicious Financial Transactions

No.	Red Flag	Description	Practical Example
1	Sudden changes in cash flows	Abnormal increases or decreases in liquidity without logical reason	Sudden increase in cash withdrawals or transfers between accounts
2	Complex and unjustified transactions	Multi-stage transactions lacking clear economic rationale	Buying and selling assets between affiliated companies without specific purpose
3	Suspicious customers or business partners	Engagement with individuals or companies with questionable financial records	Contracting with companies outside the main business scope

This table includes red flags identified by internal auditors during the review of transactions and financial operations. Sudden changes in cash flows are one of the most important red flags, as irrational fluctuations in liquidity may indicate attempts to conceal resources or financial abuse. Complex and unjustified transactions are often used to obscure money flows or circumvent internal controls. Such transactions usually involve multiple stages and affiliated companies, making auditor judgment more difficult. Suspicious customers or business partners also represent a significant red flag, as engagement with individuals or entities with adverse financial or legal backgrounds can increase the risk of money laundering.

These red flags are usually detected through cash flow analysis, comparison with previous years, and examination of unusual transactions. Accurate identification requires experience and attention to detail, as some transactions may have legitimate legal or commercial grounds. Furthermore, internal auditors must always review supporting documents to ensure proper judgment.

Table 2. Red Flags Related to Internal Processes and Controls

No.	Red Flag	Description	Practical Example
1	Lack of sufficient supporting documents	Incomplete or unreliable records for transactions	Incomplete invoices or contracts
2	Unauthorized access to systems	Employees without authorization access sensitive financial information	Altering accounting data without recorded authorization
3	Internal conflicts of interest	Employees or managers derive personal benefits from financial decisions	Approval of purchases from companies affiliated with board members

This table presents red flags that indicate weaknesses or deficiencies in internal controls. Lack of sufficient supporting documentation is one of the most common issues and often signals attempts to conceal transactions or bypass accounting systems. Unauthorized system access is another significant red flag, as individuals without approval can alter data or create fraudulent transactions. This issue is usually detected by reviewing system logs and access restrictions.

Internal conflicts of interest are another critical red flag, occurring when employees or managers use their positions for personal gain, such as approving purchases from companies owned by themselves. Identifying such red flags requires examination of organizational structures, contracts, and relationships between managers and companies. These types of red flags can cause significant financial damage, especially when multi-stage approval processes are weak.

Table 3. Red Flags Related to Behavior and Organizational Culture

No.	Red Flag	Description	Practical Example
1	Resistance to auditing	Departments or individuals refuse to provide required information	Delays in submitting documents or reports
2	Pressure on internal auditors	Management attempts to influence auditors to alter reports or overlook issues	Threats or financial incentives to modify reports
3	Non-transparent reporting behavior	Financial information is provided incompletely or misleadingly	Concealing liabilities or expenses in other accounts

This table highlights red flags arising from employee behaviors and organizational culture. Resistance to auditing is one of the most significant red flags, as non-cooperation of departments with internal auditors can indicate concealment or fraud. Pressure on internal auditors is another major red flag, revealing that management may attempt to influence auditors to alter reports or ignore suspicious cases.

Non-transparent reporting behavior has also been identified as a red flag, which includes providing incomplete information, concealing expenses or liabilities, and financial non-transparency. These red flags are usually detected through financial trend analysis, examination of internal reports, and interviews with employees. Moreover, an organizational culture that fails to provide sufficient support for auditors may lead to the use of avoidance or internalization coping strategies, which in turn negatively affect the identification of red flags.

The internal auditor's sensitivity to red flags is strongly associated with their role and responsibilities within the organization. Auditors responsible for planning and risk assessment are usually more sensitive to issues that may threaten financial transparency or compliance with regulations, since early identification of such red flags is part of their core duties. In other words, the auditor's role in the audit cycle determines the degree of attention and reaction to warning signals.

Auditors engaged in execution and evidence collection are more exposed to transactions and documentation, and their sensitivity to red flags generally increases with the depth of their examinations and their personal experience. These individuals, by observing unusual changes in transactions, incomplete documents, or suspicious employee behavior, must be able to identify and report red flags.

Managerial roles of internal auditors are also influential. Audit managers, who are responsible for final decision-making and reporting, in addition to identifying red flags, must judge which cases require immediate reporting and which may be monitored over time. Experience shows that auditors in these roles are more sensitive to red flags related to conflicts of interest and managerial pressures, as these can directly affect the accuracy of the final report.

Studies indicate that sensitivity to red flags is not only related to the auditor’s role but also to personality traits, professional experience, and organizational support. Experienced auditors who have received specialized training in detecting money laundering and financial misconduct tend to take even minor and subtle red flags seriously. Conversely, in environments with high managerial pressure or low organizational support, auditor sensitivity may decrease, and some red flags may be ignored.

In conclusion, it can be stated that the auditor’s role in the audit cycle, professional experience, and organizational support are three key factors determining sensitivity to red flags, and attention to these elements is essential in designing internal audit frameworks and auditor training.

Table 4. Relationship Between the Internal Auditor’s Role and Sensitivity to Red Flags

Auditor Role	Main Duties	Examples of Red Flags Sensitive to This Role	Auditor’s Function and Reaction
Planner and Risk Assessor	Identifying risks, designing audit plans	Unusual transactions, account mismatches, sudden changes in financial reports	This role requires early detection of red flags so that the audit plan can be adjusted to risks and prevent financial damage.
Evidence Collector	Reviewing documents, validating data	Incomplete documents, suspicious transactions, irregular signatures	By directly observing documents and transactions, the auditor identifies red flags and reports them to management if necessary.
Analyst and Evaluator	Data analysis, identifying trends and deviations	Unusual transaction trends, suspicious employee behavior	The auditor interprets and classifies red flags using data analysis and comparison with standards.
Audit Manager	Final decision-making and reporting	Conflicts of interest, managerial pressure, weak internal controls	The audit manager decides which red flags require immediate reporting and which may be monitored. Sensitivity increases with experience and training.
Quality and Control Reviewer	Evaluating audit quality, compliance with standards	Non-compliance with auditing standards, reporting deficiencies	This role identifies red flags by focusing on audit process quality and proposes corrective measures.
Internal Consultant	Providing improvement recommendations, management advice	Risky trends, ineffective systems	By identifying red flags, the auditor provides practical recommendations for remediation and risk reduction.
Training and Development Officer	Training the audit team	Weak knowledge of red flags, common errors	Sensitivity to red flags is enhanced through training, reducing identification errors.
Project-Specific Auditor	Reviewing special and sensitive projects	Project-related transactions, budget changes, project conflicts	In high-risk projects, the auditor identifies red flags with heightened sensitivity and proposes immediate actions.
Compliance Officer	Ensuring adherence to laws and regulations	Regulatory violations, money laundering, tax evasion	Red flags are identified with a focus on legal aspects, with legal actions and reporting carried out.
Technology and Systems Evaluator	Reviewing financial information systems	Manipulated data, unauthorized access, system errors	Sensitivity to red flags increases by reviewing systems and data, with corrective measures proposed for information security.

In the internal audit process, conflicts of interest of internal auditors represent one of the key factors that can affect both the accuracy and sensitivity in identifying money laundering red flags. Such conflicts may arise from various sources, including personal financial interests, close relationships with management or staff, organizational pressures, or dual roles in consulting and auditing. The presence of such conflicts may cause the auditor to hesitate, delay, or even refrain from reporting suspicious transactions. Understanding the types of conflicts and their impact on auditor sensitivity is essential for improving audit quality and reducing financial and legal risks.

Table 5. Effect of Internal Auditor Conflicts of Interest on the Accuracy of Red Flag Identification

Type of Conflict of Interest	Example Situation	Effect on Identification of Red Flags	Explanation and Consequences
Financial Conflict	Auditor holds shares or financial interests in the audited company	Reduced accuracy in detecting suspicious transactions	The auditor may refrain from reporting certain transactions or downplay their significance to protect personal interests, reducing audit effectiveness.
Professional Conflict	Close relationship with managers or staff of the audited department	Low sensitivity to red flags related to staff performance	The auditor may resist identifying red flags or yield to management pressure, leading to incomplete reporting or delayed corrective actions.
Organizational Conflict	Pressure to achieve short-term company or management goals	Prioritization of organizational goals over risk identification accuracy	The auditor may ignore some red flags to avoid delays in projects or managerial objectives, increasing financial and legal risk.
Role Conflict	Concurrent responsibilities in consulting and auditing	Disruption of independence and impartiality	When the internal auditor acts as both consultant and auditor, they may hesitate between providing advice and identifying red flags, reducing accuracy.
Time Conflict	Time pressure to complete the audit	Incomplete or superficial identification of red flags	Under time pressure, the auditor may conduct superficial reviews and miss key red flags, lowering audit quality.
Motivational Conflict	Rewards based on management satisfaction	Potential censorship of red flags	The auditor may avoid reporting sensitive red flags to satisfy managers and secure rewards or promotions.
Informational Conflict	Limited or concealed access to precise information	Reduced identification of red flags	With insufficient information, the auditor cannot properly identify suspicious or inconsistent transactions, increasing the likelihood of errors.
Legal Conflict	Concurrent roles as auditor and legal advisor	Interference in legal decision-making	The auditor may downplay or omit red flags to avoid legal complications, creating legal risks.
Personality Conflict	Reluctance to confront powerful organizational figures	Neglect of management-related red flags	When facing strong managers, the auditor may overlook red flags and delay corrective actions.
Analytical Conflict	Use of inadequate methods and data	Incomplete identification of red flags	With limited data or inappropriate analytical tools, the auditor misclassifies red flags and provides incomplete reporting.

By reviewing the table, it is evident that conflicts of interest of internal auditors can directly or indirectly affect both sensitivity and accuracy in identifying red flags. Financial and professional conflicts have the greatest negative impact on reporting and auditor sensitivity, since personal interests or close relationships with management may lead to self-censorship or downplaying of issues. Organizational and time conflicts, through environmental pressures and operational constraints, also reduce the auditor's ability to perform thorough examinations.

Auditor coping strategies, such as negotiation, internalization, or avoidance, may moderate the impact of conflicts; however, in some cases, they themselves reduce the quality of red flag identification. Therefore, addressing conflict sources and developing organizational policies to minimize them—including strengthening independence, ensuring process transparency, and providing full access to information—are essential for enhancing the accuracy of red flag identification.

4. Discussion and Conclusion

The findings of this study provide a systematic identification and classification of red flags in internal auditing, focusing particularly on their relevance to money laundering detection. Results demonstrate that red flags fall into three primary categories: suspicious financial transactions, deficiencies in internal processes and controls, and behaviors rooted in organizational culture. Each of these categories not only reflects operational vulnerabilities but also highlights the role of internal auditors in recognizing early signals of financial misconduct. Moreover, the

findings confirm that the sensitivity of auditors to these red flags is shaped by their professional roles, responsibilities, and exposure to conflicts of interest. This extends existing research by showing that internal auditors' coping strategies—such as negotiation, avoidance, and internalization—are influenced not just by personal competence, but by organizational support and the degree of independence provided.

First, the identification of red flags associated with suspicious financial transactions—including sudden changes in cash flows, complex unjustified transactions, and dealings with questionable partners—corresponds with auditors' core functions of risk assessment and monitoring. The results indicate that these transaction-related indicators remain the most recognized and emphasized category, reflecting auditors' reliance on financial data as primary evidence. Second, red flags linked to internal processes, such as incomplete documentation, unauthorized system access, and internal conflicts of interest, highlight the importance of organizational systems and structures. Their recurrence in the findings points to systemic weaknesses that can be exploited by perpetrators. Third, cultural and behavioral red flags—including resistance to auditing, pressure on auditors, and non-transparent reporting—demonstrate the significant role of organizational climate in either facilitating or hindering effective auditing. These results reinforce the notion that fraud and money laundering are not only technical problems but also organizational and cultural phenomena.

Another critical result concerns the relationship between auditors' roles and their sensitivity to red flags. Findings reveal that auditors engaged in planning and risk assessment are more vigilant about anomalies threatening transparency, whereas evidence collectors and analysts rely heavily on transaction-level scrutiny. Audit managers, on the other hand, are especially sensitive to red flags associated with managerial pressure and conflicts of interest, as these directly affect the credibility of their final reports. These variations indicate that sensitivity is distributed across the audit cycle, underscoring the importance of role differentiation and inter-role collaboration in maximizing detection.

Finally, the study highlights that conflicts of interest significantly undermine detection accuracy. Financial conflicts, professional relationships, organizational pressures, and time constraints all contribute to reduced sensitivity to suspicious activities. These conflicts can result in delays, self-censorship, or even suppression of critical information. The evidence suggests that while coping strategies can mitigate some effects, they may also weaken detection by leading auditors to avoid confrontation or minimize reporting.

The results of this research align closely with prior studies that emphasize the centrality of internal auditing in combating money laundering. Prior investigations confirm that the effectiveness of internal auditing depends on auditors' capacity to identify and respond to suspicious indicators [2]. In particular, the identification of financial anomalies resonates with research highlighting the auditor's role in ensuring transparency and curbing illicit activities [6, 7]. Similarly, our emphasis on systemic weaknesses within internal processes corresponds with findings that auditors must pay attention to missing documents, control failures, and potential conflicts of interest [5].

The prominence of organizational culture and behavioral red flags in this study is also consistent with earlier findings. For instance, research shows that management pressure and lack of support weaken auditor independence, reducing their capacity to report suspicious cases [18]. Moreover, studies demonstrate that whistleblowing environments and supportive climates strengthen auditors' willingness to act on suspicions [19]. The present findings echo these insights, showing that cultural hostility to auditing—manifested through resistance, pressure, or concealment—significantly constrains the identification of red flags.

The role-specific variations in sensitivity reported here extend earlier discussions on the professional diversity of auditors. Evidence suggests that auditors' vigilance and detection accuracy are linked not only to training and competence but also to the specific tasks they perform in the audit cycle [24]. Our results provide empirical support for this proposition by demonstrating clear distinctions between planners, evidence collectors, and audit managers. Additionally, the link between specialized training and enhanced sensitivity supports arguments that auditors trained in forensic techniques or customer due diligence demonstrate superior detection capabilities [20].

With regard to conflicts of interest, the findings reinforce earlier warnings that conflicts represent one of the most significant threats to auditing integrity. For example, scholars have shown that financial or professional conflicts may lead auditors to overlook irregularities, prioritizing personal or organizational interests over integrity [17]. The present study confirms this pattern and broadens it by identifying additional conflicts such as motivational and informational constraints, which also erode detection quality. These insights are consistent with the argument that independence is a non-negotiable condition for effective auditing [21].

Beyond organizational and individual dimensions, the findings also correspond with international perspectives on money laundering as a transnational problem. Earlier studies underline that strong auditing standards and reporting practices reduce corruption and illicit financial flows [4]. Our results confirm that auditors' vigilance is directly connected to systemic factors such as reporting standards, documentation quality, and organizational transparency. This aligns with the global consensus that money laundering undermines institutional trust and economic development [1, 22].

The technological dimension is another area where this study resonates with the literature. The recognition of complex transactions and unusual patterns highlights the need for tools such as machine learning to assist auditors in detecting hidden anomalies [11]. Yet the results also show that human judgment remains essential, echoing prior findings that auditors are irreplaceable in interpreting signals generated by artificial intelligence [13]. Similarly, our emphasis on decentralized systems and digital assets corresponds with arguments that innovations such as Bitcoin create new ethical and detection challenges for auditors [15].

Finally, from a historical and economic perspective, our findings are consistent with long-standing arguments about the importance of auditing in preventing money laundering. Earlier work emphasized the auditor's central role in safeguarding organizational and national economies from the destructive effects of financial crime [22, 23]. By identifying and classifying specific red flags, this study contributes to this tradition by offering a framework that is both practical for auditors and informative for policymakers.

Overall, this study contributes to theory and practice in three main ways. First, it provides a detailed classification of money laundering red flags, combining financial, systemic, and cultural dimensions. Second, it demonstrates that sensitivity to these red flags varies across auditor roles, emphasizing the importance of role differentiation in the audit cycle. Third, it highlights the undermining effect of conflicts of interest, thereby reinforcing calls for independence, training, and organizational support. By integrating these insights, the research offers a holistic perspective on the challenges and requirements of internal auditing in combating money laundering.

This study, while comprehensive in scope, is subject to certain limitations. The qualitative design, although suitable for capturing in-depth insights, restricts the generalizability of findings across all industries and countries. The reliance on interviews with internal auditors and audit committee members also means that the results may reflect context-specific experiences rather than universal principles. Furthermore, the absence of quantitative testing limits the ability to measure the strength of relationships between auditor roles, conflicts of interest, and

sensitivity to red flags. Another limitation is the potential influence of self-report bias, as participants may underreport conflicts or pressures due to concerns about confidentiality. Finally, the study did not incorporate longitudinal analysis, which could reveal how auditor sensitivity evolves over time in response to organizational or regulatory changes.

Future studies could adopt a mixed-methods design to integrate qualitative insights with quantitative testing, thereby improving generalizability and robustness. Expanding the sample to include auditors from different countries and industries would also provide a comparative perspective on how cultural, regulatory, and institutional factors shape auditor sensitivity. Another promising avenue would be to investigate the role of emerging technologies such as artificial intelligence, blockchain, and RegTech in enhancing red flag detection. Additionally, longitudinal research could shed light on how auditor sensitivity and coping strategies evolve in response to organizational reforms, changes in regulatory frameworks, or shifts in financial innovation. Future research might also explore interventions, such as training programs or policy adjustments, to examine their effectiveness in mitigating conflicts of interest and enhancing independence.

From a practical perspective, organizations should prioritize strengthening auditor independence by establishing clear policies that reduce conflicts of interest. Training programs focused on forensic accounting, customer due diligence, and emerging financial technologies would enhance auditors' technical capacity and judgment. Furthermore, organizations should cultivate supportive cultures that encourage whistleblowing, transparency, and auditor autonomy. Implementing robust internal control systems and leveraging advanced technologies can complement human expertise in identifying suspicious activities. Finally, policymakers should recognize the strategic role of internal auditing in safeguarding economies, and therefore design regulatory frameworks that reinforce transparency, accountability, and auditor protection.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

Acknowledgments

Authors thank all participants who participate in this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

References

- [1] E. A. Isolauri and I. Ameer, "Money laundering as a transnational business phenomenon: a systematic review and future agenda," *Critical Perspectives on International Business*, 2022, doi: 10.1108/cpoib-10-2021-0088.

- [2] P. Nowparvar Sari, M. Bagheri, S. S. Hadian, and H. Kakaei, "Investigating the Role of Internal Auditing in Combating Money Laundering," *Quarterly Journal of New Research Approaches in Management and Accounting*, vol. 7, no. 88, pp. 761-770, 2023.
- [3] I. Amara and H. Khelif, "Financial crime, corruption and tax evasion: a cross-country investigation," *Journal of Money Laundering Control*, 2018, doi: 10.1108/JMLC-10-2017-0059.
- [4] I. Amara, H. Khelif, and A. El Ammari, "Strength of auditing and reporting standards, corruption and money laundering: a cross-country investigation," *Managerial Auditing Journal*, 2020, doi: 10.1108/MAJ-10-2018-2026.
- [5] M. Bozorgasl, S. Osta, and H. Sheikhi, "Investigating the Extent of Auditors' Attention to Red Flags in Financial Reporting: Emphasis on Abnormal Labor Investment," *Journal of Financial Accounting Research*, vol. 13, no. 3, pp. 129-146, 2021.
- [6] A. Barati, A. A. K. Al-Sawafi, H. A. E. Al-Farhan, S. S. A. A. K. Al, and R. T. J. F. Al_Hamd, "The Effect Of Internal Auditing In Combating Money Laundering," *World Bulletin of Management and Law*, vol. 6, pp. 69-78, 2022.
- [7] Z. Bagheri Zumurdi and A. H. Soyzi, "The Role of Auditors in Combating Money Laundering," *Quarterly Scientific-Specialized Journal of New Research Approaches in Management and Accounting*, vol. 6, no. 20, pp. 2462-2466, 2022.
- [8] O. Bamari, M. R. Shorvarzi, and Z. Noori Topkanlou, "Investigating and explaining the relationship between internal auditing and the quality of financial reporting," *Accounting and Auditing Management Knowledge*, vol. 14, no. 53, pp. 291-304, 2024.
- [9] A. E. Clarke, "Is there a commendable regime for combatting money laundering in international business transactions?," *Journal of Money Laundering Control*, 2020, doi: 10.1108/JMLC-05-2020-0057.
- [10] V. M. Victor, "An Assessment of the Legal Framework in Kenya for Combating Money Laundering," University of Nairobi, 2020.
- [11] A. I. Canhoto, "Leveraging machine learning in the global fight against money laundering and terrorism financing: An affordances perspective," *Journal of business research*, vol. 131, pp. 441-452, 2021, doi: 10.1016/j.jbusres.2020.10.012.
- [12] C. Singh and W. Lin, "Can artificial intelligence, RegTech and CharityTech provide effective solutions for anti-money laundering and counter-terror financing initiatives in charitable fundraising," *Journal of Money Laundering Control*, 2020, doi: 10.1108/JMLC-09-2020-0100.
- [13] J. L. Hobson, W. J. Mayew, M. E. Peecher, and M. Venkatachalam, "Improving experienced auditors' detection of deception in CEO narratives," *Journal of Accounting Research*, vol. 55, pp. 1137-1166, 2017, doi: 10.1111/1475-679X.12181.
- [14] S. Cindori, "The significance of assessing money laundering risk as a part of auditing operations," 2018, doi: 10.30958/ajbe.4.1.4.
- [15] E. Kaygin, E. Topquoglu, and S. Ozkes, "Investigating the Bitcoin system and its properties within the scope of business ethics," *Is Ahlakı Dergisi*, vol. 11, no. 2, pp. 186-192, 2018.
- [16] J. Babaei, N. Mohammadi, and R. Hosseini, "The Impact of Organizational Support on Behavioral Audacity and Financial Performance of Companies," *Iranian Journal of Management and Accounting*, vol. 12, no. 3, pp. 75-98, 2021.
- [17] S. Nurmawanti, L. Lenggogeni, and H. B. Yanti, "The Effect of Competence, Time Budget Pressure and Professional Attitudes of Auditors on Internal Audit Quality With Role Conflict As a Moderating Variable," *Dinasti International Journal of Economics, Finance & Accounting (DIJEFA)*, vol. 4, no. 6, 2024.
- [18] H. Mahdavi and A. Zamani, "The Impact of Attention to Internal Organizational Needs and Expectations on Individual and Organizational Performance: The Role of Human Resources Strategies," *Iranian Journal of Human Resource Management*, vol. 8, no. 2, pp. 45-67, 2018.
- [19] A. Molaei, "Organizational Environment and Whistleblowing Mindset Among Internal Auditors," *Quarterly Journal of New Research Approaches in Management and Accounting*, vol. 8, no. 92, pp. 1996-2011, 2024. [Online]. Available: <https://majournal.ir/index.php/ma/article/view/2630>.
- [20] S. Ismail, R. M. Abdou, and M. S. Ibrahim, "Who is Better in Practicing Customer Due Diligence as an Anti-Money Laundering Tool for Financial Institutions: Can Internal Auditors Be Forensic Accountants? Evidence from MENA Region," in *Sustainable Data Management: Navigating Big Data, Communication Technology, and Business Digital Leadership. Volume 1*, 2025, pp. 11-23.
- [21] A. Xanthopoulou, "The Effect of Internal Audit on Universities' Reliability and Performance," pp. 987-994, 2024, doi: 10.1007/978-3-031-51038-0_106.
- [22] M. Sahebdel and R. Mohammadi, "The Effect of Money Laundering on the Economy and the Role of Auditors in Combating Money Laundering," in *First National Conference on Accounting and Management*, 2018.
- [23] E. Babazadeh and M. Karimi Kahvand, "The Importance and Role of Auditing in Preventing Money Laundering," in *Third International Conference on Accounting and Management with a New Research Sciences Approach*, 2015.
- [24] Z. Khanam, "Effectiveness of internal auditing from the lens of internal audit factors: empirical findings from the banking sector of Bangladesh," *Journal of Financial Crime*, vol. ahead-of-print, pp. ahead-of-print, 2024, doi: <https://doi.org/10.1108/JFC-11-2023-0299>.