Internal vs External Audit

Accounting & Finance

Two functions with similar techniques and different purposes.

External audit	Internal audit
Reports to shareholders	Reports to the audit committee
Opinion on the financial statements	Reviews controls, risk and efficiency
Statutory requirement for many entities	Voluntary, though expected in large firms
Independent firm	Usually employees of the entity
Annual cycle	Continuous programme

THE DIFFERENCE THAT MATTERS

External auditors may rely on internal audit work, but only after assessing its objectivity and competence.

Internal audit's independence depends on reporting to the audit committee rather than to the management it reviews.