

# Factsheet: Internal Audit versus External Audit

Updated 2020

Auditors of all types must be incisive, focused and diligent with a strong sense of purpose, integrity and ethics. However, the difference between Internal Audit and External Audit is not always well-understood.

Internal Audit		External Audit
Employees of the organisation, or can be an independent entity through outsourced or co-sourced arrangement.	<b>Status</b>	Appointed from outside the organisation (independently appointed in the public sector).
Independent of activities audited and independent of management; truly independent.	<b>Independence</b>	Independent of management and the governing body (including board of directors).
Serves the needs of the organisation as a whole; in particular the audit committee, chief executive officer and senior management.	<b>Serving</b>	Serves third parties that need reliable financial information, including shareholders (corporate sector) and parliament (public sector).
Audit committee functionally for operations and chief executive officer for administration.	<b>Reports to</b>	Shareholders and board of directors.
Varies according to the audit; focus on evaluating controls designed to assure the accomplishment of the organisation's goals and objectives.	<b>Objective</b>	True and fair view of financial statements.
Forward-looking.	<b>Focus</b>	Historical events as expressed in the financial statements.
Reviews governance, risk management, and control processes according to risk-based need.	<b>Coverage</b>	Reviews records supporting the financial statements (usually annually).
Helps organisation enhance and protect organisation value and accomplish objectives	<b>Outcome</b>	Opinion on financial statements
Is directly concerned with the prevention of fraud in any activity reviewed.	<b>Fraud</b>	Incidentally concerned with prevention and detection of fraud in general, but is directly concerned when financial statements may be materially affected by fraud.
Management and audit committee.	<b>Reports go to</b>	Shareholders, regulators, board of directors and audit committee.
Internal audit standards (IPPF).	<b>Standards</b>	External audit standards.
Not mandatory, though there is a shift in some jurisdictions to require the chief audit executive to have appropriate qualifications and certifications.	<b>Qualifications</b>	Mandatory.