

## A

## Internal auditing

After bookkeepers complete their accounts, and accountants prepare their financial statements, these are checked by **internal auditors**. An **internal audit** is an **examination** of a company's accounts by its own internal auditors or **controllers**. They **evaluate** the **accuracy** or correctness of the accounts, and check for errors. They make sure that the accounts **comply with**, or follow, established policies, procedures, standards, laws and regulations. (See Units 7 and 8) The internal auditors also check the company's **systems of control**, related to recording transactions, valuing assets and so on. They check to see that these are adequate or sufficient and, if necessary, **recommend** changes to existing policies and procedures.

## B

## External auditing

Public companies have to **submit** their financial statements to **external auditors** – independent auditors who do not work for the company. The auditors have to give an opinion about whether the financial statements represent a true and fair view of the company's financial situation and results. (See Unit 3)

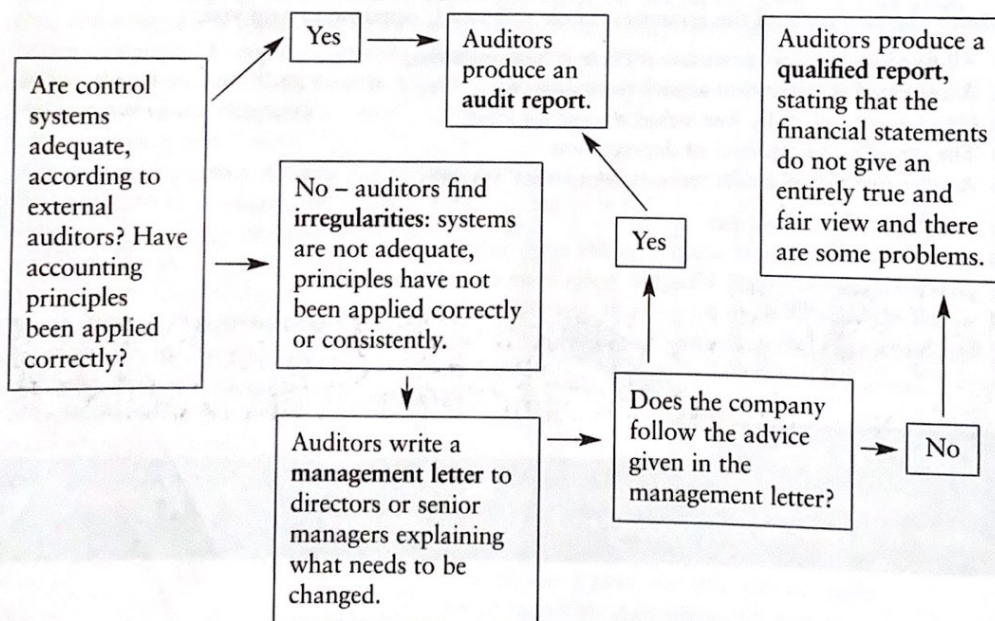
During the audit, the external auditors examine the company's systems of internal control, to see whether transactions have been **recorded** correctly. They check whether the assets mentioned on the balance sheet actually exist, and whether their valuation is correct. For example, they usually check that some of the debtors recorded on the balance sheet are genuine. They also check the annual **stock take** – the count of all the goods held ready for sale. They always look for any unusual items in the company's **account books** or statements.

Until recently, the big auditing firms also offered **consulting** services to the companies whose accounts they audited, giving them advice about business planning, strategy and restructuring. But after a number of big financial scandals, most accounting firms separated their auditing and consulting divisions, because an auditor who is also getting paid to advise a client is no longer totally independent.

BrE: stock take;  
AmE: count of the inventory

## C

## Irregularities





10.1 Match the job titles (1–4) with the descriptions (a–d). Look at A and B opposite to help you.

- |                     |  |
|---------------------|--|
| 1 bookkeepers       | a company employees who check the financial statements   |
| 2 accountants       | b expert accountants working for independent firms who review companies' financial statements and accounting records |
| 3 internal auditors | c people who prepare financial statements  |
| 4 external auditors | d people who prepare a company's day-to-day accounts   |

10.2 Match the nouns in the box with the verbs below to make word combinations. Some words can be used twice. Look at A and B opposite to help you.

accounts	procedures	opinions
systems of control	regulations	policies
stock take	advice	laws

check

examine

comply with

give

10.3 Complete the table with words from A, B and C opposite and related forms. Put a stress mark in front of the stressed syllable in each word. The first one has been done for you. Then complete the sentences below with the correct forms of words from the table.

Verb	Noun	Adjective
–		'accurate
	compliance	–
recommend		
	record	–
	examination	–

- I'm an internal auditor. I ..... the company's accounts, to make sure that they are ....., and that they ..... with company policies and general accounting principles.
- If the control systems aren't adequate, I make ..... concerning changes.
- The external auditors check to see if transactions are being ..... correctly.

**Over to you**



Would you like to work as an external auditor? Do you think they get a very friendly welcome at the companies whose accounts they audit? If not, why not?