

## Audit

Audit is an inspection, correction and verification of business accounts, usually conducted both internally (by employees of the organisation) and externally (by an independent qualified accountant or firm).

Internal audits, which can take place up to four times a year, focus on identifying the processes and controls surrounding financial reporting, assessing the risks therein, and determining if the existing internal controls mitigate the identified risks.

On the other hand, external audits focus primarily on whether and how well a business's financial statements, including the income statement, balance sheet and cash flow statement, adhere to generally accepted accounting principles. In the UK and in the USA external audits take place between July and November.

Some of the persons involved in the auditing process are as follows. In order to find out what they do, match the job titles with their descriptions.

1. Certified public accountant (in the USA)/certified accountant (in the UK)	a) is a group of people responsible for supervision of the financial reporting processes, selection of the independent auditor, and receipt of audit results.
2. Statutory auditor (in the UK)	b) is a professional accountant who has passed the uniform examination and has fulfilled the educational and work related experience requirements for certification.
3. Audit committee	c) is an auditor who is responsible for the greater portion of financial statements.
4. Predecessor auditor (vs successor auditor)	d) is a person mandated by law to carry out the audit of annual accounts or consolidated accounts.
5. Principal auditor	e) is an auditor from a different audit firm who audited the financial statements in the prior period.

Key: 1b, 2d 3a, 4e, 5c

If you want to learn more about what auditors do, complete the sentences in the following two exercises.

A Complete the sentences with one of the following words: *auditing standards, lead schedule, financial projection, general ledger, accounting data.*

1. More effective internal controls provide assurance about reliability of the \_\_\_\_\_ and financial statements.
2. If the \_\_\_\_\_ is to be audited as part of the government's financial statements, its inclusion will expand the scope of the audit.
3. An audit trail allows an auditor to trace the financial data from the \_\_\_\_\_ to the source document.

4. \_\_\_\_\_ for audits of financial statements include objectives for the auditor, together with requirements and other explanatory material.
5. At the start of audit, I prepared \_\_\_\_\_ using the clients' management accounts.

*Key: 1. accounting data, 2. financial projection, 3. general ledger, 4. auditing standards, 5. lead schedule.*

B Complete the following collocations of the word *audit* with one of the given words in italics.

1. Auditors will need a place to work to *complete/compose* the audit in an efficient and timely manner.
2. Only an independent certified public accountant can *play/perform* an audit for a non-profit organisation.
3. Companies may *request/revise* an audit in order to provide confidence to investors that their financial statements are accurate.
4. Although some companies recommend certain auditors to their suppliers, we do not restrict who can *carry on/carry out* an audit.
5. The President will appoint a committee of three members to *confine/conduct* the audit.

*Key: 1. complete, 2. perform, 3. request, 4. carry out, 5. conduct*