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## The Nature, Importance and Differences of Internal and External Audit

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### ABSTRACT

This article examines in detail the theoretical foundations of internal and external audit, their main tasks, their role in managing the organization, and the main differences between them. Audit activities can ensure that organizations' activities are reliable and efficient. Based on theoretical analysis, this article aims to determine the specific characteristics of internal and external audit.

**Keywords:** Internal audit, external audit, control, financial reporting, organization management.

Audit is the process of evaluating and controlling the activities of organizations. This process is divided into two main areas such as internal and external audit. Both types of audits are aimed at evaluating the organization's financial status, internal control system and operational efficiency, but their goals, methodology and results differ from each other.

Ensuring the reliability of financial information and operational processes of organizations is one of the urgent issues in today's competitive market. Through the audit system, organizations control their internal processes and confirm the compliance of financial statements with international standards. Internal and external audit play an important role in these processes. This article aims to study these two types of audit in detail and to identify their specific features.

Scientific studies recognize internal and external audit as the main means of ensuring the stability and reliability of the organization. The main purpose of the internal audit is to evaluate and improve the internal processes of the organization, while the external audit aims to provide impartial information to the interested parties through an independent examination of the organization's activities. Although the difference between the two types of audit roles and their responsibilities is clear, they complement each other in any way for much improved efficiency.

Internal audit is a separate department created to ensure control over internal processes and operational activities of the organization.

The tasks of the internal audit are to improve the organization's activities and evaluate the internal control systems.

Internal audit is an independent evaluation process within an organization. Internal auditors analyze the organization's internal systems, procedures and control mechanisms. Their main goal is to improve the organization's internal control system, identify and manage risks.

Importance of Internal Audit:

1. Strengthening of control: Internal audit helps to improve the effectiveness of the existing control mechanisms in the organization by analyzing them.
2. Risk management: Internal auditors identify potential risks and make recommendations to reduce them.
3. Effective use of resources: Assesses how the organization's resources are being used and directs them to more effective use.
4. Strategic Planning: Contributes to strategic planning processes based on internal audit results.

External audit is conducted by independent audit firms or professional experts. External auditors check the financial statements and confirm their accuracy. They often report to government agencies or other external stakeholders.

Importance of external audit:

1. Accuracy of financial statements: External audit confirms the correctness of the information presented in the financial statements.
2. Increasing public trust: External auditing plays an important role in increasing public trust in organizations.
3. Ensuring compliance with laws: External auditors check the company's compliance with laws.
4. Reputation of the organization: A well-conducted external audit has a positive effect on the reputation of the organization.

Internal and external audits are important processes, each performing its own tasks. Both of them serve to ensure the transparency of the organization's activities, but they are used for different purposes and have different approaches. For the successful development of the organization, it is necessary to carry out internal and external audit together, because it not only improves the financial situation, but also helps to create a successful business model that meets global standards.

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