

## What is Audit And What Are The Different Types of Audits

### **WHAT IS AUDIT?**

Audit is the activity of evolution and determine the financial, operational and strategic goals and exercise in an organizations to decide if the organization is in accordance with the rules and regulations. To see if an organization is in accordance with all the rules and regulations, is one of the most important object of the auditing. It is one of the primary goal and the reason why an organization conduct audit.

### **WHAT ARE THE DIFFERENT TYPES OF AUDIT?**

Now, audit is compulsory so an organization conducts audit and spend their time in arranging all the books and accounts to carry out the audit procedure. There are several types of audit amongst them financial audit is one of the most popular and after that there are operational and strategic audit and there's also an audit which is IT i.e. Information Technology audit. All the organization carries their audit by both Internal and External Auditors.

There are following types of Audit:

#### **1. Internal Audit:**

As the name suggests it is an audit of internal affairs, the audit is carried out to decide if the internal part of the organization is as per the rules and regulations or not. The internal audit can be done by anyone even by the employee of the organization and that's where it lacks, the employee can cover things up and it is not as thorough as external audit. In this type of the audit the auditors check if the organization is following proper norms, rules, and whether it compliance with all the internal regulatory norms.

#### **2. External Audit:**

External Audit can be compulsory to some of the organization as per some rules and requirement of shareholders. The report of external audit shall be also shown to all the shareholder in annual general meetings and board of directors meeting. External audit is done by some independent professional person who possesses such qualification mentioned in the rule. External audit can be done annually, half yearly or quarterly. If some of the organization feels that there are something which is not properly visible to seniors then also they can conduct external audit. The organization can also appoint third party to conduct audit in the organization.

#### **3. Financial Audit:**

As we discussed above financial audit is really important for the organization as the shareholder invests money in the business and they need to know if their money are being properly used or not. Money is the profit for the business and making profit is one of the objective of business, and it is an income for the organization. Financial audit is

an audit of the books of accounts and to know if the organization is expressing the true books of accounts or hiding some facts from their investors.

#### **4. Information Technology Audit:**

Information Technology Audit (IT Audit) is carried out to assess the organization's IT infrastructure and to know the system of the organization. To see if there are any IT risks. Nowadays IT audit is really common as increase in nature, types and many types of IT risks and also increasing the complexity of the IT infrastructure. It is done to inform the stakeholder's that the organization's IT structure is up to date and it is also able to meet the goals and objectives.

#### **5. Statutory Audit:**

This audit is conducted by the organization to see if the organization is in comply with all the Government regulations. It is verify by the external auditor while doing the external audit and also verify some of the financial reports which includes:

1. statements of bank;
2. number of clients;
3. earning on investment. Etc.

The audit improves the transparency and trust among all the public and stakeholder of the organization.

**Source : Taxguru**