

External auditing, conducted by independent auditors, objectively evaluates an organization's financial statements (balance sheet, income statement, and cash flow statement) for accuracy and fairness. This process verifies compliance with accounting standards and regulations, providing assurance to shareholders and stakeholders. Mandated in many jurisdictions, it involves assessing material items, employing testing procedures (substantive tests and tests of controls), and evaluating risks of misstatement, including potential fraud detection. Auditors adhere to international standards (like ISAs), interact with audit committees, and ultimately issue an audit report summarizing findings and opinions. The goal is to offer an independent opinion on whether the financial statements present a true and fair view.