

Major: Bs. A&F

S.No.: 2

Comparative study of public sector audit and private sector audit



By:

Bilal Bashir

01-112151-004

Hazrat Bilal

01-112151-005

Zohair Ahmed

01-112151-021

Rabia Sharif

Department Management Sciences

Bahria University, Islamabad

Fall - 2018

FINAL PROJECT/THESIS APPROVAL SHEET

Viva-Voce Examination

Viva Date 15/01/2018

Topic of Research: Auditing in private and public sectors : A comparative study.

Names of Student(s):

Enroll #

- Bilal Bashir 01-112151-004
- Hazrat Bilal 01-112151-005
- Zohair Ahmed 01-112151-021

Class: BS (Accounting and Finance)

Approved by:

Rabia Sharif

Supervisor

Hina Samdani

Tanveer Illahi

Dr. Sarwar Zahid

Research Coordinator

Dr Muhammad Arif Khattak

Head of Department

Management Sciences

Abstract :

This study covers the areas in auditing in public and private sector in Pakistan, This study shows how auditing is done in public sectors as compared to private sectors. In private audit firms auditors are mostly well qualified as per requirement of ICAP and companies ordinance whereas auditors in public sectors are not qualified as there is weak corporate governance. ICAP and companies ordinance requires an auditor to be a chartered accountant while in AGPR there are auditors bearing only 16 years of education due to weakness of HR. Auditing in Public sector and in private sector is very different in Pakistan. Audit in public establishments is done by Audit general Pakistan and private companies audit is done by private audit firms. The audit in public sectors are not done with integrity and honesty due to nepotism and feudal system in AGPR. There are quite a few threats to the public auditor's independence. The corporate governance in public sectors are weak as well which leads to more corruption and fraud. The duties of employees in public sectors are not defined and their jobs are permanent whereas in private sectors an employee can easily be terminated. Mostly private firms have a strong internal control and corporate governance so the chances of fraud is lower but each system has loop holes so fraud can be done in private organizations as well. Companies should have a strong hierarchy and corporate governance in order to operate effectively and to mitigate the risk of frauds. The government should introduce new system and make corporate governance of public sectors stronger.

Acknowledgement:

We are thankful to the audit firm Nadeem Safdar & co and its staff especially Muhammad Ayub for cooperating with us and making this project possible. We also pay gratitude to our supervisor Madam rabia shareef for guiding us throughout the project

Thankyou.

Table of Contents

| | |
|---|----|
| Chapter 1: Introduction | 6 |
| 1.1 Origin and evolution Of audit: | 6 |
| 1.2 What is An Audit? | 7 |
| 1.3 Project Objectives: | 12 |
| 1.4 Project Scope: | 12 |
| Chapter 2: Problems & auditing in Pakistan | 13 |
| 2.1 Auditing In Pakistan. | 13 |
| 2.2 Big four Audit firms..... | 13 |
| 2.3 Audit problems in public sector in Pakistan | 14 |
| 2.4 Audits in private sector | 18 |
| 2.5 Auditor general Pakistan CG issues..... | 20 |
| 2.6 Main Scandals over the years in Pakistan | 23 |
| 2.7 Pakistan steel mills..... | 24 |
| 2.8 Sindh board of revenue | 25 |
| Chapter 3: Methods and design of audit procedure | 27 |
| 3.1 Internal Audit and control | 27 |
| 3.2 Audit quality and work environment | 28 |
| 3.3 What does a public auditor do?..... | 30 |
| 3.4 What does a private auditor do?..... | 30 |
| 3.5 Core Results: | 30 |
| Chapter 4: Test and implementation | 31 |
| 4.1 Internal audit: | 31 |
| 4.2 Work Environment: | 31 |
| Chapter 5: Conclusion and suggestion | 35 |
| 5.1 CONCLUSION:..... | 35 |
| 5.2 Suggestions: | 36 |
| 5.2.1 Auditor general of Pakistan..... | 37 |
| 6 References: | 39 |