

# [Audit in private and public sector](https://assignbuster.com/audit-in-private-and-public-sector/)

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Audit in private and public sector \* Research problem Private companies have lack of confidence, since they are not sure for property of financial records. Procedures and numbers of company are not reviewed regularly. Most importantly, internal controls are getting poorer, and reliability of financial statements is not attaining progress. In addition, errors on tax payment are influencing the yearly activity of company. All these pitfalls happen as result of ignores of annual audit. Many transactions happen during a year in bank account of private companies.

The bank sees all these transaction; however, the responsible body for themoneyis board members. The mainresponsibilityis to control whether or not funds are used appropriately. Therefore, financial records should be audited regularly. \* Purpose of research The research will increase the awareness of financial makers within private companies. Through interviews private companies will see determine what is lacking their companies. Annual tax control by Administration of Taxes is resulting on high amounts of punishment. This happens as result of lack of importance for external and internal control.

The effort of research will be seen in changing the current managing method existing in companies. Annual audit expenses take place within companies’ expenses, rather than leaving the biggest place to marketing expenses of company. Not the last but the least, the audit companies will invest to increase thecommunicationwith private companies, in order to contribute in proper and right annual financial statements. \* Significance of research The audit will determine the need for internal control in company, which increase reliability of financial system in company.

The audit contributes to close the financial year properly, and start with a new year. All the misuses of funds and mismanagement of financial system are covered primarily by audit. Most importantly audit prevents issues of becoming bigger in a company, which will negatively affect in upcoming years. The audit program also includes the comparison between actual income and expenses, and budgeted ones. Thus, the further planning of budget is supported by the audit analyses of previous years. Auditor checks some group samples of expenses, whether are approved, valid, and are spent from right category of budget.

In addition, auditor checks bank statement of company, and look after high values of transactions, which are completed with printed checks. \* Quantitative Research questions and hypotheses 1. How was the effect of entrance of European standards for business operation into Kosovo’s system? H1. It was very confused at the beginning, however with much training and presentations held by Ministry of Economy &Finance, it was settled down within company. H2. The European standards could not match with the previous financial system; therefore it took a long time to get adapted by company, and whole staff. . What are the difficulties of implementing audit report recommendations into company? H1. The audit recommendations often are difficult to be implemented within one fiscal year. The recommendations regarding the structure of company, and operation system can take longer time, in order to be implemented. H2. Recommendations are mostly concern of management staff, since they are responsible to control the implementation. Most of recommendations are denied by managers, and it takes a long time to verify these recommendations internally. Research design and rationale for its selection The research contains two group studies, the company overview before audit process implementation and overview after audit. Moreover, in statistical analyses two groups will include with a single measurement subject: never audited companies, and rarely audit companies. In this research, the implementation of audit process will be monitored, and the influence of audit findings in management will be measured. There will be some anonymous questions and answers will be asked after the implementation of process. Research methodology and rationale for its selection This study was focused on audit manual of office of general auditor in Kosovo, and aim to see the time by time changes in control method of companies. The designed questionnaire expected to shape the confusion of management, internal control, external control, and right financial statements in a company. A detailed questionnaire was designed with an objective to shape the interest of managers to apply annual audit, their management style of expenses, and the effect of errors happening in annual financial statements.

The three questionsare asked regarding the planning phase and planning documents that effect the beginning phase. Secondly, three questions are used for the percentage of materiality and its usefulness during choosing the number of samples to audit. Also the audit program as main documents for starting the audit phase should be designed according to nature of audited entities. Finally, four questions are designed for the influence of audit findings for correctness of entity further. Be sure to include basic data collection considerations including sampling, population description, data collection procedures and feasibility of data collection. Firstly, the easier access of research is taken as potential population. However, the region and city of location will limit the research. The research will target private companies with over 500, 000€ annual turnover, and private companies that have at least 15 employees. Private companies with high annual turnover are not obliged still by the law to implement annual regular audit, therefore, these companies are the target point to research the effect of annual audit.

From this large group of companies, there is a list of some companies that have been punished by Administration of Taxes in Kosovo. Companies in punishment list are obtained by the department of macro business inspectors. These companies are anonymous and will not be published in research paper, since the confidence agreement is signed before obtaining the list. The same criterion is applied to all companies in list, so that all companies are equal opportunity of selection. \* Instrument description and validation

The inconsistencies within this research are covered by questionnaires, and final draft of audit report. The first part of the instrument includes general information for company’s nature, the quality of financial statements, the experience of employees and management. However, the rest part of the instrument assess final draft report of audit where is presented the current situation of company, the findings that negatively affect financial statements, and recommendations to omit further errors. Statistical analysis methods Method applied to statistical analyses is paired test, since there are two groups to compare for correlation. This method is adaptable since a audit process can be repeated annually to two group of companies: the ones that never applied annual audit, and the ones that rarely applied annual audit. The values of audited companies are possible to be correlated with values of not audited companies. Most importantly, subjects are harmonized before starting collection of data’s.

The second usable method is linear correlation, in order to measure group X (never audited companies) and group Y (rarely audit companies) for one single subject, and analyze the strength of association. References \* Office of General Auditor in Kosovo, Independent Agency, February 2013 \* Administration of Taxes in Kosovo, Public Institution, March 2013 \* “ M&K” Company, Accountant and Audit Services, February 2013 \* “ Dili Commerce:” Company, Instruction Services, February 2013