

Importance of Physical Verification in Public Auditing

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Physical verification is reasonable assurance regarding reconciliation of assets, stock and inventory with mentioned financial statements. It also provides information to all stake holders whether financial statements provide true and fair picture. Audit trail mechanism should be employed while conducting physical verification process of public assets. Further, it is also process of confirmation of actual existence, location and quality of assets. Physical verification is of immense importance in public auditing in order to prevent frauds, misappropriation and misuse of public assets. All SAI's must frame policies to ensure effective utilization of physical verification of public assets for promoting transparency during execution of compliance/regularity audit. It is also strongly recommended to conduct physical verification of public assets biannually in order to ensure accountability process in public entities. Reasonable human and financial resources be allocated by respective SAI's to ensure effective utilization of this auditing tool. Public auditors should lay great stress on onsite physical verification which is far more important than offsite verification, which is carried out through checking of public documents only.

Purpose of Physical Verification

- Ensure transparency in public business operations
- Reasonable assurance is provided to all stakeholders that assets and stock as mentioned in financial statements does not mismatch from

actual existence of assets and stock to be physically verified.

- Prevention of prevalence of frauds, misappropriation and errors.
- To find out that there are adequate internal controls regarding acquisition, utilization and disposal of public assets.
- To verify arithmetic accuracy of accounts as mentioned in financial statements of public entities.

What Physical Verification Includes

- Physical existence of assets and counterchecking them on site
- Checking ownership of public assets and seeing all relevant documents pertaining to asset.
- Ensuring correct valuation and quality of assets.

Workable Recommendations for SAI's Regarding Enhancing Role of Physical Verification in Public Auditing

1. At the start of financial year circular may be issued through SAI of respective countries to all public entities coming under their jurisdiction regarding existing assets, stocks, inventory present in public entities. In this connection, list of existing assets may be provided to respective SAI.
2. After six months audit teams from respective field audit office should visit public entities regarding actual status of physically existing assets.. These assets must be crosschecked with the list of assets submitted six months earlier to SAI. This will promote transparency, accountability and efficiency in operation of public entities. Each SAI must allocate sufficient human and financial resources for materialization of this.

Conclusion:

Physical verification in public auditing is of immense importance for effective accountability, transparency and efficiency in public entities. Onsite Physical verification will reduce loss, theft and misuse of public assets to great extent.