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PREFACE

The Audit/Supervisory Committee is assisting the Board of Directors by overseeing financial reporting responsibilities. The Audit Committee also assumes responsibility for internal controls, audit processes and compliance with laws, regulations and codes of conduct within the credit union.

The members at the annual general meeting (AGM) elect the audit/supervisory committee. Though they serve as volunteers, it is essential that the committee possesses competence in accounting and auditing gained from experience or training or profession. Some countries may have qualifications for the committee, however, their skills should also be tailor made within the unique environment of credit unions.

We have observed that very few committees are capable of performing the auditing procedures nor do volunteers usually have enough spare time to adequately perform necessary audit steps. For large credit unions, it is important to hire qualified internal audit staff to help the committee perform their duties. However, the committee is still responsible to the AGM in assisting the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the credit union's financial statements, (2) compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the credit union's internal audit function and independent auditors.

ACCU developed the Credit Union Business Solution No. 19 – Credit Union Audit/Supervisory Committee Competency Course to provide guidelines and tools for the audit committee effective performance of its duties. The Solution provides practical tool for audit/supervisory committee to perform their duties and responsibilities without losing grip to the original objective of credit union.

It is anticipated that the HRD Workshop will provide constructive feedback to ensure that the Solution serve as response to safety and soundness issues in credit unions in Asia.



**ASSOCIATION OF
ASIAN CONFEDERATION OF CREDIT UNIONS**

**Trainers Training on
Credit Union Audit/Supervisory Committee Competency Course**

GENERAL INFORMATION

OBJECTIVES:

The objective of the training is to introduce a course to the National Federation to train the Audit/Supervisory Committee of credit unions.

Thus, after attending the program, the trainers will be able to:

1. Define the duties and responsibilities of the Audit/Supervisory Committee
2. Design Audit Committee Charter
3. Evaluate the sufficiency of the internal control system of the credit union
4. Adopt tool in evaluating the internal control system
5. Understand the management assertions on the financial statements of credit union
6. Gain skills in developing audit objectives and procedures
7. Adopt tool on social performance audit
8. Assess the efficiency of the Audit/Supervisory Committee in credit unions

SUBJECT AREAS:

1. Duties and Responsibilities of the Audit/Supervisory Committee	<ul style="list-style-type: none"> • Audit/Supervisory Charter
2. Types of Audit	<ul style="list-style-type: none"> • Operation Audit • Financial Audit • Compliance Audit • Social Audit
3. Reading and Understanding Financial Statements	<ul style="list-style-type: none"> • Statement of Financial Condition (Balance Sheet) • Income Statement (profit and loss) • Statement of Changes in Financial Position • Notes to Financial Statements
4. Operational Audit	<ul style="list-style-type: none"> • Evaluating the Sufficiency of Internal Control of credit unions
5. Financial Audit	<ul style="list-style-type: none"> • Understanding the Management Assertions on the Financial Statements • Developing Audit Objectives and Procedures
6. Social Performance Audit	<ul style="list-style-type: none"> • Social Audit tool
7. Assessing the Audit/Supervisory Effectiveness	<ul style="list-style-type: none"> • Questionnaire in Assessing the Audit/Supervisory Effectiveness

DURATION

The training is a 16 hour 3-day residential training for the trainers, audit/supervisory committee

USE

The training described in this manual will be attended by the training officers, education committees and members of credit unions. The training is appropriate for the front liner or staff in charge of financial counseling to members. The ideal number of participants is 25 to maximum of 30.

TRAINING APPROACH AND METHOD

The training has adopted a highly active learning approach through the use of participative learning methods and built-in action commitment. Participants will not be trained in a general or passive way. Trainees are working in groups and on their own. The trainer will act more as a 'facilitator' of learning than a lecturer.

Every trainee has some ideas and suggestions from which the others can learn. This material is intended to allow and encourage contributions from such individual insight and experience, so that all will go away having accumulated the knowledge that each brought to the program. Trainees will appreciate the value of teamwork and make a positive contribution when working with others to solve problems and complete tasks.

What are some Cooperative Learning Approaches?

Several learning approaches used in this training manual are described below.

1. **Jigsaw** - Each group, in a five to six member team, is given information for only one part of the learning activity. However, each trainee needs to know all information. Trainees work cooperatively with different teams. All trainees seek the same information, study it, and decide how best to teach it to other teams. After this is accomplished, each group should be able to complete all the learning activity.
2. **Think-Pair-Share** - This strategy can be used before introducing new concepts. It gives everyone in the class time to access prior knowledge and provides a chance for them to share their ideas with someone. Think-Pair-Share helps trainees organize their knowledge and motivates learning of new topics. There are three steps to Think-Pair-Share with a time limit on each step signaled by the facilitator. (1) Trainees are asked to brainstorm a concept individually and organize their thoughts on paper. (2) Trainees pair up and compile a list of their ideas. (3) Each pair will then share with the entire class until all ideas have been recorded and discussed.
3. **Send-a-Problem** - Trainees are placed in heterogeneous teams of four to six. Each team designs a problem to send around the class. The other teams solve the problem. Since all of the teams send their own problem, there are a series of problems solved in this one activity. Results are shared with the class.
4. **Round Robin** - Trainees are placed in heterogeneous teams of four to six. Each trainee has an opportunity to speak without being interrupted. The discussion moves clockwise around the team; everyone must contribute to the topic. The team may use an item to pass around as a visual aid to determine who has the floor. Round Table is another version. The difference being that a piece of paper is passed around and each member writes instead of speaks about the topic.
5. **Mind Mapping** - Mind Mapping is the process of visually depicting a central concept with symbols, images, colors, keywords, and branches. This is a fast and fun way to take visual notes, foster creativity, stretches trainee's visual thinking skills, make learning contextual and meaningful, and promote active involvement with the learning content. Pairs of trainees may create their own mind map or they may simultaneously add to the team and/or class mind map.

The shared learning is, in fact, almost always more important than the knowledge that you, the facilitator, or the manual itself can contribute. You should treat each trainee as a source of ideas as valuable as the facilitator. The material in this manual is designed to help the facilitator elicit contributions from the trainees on each subject matter. It is important however, that the facilitator is able to process the ideas of the trainees and lead them to the learning activities.

The built-in action commitment at the end of the training will give each trainee the opportunity to make use of the expertise in changing behavior and transferring skills to others. The course also poses a personal challenge to trainee to practice what they have learned in their lives. Once the trainee applied the learning to their personal lives, they will be an effective trainer.

ADAPTING THE MATERIAL

Before using the manual in real training situation, you may want to adapt it to your circumstances. Follow the procedure below.

Read through the material and decide whether or not:

- The program can be run as it is
- Only certain topics or sessions should be used
- New topics and sessions should be added

Your decision will depend on the training needs of your trainees and the means you have at your disposal.

Carefully read through the sessions you have decided to use. Check the subject matter in both the session guides and the handouts.

Modify them to reflect local practices, to include local currencies, terminologies etc. Note that the currency used in the manual is US Dollars but this could be tailored to the country's context. Amounts in the examples can also reflect the local economic standards. Such adaptation will help trainees identify more easily with situations described in the materials and will increase impact and effectiveness of the program.

Further, the manual also uses the term "credit union" referring to cooperative financial institution. This could be modified based on the local situation so as not to mislead the trainees especially the members of credit unions. In Asia, credit unions is equivalent to credit cooperatives, savings and credit cooperatives, thrift and credit cooperatives, savings and credit unions, peoples credit fund, village banks, community based financial institutions etc.

Do not regard this manual as a book with all or the only answer. It is intended as a collection of suggestions and ideas which you must adapt, modify, use or reject as you think fit. ACCU is open for suggestions to improve the manual and recognizes that this initiative is evolving in nature.