MATCOM
training for the management of cooperatives

international labour office geneva

TRAINER'S MANUAL

COOPERATIVE AUDIT AND CONTROL

material for management training in cooperatives

by Gavin W.T. Scott

MATCOM

material and techniques for cooperative management training

The MATCOM Project was launched in 1978 by the International Labour Office, with the financial support of Sweden. Since 1984, MATCOM is financed by Denmark, Finland and Norway.

In collaboration with cooperative organisations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

I

Preface

This training package is one of many developed and produced by the ILO-MATCOM Project to assist people who plan or carry out training - especially management training - for the staff of co-operatives in developing countries.

The training provided under this package is based on a thorough analysis of the tasks and functions involved in audit and control in the context of co-operative organisation and management, as well as the systems and procedures involved in co-operative book-keeping and accounting.

The training package is intended for training auditors of co-operative societies, whether they are employed by and work within the societies themselves (internal auditors), or by organisations or institutions which provide audit services to co-operative societies (external auditors) - such as co-operative federations, government departments responsible for co-operative development or agencies specialising in the auditing of co-operatives. It is also intended for training co-operative inspectors and supervisors whose duties entail audit and control.

It is hoped that the training provided in this, as in the other MATCOM training packages, will help increase efficiency in the performance of co-operatives in the developing countries.

For more information about other material in the series, please write to:

The ILO-MATCOM Project
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CH-1211 Geneva 22
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THE TRAINING PROGRAMME

1. Target Group

This programme on "Co-operative Audit and Control" is designed to assist the training of co-operative auditors (internal and external) and inspectors. It is expected that the trainees will have accounting knowledge but may not have acquired an accounting qualification and will have some experience of auditing.

2. Aim

The aim of this training programme is to enable trainees to competently implement audit programmes and review control systems in co-operatives.

In particular the programme will enable trainees to:

- apply the theory and practice of auditing and to be able to relate this to co-operative activities;

- check the accuracy of accounts and the underlying book-keeping entries;

- document and evaluate internal control systems;

- ensure that generally accepted accounting standards have been adhered to;

- check and determine whether the operations recorded have been undertaken in accordance with the policies of the co-operative organisation;

- provide necessary advice to the co-operative organisations on accounting, financial management, policy control and related matters, during the conduct of an audit and through reports;

- recognise the fact that a co-operative auditor is required to do more than simply verify the truth or otherwise of the accounts and that the auditor must be prepared and be able to use his unique position as an independent observer to make a positive contribution to

the managerial efficiency of co-operatives so that they can benefit the members.

3. Objective:

The training course described in this manual is made up of 11 topics, each of which is divided into a number of sessions; there are 35 sessions altogether (see page X) Briefly summarised, their objectives are to enable trainees to -

- describe the functions, objectives and scope of auditors and to explain the differences and similarities between internal and external auditing;

- distinguish between errors, fraud and waste, evaluate the significance of each in relation to the accounts being audited, and determine what action should be taken when they come across cases of errors, fraud and waste;

- explain the need for different types of internal control systems in a co-operative, their costs and benefits and the need to evaluate these control systems as part of the audit process;

- apply adequate methods for the verification of fixed assets, stock, other current assets, and liabilities;

- distinguish between different types of audit tests, use adequate methods of selecting samples for testing, and perform effectively analytical reviews and vouching;

- explain the advantage of using "audit programmes" and maintaining working papers and the importance of careful planning and timing of the audit work;

- explain the purpose of an audit review before the report is prepared, and prepare audit reports of different types, including "management report";

- apply an adequate approach when auditing co-operatives which make use of computers;

- recognise the special requirements of an investigation;

- expand the statutory auditing into "management auditing" for the benefit of the co-operative.

4. Timing, Structure and Use of the Material

The manual is divided into 11 topics. Each topic consists of several sessions. The following material is provided for each session:

- a session guide for the trainer (yellow pages), giving the objective of the session, an estimate of the time needed and a comprehensive "plan" for the session, including instructions on how to conduct the session;

- a handout (white pages) of all case studies, role play briefs, etc. to be reproduced for distribution to the trainees.

It is expected that the complete programme of 35 learning sessions will take between 3 and 4 weeks. Anticipated session lengths vary and will depend on the ability and experience of the trainees. A single course is anticipated but as there is division between topics the material might be presented in sections over a period of time. In either case it is essential that a sufficiently flexible timetable should be prepared.

Guest speakers can be used to supplement the programme. They should help relate theory to practice and will maintain the trainees' level of interest.

5. Training Approach

This programme is based on the assumption that training is expensive and that funds for training are scarce. Training is an investment, and unless the training yields results which are greater than that investment, it would have been wiser to use the money for some other purpose.

On their return to work from the training programme, participants should be able to show concrete results. In order to prepare them to achieve this, the sessions includes little or no theory; it is almost entirely participave, with the minimum of lecturing and a maximum of shared experience and learning.

Throughout the programme, problems facing co-operative auditors have been translated into realistic case studies, role plays and other problem-solving exercises. Trainees working both in groups and individually will learn by solving these problems, with the necessary assistance and guidance of the instructor, who must act more as a "facilitator" of learning than as a lecturer.

Auditing is not an exact science and every audit creates the possibility of a different approach depending on the local situation. The material is organised to encourage trainees to contribute as much as possible from their own thoughts and experience. Every trainee should be treated as a source of ideas and the material is designed to elicit these ideas.

The last session, on "Action Commitment", is designed to ensure that the "bridge" between the course and the working world is as easily crossed as possible. Working with each other and with you, each participant should come up with a very specific plan of what he or she proposes to do on return home. You should make every effort to ascertain whether or not they implement their plans and to support them in their efforts. If they fail it is the course that is at fault; and if they succeed, you - the instructor - can take a great deal of the credit.

6. Preparing the Training Material

Handouts constitute an important part of the training material used in the programme. They can be reproduced from the original handouts supplied in this ringbinder, after the necessary adaptation has been made. Reproduction may