NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

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COURSE TITLE: COOPERATIVE AUDITING

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TABLE OF CONTENT

Module 1:Introduction to Cooperative Auditing

UNIT 1 : INTRODUCING COOPERATIVE AUDITING

Contents

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Concept of Cooperative

3.1.1 The Definition of Auditing

3.1.2 Types of Cooperatives

3.2 Cooperative Audit

3.2.1 Salient Features of Cooperative Audit

3.2.2 Main Features of Cooperative Audit

3.2.3 Need for Cooperative Audit

3.2.4 Objects of Cooperative Audit

3.2.5 Main Aspects of Cooperative Audit

3.2.6 Duties of a Cooperative Auditor

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References and Further Readings

UNIT 2: THE NATURE AND ORIGIN OF AN AUDIT

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 The Nature and Origin of an Audit

3.2 DUTIES OF COOPERATIVE AUDITORS

4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 3: OUTLINE THE OBJECTS OF AUDIT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Outline the objects of Audit
3.2 The Objective of an Audit
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

Unit 4: Legal Requirements To The Auditor/Powers Relating To The Audit

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Legal Requirement to the Auditor
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 5: PREPARATION OF AUDIT WORK

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 Preparation of Audit Work

3.2 FACTORS CONSIDERED IN DEVELOPING OVERALL AUDIT PLAN

3.3 Audit work programme for various sizes and types of cooperatives societies

4.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

UNIT 6: DEFINITION OF FRAUDS AND ERRORS

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 Definition of Frauds and Errors

3.2 Frauds and Errors Detection in various sizes and types of the cooperatives societies

4.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

Unit7: PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS

3.2 CONDITIONS OR EVENTS WHICH INCREASE THE RISK OF FRAUD AND ERROR

3.0 CONCLUSION

4.0 SUMMARY

5.0 TUTOR-MARKED ASSINGMENT

6.0 REFERENCES/FURTHER READINGS

UNIT 8: INTERNAL AUDIT

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 INTERNAL AUDIT

3.0 SCOPE OF INTERNAL AUDIT

3.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

UNIT 9: GUIDANCE FOR INTERNAL AUDITORS

1.0 INTRODUCTION

2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 GUIDIANCE FOR INTERNAL AUDITORS
3.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 10: DEFINITION OF INTERNAL CONTROL

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 DEFINITION OF INTERNAL CONTROL
3.2 FEATURES OF INTERNAL CONTROL
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 11: LIMITATIONS OF INTERNAL CONTROLS

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 LIMITATION OF INTERNAL CONTROL
3.2 MEANNING OF VOUCHING AND VERIFICATION
3.3 Verification of Voucher Transactions

4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 12: AUDIT PROCEDURES FOR PREPAYMENTS
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 AUDIT PROCEDURES FOR PREPAYMENTS
3.2 Audit Procedures for Cash In hand and Bank
3.3 VERIFICATION OF LIABILITY
3.4 Verification of Sundry Accruals
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 13: DEFINITION AND SCOPE OF INVESTIGATION
1.0 INTRODUCTION
2.0 OBJECTIVE
4.0 MAIN CONTENT
3.I DEFINITION OF INVESTIGATION AND ENQUIRIES
4.0 CONCLUSION
3.0 SUMMARY
4.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

Unit 14: Introduction to Audit Report
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Introduction - Definition of Audit Report
3.2 Objects of Audit Report
3.3 The Essential Features of Audit Report
4.0 CONCLUSION
4.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 15: STANDARD FORMATS OF AUDIT REPORTS.
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Unqualified auditor's report
3.2 Content Of Audit Report
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

MODULE ONE: INTRODUCTION TO COOPERATIVE AUDITING

UNIT 1 : INTRODUCING COOPERATIVE AUDITING

Contents

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 The Concept of Cooperative
3.1.1 The Definition of Auditing
3.1.2 Types of Cooperatives
3.2 Cooperative Audit
3.2.1 Salient Features of Cooperative Audit
3.2.2 Main Features of Cooperative Audit
3.2.3 Need for Cooperative Audit
3.2.4 Objects of Cooperative Audit
3.2.5 Main Aspects of Cooperative Audit
3.2.6 Duties of a Cooperative Auditor
4.0 Conclusion
5.0 Summary
6.0 Tutor Marked Assignment
7.0 References and Further Readings

1.0 INTRODUCTION

This course introducing learners to application of theory and pratices of auditing in cooperative management of funds. Cooperatives play a prominent role in different economies although cooperation is avoluntary movement of the public at large, there has been considerable state participation in the development of cooperative movement in many countries. Mahatma Gandhi had envisaged that the cooperative movement is a tool for eradication of poverty when he said that: “Cooperation is a gateway to economic freedom”.

Cooperative audit focuses on cooperative societies. In this unit, therefore, we shall consider the following:

What cooperative means;

Types of cooperative governances and cooperatives;

Features of cooperative audit;

Objects of cooperative audit;

Need for cooperative audit;

Duties of a cooperative auditor.

2.0 OBJECTIVES

After you have completed a careful study of this unit, you should be able to:

(a) explain the concept cooperative;

(b)identify and explain auditing and cooperative governances and cooperatives;

(c) highlight the features and objects of cooperative audit;

(d)appraise the need for cooperative audit;

(e)identify the duties of a cooperative auditor.

3.0 MAIN CONTENT

3.1 The Concept of Cooperative

The International Cooperative Alliance's Statement on the Cooperative Identity defines acooperative as "an autonomous as sociation of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise".
It is a business organization owned and operated by a group of individuals for their mutual benefit.

A cooperative may also be defined as "a business owned and conrolled equally by the people who use its services or who work at it".
A cooperative can be seen as a legal entity owned and democratic ally controlled equally by itsmembers. Members have a close association with the enterprise as producers or consumers of its products or services, or as its employees.

3.1.1 The Definition of Auditing

The term audit is derived from the Latin verb "audre" which means "to hear". The origin of audit dates from ancient times when the landowners allowed tenant farmers to work on their land whilst the landowners themselves did not become involved in the business of farming. The landlords relied upon an overseer who listened to the accounts of stewardship given by the tenants. At this period the work audit is described as "the independent examination of an expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation and professional requirements" OR An Audit is defined "as an independent examination of the financial statement by an appointed person called auditor in order to express a professional opinion on whether or not the financial statement examined present or show a true and fair view"

Cooperative organizations of various sizes and types, take decisions bothering on auditing of financial statements. The need to provide managers, shareholders, auditors and other users with true and fair view information necessary to take quality decisions cannot therefore be over-emphasized. Auditing is viewed as a core course in the accounting profession that draws from many other disciplines like financial accounting, law, information technology, etc.

3.2 Cooperative Audit

This will be discussed under the following:

3.2.1 Salient Features of Cooperative Audit

The audit of a cooperative society is different from that of a limited liability company (company)because the objects of a cooperative society are quite different from those of a company. Whilethe main object of a company is to earn profits, that of a cooperative society isto render serviceto its members. Service rat her than profit is the motto of a cooperative society.

Regarding the nature, extent and scope of cooperative audit, a cooperative auditor should notconfine his enquiry to the books of accounts, but should go beyond the books and make enquiries into theworking and general functioning of the (cooperative) society.His enquiry shouldembrace all circumstances which determine the general position of the society and should aim at seeing that the society is working on sound lines.

Thus, cooperative audit is not merely a financial audit, it involves administrative audit also.

3.2.2 Main Features of Cooperative Audit

The main features of cooperative audit relate to the following:

(a) Adherence to cooperative principles;

(b) Observance of provisions of Acts, Rules and by-laws;

(c)Valuation of assets and liabilities and verification of cash balance and securities;

(d) Verification of balances of depositors and creditors;

(e) Examination of overdue debts and classification of bad debts;

(f)Personal verification of members and examination of their passbooks;

(g) Discussion of draft audit report with Managing Committee;

(h)Audit classification of society;

(i)Examination of the working and other prescribed particulars of the society.

Apart from the general processes of auditing like posting, vouching, verification of assets andliabilities and so on, the special features of cooperative audit are briefly mentioned below:

(i) Examination of Overdue Debts

Overdue debts affect the working of a credit society seriously. They affect the working capital position of the society. As such, it is necessary to make a detailed analysis of the overdue debts

with a view to ascertaining the chances of their recovery and classifying them as good or bad. It is also necessary to compare the percentage of overdue debts to working capital and loans and advances with that of the previous year and ascertain whether the trend is decreasing or increasing, whether adequate action is being taken for recovery, and whether necessary provision is being made for doubtful debts.

(ii) Adherence to Cooperative Principles

It has to be ascertained in general whether, and if so, to what extent, the objects for whichthe society was set up have been fulfilled. The assessment need not be in terms of returnsmade but in terms of benefits given to members. The benefits could be in terms of saleseffected at lower prices to members, economy achieved in operations, avoidance of wastage of funds, avoidance of middlemen in purchases and so on.

(iii) Personal Verification of Members and Examination of their Passbooks

This is necessary in cooperative societies in order to ensure that books of accounts are free from manipulations, since in many Rural and Agricultural Societies, a considerable number of members could be illiterate and as such, personal verification provides a safeguard against any manipulation.

3.2.3 Need for Cooperative Audit

Cooperative audit serves the following purposes:

(a)Members of the society are to be satisfied that the affairs of the society are managedproperly and on sound business principles. This is rendered possible by the cooperative auditor undertaking a detailed check of the voluminous transactions taking place during the entire year and making a report of his findings as a result of this check, to the members.

(b)A large number of societies borrow funds from outside. The creditors would be keen to satisfy themselves of the financial soundness and creditworthiness of the society. For this purpose, they would depend upon the cooperative auditor's report.

(c)A large number of persons are employed by cooperatives for managing their affairs. Inorder to ensure that there is proper check on efficiency and integrity of employees, the managements would require a systematic and thorough check of their accounts . This purpose is served by cooperative audit.

(d)Non members of the cooperatives who deposit their funds with the cooperative would like to satisfy themselves that their funds are safe with the society. This is made possible by the auditor's report on the working of the society.

3.2.4 Objects of Cooperative Audit

At this point, let us summarise the objects of cooperative audit as follows:

(a) Verification of the accuracy of the books of accounts and ascertaining correctness of accounts;

(b) Detection of clerical errors and errors of principle, and prevention of such errors;

(c) Detection and prevention of frauds;

(c) Examination of the affairs of the society in order to ascertain whether they have been carried on in accordance with the provisions of the cooperative law and the principles of cooperation, and on sound business principles;

(e) Assessment of the extent to which the conditions of the members, particularly their economic conditions, have improved by the operations of the society;

(f) Certification of the actual returns made or loss incurred.

3.2.5 Main Aspects of Cooperative Audit

In several countries (including the Asian countries), there are two main aspects:

(a) Cooperative audit is an audit conducted under the statute, and therefore, it is statutory in character;

(b) It is undertaken by government itself, and it is therefore, state-controlled audit.

Let us note the experience in the Kingdom of Bangkok.

The Cooperative Auditing Department (CAD) is the only institution to audit the cooperatives and farmer groups.

In an attempt to perform the duty efficiently, the CAD has set a vision to developand promote transparency in cooperatives, move forward with information technology andintroduce accounting to Thai farmers.

The CAD plays a significant role to strengthen the financial and accounting conditions ofcooperatives and farmer groups and for the well-being of Thai farmers, the CAD has enhanced their accounting knowledge.

Thus, CAD's interim and annual auditing aims at:

(i) Checking the correctness of bookkeeping and

(ii) Observe whether the internal control is as efficient as possible, and helps the cooperatives in updating and completing the accounts;

(ii)Giving a true and fair view of the financial condition of cooperatives and farmer associations.

Due to the increasing number of cooperatives, especially agricultural cooperatives, CAD hasprivate auditors to relieve the auditing workload. However, the auditing procedure must be standardized.

3.2.6 Duties of a Cooperative Auditor

From the foregoing, we can highlight the duties and responsibilities of a cooperative auditor to include the following:

(a)To verify the cash balance and securities, examine the overdue debts, if any, value assets and liabilities of the society, verify balances at the credit of the depositors and creditors and the amount due by the society's debtors;

(c) To satisfy himself that the cooperative society has

(d) kept all account books and registers inconnection with the business of the society properly and up-to-date;

(c)Verify whether necessary statutory provisions have been strictly observed;

(e) Verify whether the business of the society has been concluded according to the cooperative principles and sound business practices;

(f) Conduct personal verification of members' accounts and examination of their passbooks with a view to preventing manipulation of accounts by dishonest empl oyees and office bearers;

(f) Certify the financial statementsbalance sheet, etc.

4.0 CONCLUSION

The cooperative audit is not merely a financial audit, it involves administrative audit also. Countries establish cooperative audit departments (CAD) to:audit the accounts of cooperatives; assist/advise on book-keeping;
offer advisory services generally;strengthen accounting and internal control system.
They (CADs) engage private auditors to assist in reducing the workload.

5.0 SUMMARY

In this unit, we have considered that:
Cooperatives today, play a prominent role in different economies, andthat service (ratherthan profit) is the focus of a cooperative

society;There are types of cooperative governances and cooperatives; Cooperative audit has features, need and objects; A cooperative auditor has duties and responsibilities

6.0 TUTOR MARKED ASSIGNMENT

1.Explain the concept of cooperative.

2.Appraise the duties and responsibilities of a cooperative auditor

7.0 REFERENCES AND FURTHER READINGS

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UNIT 2: THE NATURE AND ORIGIN OF AN AUDIT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 The Nature and Origin of an Audit
3.2 DUTIES OF COOPERATIVE AUDITORS
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

In unit 1, we have introduced us to the nature and scope os cooperative auditing, discussed extensively the definitions of auditing. There is need to understand the nature and historical background of an audit before getting to other details. Meanwhile we shall explain the nature of audit before origin and historical background of audit. This would assist the reader to fully understand the whole concept of auditing.

2.0 OBJECTIVE

After studying this unit you should be able to:

- Understand the historical background of auditing.
- Understand the nature of audit.
- Identify the duties of cooperatives auditors.

3.0 MAIN CONTENT

3. 1 The Nature and Origin of an Audit

An audit can either be in a statutory form such as a limited liability company audit or a private audit such as sole traders, partnerships and non-statutory organization's audit.

In the case of statutory audit, the shareholder of a limited liability company pool their resources together to form the company but some of them have limited management skills hence the need to employ full-time managers who will manage their resources in the company for them.

The introduction of the Joint Stock Company increased the supply of capital for industry and commerce. The small privately owned business which was financed by a sole trader or a partnership gave way to the form organisation now familiar as the limited company. The body of the shareholders delegated some of their members to act as a board of directors and periodically the board submitted account to the shareholders so that they could be aware of the state of affairs of the enterprise in which they had an interest.

It was therefore necessary for the shareholders to be satisfied that the accounts presented by the directors did provide an objective view of the state of affairs of the company.

The Joint Stock Company Act of 1844 was the first legislation in Britain to require all incorporated businesses to have their annual financial statements examined by an auditor.

Early auditors were in many cases non-accountants who were required to state whether the accounts showed a "true and correct" view of the state of affairs of the company. It was the companies Act 1900 that required the auditor to be independent and it was not until the 1984 Companies Act that he was required to be professionally qualified. At this juncture, it was more appropriate to define audit as:

An exercise whose objective is to enable auditors to express an opinion whether the financial statements give a true and fair view (or equivalent) of the entity's affairs at the period end and of its profit and loss (or income and expenditure) for the period then ended and have been properly prepared in accordance with the applicable reporting framework (for example relevant legislation and applicable accounting standards) or where statutory or other specific requirements prescribe the term, whether the financial statements "present fairly."

3.2 DUTIES OF COOPERATIVE AUDITORS

In undertaking an audit of financial statements auditors should:

- Carryout procedures designed to obtain sufficient appropriate audit evidence, in accordance with Auditing standard contained in statement of accounting statements to determine with reasonable confidence whether the financial statements are free of material misstatement.
- Evaluate overall presentation of the financial statements in order to ascertain whether they have been prepared in

accordance with relevant legislation and accounting standards and

- Issue a report containing a clear expression of their opinion on the financial statements.

In the case of sole trader, partnerships and non-statutory originations, they are not compelled by statute (i.e Companies 1990) to have their accounts audited, they have their accounts audited on their own volition.

4.0 CONCLUSION

This unit focus on the nature and origin of auditing as a of investigating and give a true and fair view (or equivalent) of the entity's affairs at the period end and of its profit and loss (or income and expenditure) for the period then ended and have been properly prepared in accordance with the applicable reporting framework.

5.0 SUMMARY

This unit has discussed the nature of auditing, the historical background of audit and duties of cooperative auditors Carryout procedures designed to obtain sufficient appropriate audit evidence and evaluate overall presentation of the financial statements and issuing financial reports.

6.0 TUTOR-MARKED ASSINGMENT

Discuss the nature of audit.

What are the duties of cooperative auditors?

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UNIT 3: OUTLINE THE OBJECTS OF AUDIT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Outline the objects of Audit
3.2 The Objective of an Audit
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

In this unit, there is need to know and understand the objects of audit which is classified into primary and secondary. Meanwhile for an independent professionals opinion on the financial statement to be understand.

2.0 OBJECTIVE

After studying this unit you should be able to:

- Highlight reasons for an independent professional opinion on financial statement.
- Distinguish between the primary and secondary objectives of audit.

3.0 MAIN CONTENT

3.1 Outline the objects of Audit

The object of audit has often argued that since the financial statement prepared by the management of an enterprise may actually not represent financial position of the organisation, there is therefore a need for audit. Some of the reasons for an independent professional opinion on the financial statement will include:

- The operations of ownership from management and the need to safeguard the interest of the owners who do not participate in the day to day decision of the organization by the management.

- The Companies and Allied Matter Act 1990 proves that every company shall at each Annual General Meeting (AGM) appoint an Auditor or Auditors to audit the financial statement of the company.

- To provide credibility on reports and accounts prepared by the Directors which may:

  i. Contain errors

  ii. Not disclose fraud

  iii. Be Unintentionally misleading

  iv. Be deliberately misleading

  v. Fail to conform to regulations

vi. Not disclose relevant information

3.2 THE OBJECTIVES OF AN AUDIT

The primary objective of an audit under CAMA 1990 is for an appointed auditor to express a professional opinion on the financial position of an enterprise as continued in the financial statement prepared by the management so that any person reaching and using the m can have faith in them. Other secondary objectives include:

a. to prevent fraud and errors

b. to detect any form of irregularity

c. to evaluate the effectiveness or otherwise of the internal control system within the enterprise

d. to assist the management in the establishment of effective auditing system

e. to advice on financial matters for efficient decision making by the management

f. to ascertain and ensure that an enterprise conform with statutory and professional requirement

3.3 Merits and demerits of Audit

Auditing and audited account serves as a deterrent to fraudulent staff within an enterprise

- Audited accounts provide an independent opinion of the company's financial position

- During amalgamation or acquisition, audited financial statement serve as a basis of determining the net worth of a business for the purpose of ascertaining the purchase consideration of the about to be acquired or amalgamated business.
- Audited financial statement ca be used to negotiate bank loan or overdraft facilities may be facilitated if a company is able to produce audited account
- A financial statement examined independently by an auditor will be readily accepted by the tax authority for the purpose of taxation
- Audited financial statement serves as a basis for measuring performances by the world to be (potential) investors
- Audited account helps to detect fraud and errors
- Audited account is one of te requirements of the Nigerian Stock Exchange for a business that is willing to be listed in the Nigerian Stock Markets
- Audited account helps to determine the strengths and weakness of an entity internal control system

3.4 Demerits of Audit and Audited Accounts

- Auditing fee is seen as additional expenses to a business enterprise and then increase its operating cost.

- Audited financial statement, if qualified could lead to liquidation of an enterprise even when there is a solution aside
- Auditing within the enterprise could lead to management shareholders conflict
- Auditing could be time consuming as the time being used to attend to members of the audit team could be effectively used on productive matters by members o the company and the nature of audit exercise involves the use of client's records and seeking for necessary information and explanation from the staff and management, all these affect their precious time.
- Audit work allows external auditions to interfere in the private affairs of the company
- Where there is collusion between the auditor and the management of a company, this will greatly affect the outcome of the auditors report.

3.5 **Qualities of an Auditor**

In order to perform his duties in an efficient and effective manner, an auditor should possess the following qualities:

a. Integrity: An auditor must be honest and be seen to be honest in the implementation of the audit assignment.

b. Independence and objectivity: During the course of the audit assignment, auditor must be objective and be independent as much as possible within the enterprise. He must be able to plan, events and report his findings on the statement examined to members of the enterprise without being biased and without undue influence either from within or outside the business centre.

c. Conformity with confidentiality principles: Auditor must not disclose information about his clients to third parties except where the permission to do so have been granted.

d. Maintenance of Technical Competence: Auditor within an enterprise must be technically competent in the implementation of audit assignment.

e. Conformity with Technical Standard: An auditor within an enterprise must comply with the provision of auditing standards as well as guide lines being issued from time to time by the regulatory body.

f. Tactful and patient: To be able to obtain necessary cooperation and assistance from staff and management an auditor must know how to ask for information by exhibiting tactfulness in his ways.

g. Honesty: He must not certify to be correct what he does not believed to be truth. He must make intelligent and exhaustive inquiries until he has ascertained the exact state of affairs.

h. Wide knowledge of the theory and practice of accountancy: An auditor must have a complete and through knowledge of the theory and practice of book keeping, accountancy and costing so as to be able to apply it to any set of circumstances.

i. Methodical: An auditor must be methodical in his work as this is the only way to ensure that the work he has to do is thoroughly done. Methodical relates to the planning of work procedure in detail from the beginning to the end and keeping all his working paper in an orderly manner.

j. Painstaking: If an auditor must do a thorough job, he needs to be conscientious, patent and painstaking to review all the various accounting records and make necessary enquiries from management and staff.

k. Accuracy: user of accounts will rely on the figures certified by the auditor. It is important therefore that an auditor must be accurate with regard to all the figures he report on.

4.0 CONCLUSION

This unit explains the origin and nature of an audit. Also the duties of cooperatives auditors, cooperatives auditors and members need to understand the reason why financial statement of the societies need to be audited. There is the need for the reader to acquaint themselves with the benefits and the demerits of audit and audited accounts. It is expected that the knowledge acquired from this will contribute maximally to the concept of cooperative auditing.

5.0 SUMMARY

This unit has considered and distinguished between primary and secondary objectives of an audit. It has discussed some of the reasons for an independent and professionals opinion of the financial statement. This will enhance the understanding of the subject. This unit has also considered the merits and demerit of audit and audited accounts as a means of buttressing the knowledge on audit and why cooperative managers need proper knowledge of financial statement.

5.0 TUTOR-MARKED ASSINGMENT

Mention and explain the reasons for an independent and professional opinion of financial statement?

Distinguish between primary and secondary objectives of an audit.

Distinguish between merit and demerit of an audit and audited account.

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Unit 4: Legal Requirements To The Auditor/Powers Relating To The Audit

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Legal Requirement to the Auditor
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

As we all aware that there are rules and regulations that guide individual in the organizations be it small or large so also there are legal requirement to the auditor of cooperative societies or any other business form. So therefore we shall discuss in this unit the legal requirements to the auditor of cooperative societies financial statement.

2.0 OBJECTIVE

At the end of this unit you should be able to:
understand the legal requirement to the auditor.

3.0 MAIN CONTENT

3.1 Legal Requirement to auditors

These are rules and regulations guiding the implementation accounting and auditing functions within an enterprise. Auditing framework therefore are those pronouncement of statements being issued normally by professional bodies, e.g, ICAN, NASB as well as statutory bodies as contained in various government legislation.

Professional regulations are pronouncement of rules and regulations guiding the conduct of an audit normally issued by professional accounting bodies such as

- The International Financial Reporting (IFRS) – promulgated by the International Financial Reporting Standard Board (IFRSB)
- The Statement of Accounting Standards (SAS)- promulgated by the Nigerian Accounting Standard Board (NASB)
- ICAN, codes of conduct
- The Auditing guidelines issued by the Institute of Chartered Accountants of Nigeria (ICAN)
- The International Auditing Guideline (IAG) – promulgated by the International Auditing Practice Committee (IAPC)

All members of the professional bodies must ensure strict compliance with the provisions of professional regulations issued from time to time. Failure to comply has been considered to be unethical and if litigation arises, the auditor shall be seen to have been professionally negligent and damages shall be awarded accordingly.

Statutory Regulations are pronouncement or statement being issued through government legislation, which regulates the implementation of auditing functions. All auditors must adhere strictly to these regulations. E.g. Auditing under CAMA '90, Auditing under BOFIA '91 auditing function under Insurance Act 2003 and amended.

Accounting Standards are those pronouncement or statement being issued by professional accounting bodies. E.g. ICAN, NASB which states the basic procedures to be adopted by another when carrying out its audit functions of planning, investigation and reporting on the financial statement prepared by the enterprise.

Guidelines are also pronouncements or statements being issued by professional accounting bodies, which state or guide auditors on how the basic procedures contained in the standards is to be applied. Auditors as well as accountants who are members o the professional bodies must ensure compliance with the provision of standards and guidelines in the course of their audit.

3.2 **Power Relating to the Audit**

The duty and power of the auditor as stipulated by section 360 of CAMA '90 are:

a. It shall be the duty and power of the company's auditor in preparing their report to carry out such investigations as may enable them to form an opinion as to the following matter whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them. Or the company's balance sheet and (if not consolidated) its profit and loss account are in agreement with the accounting records and return.

b. If the auditors are of opinion that branches not visited records have not been received from branches not visited by them, or if the balance sheet and (if not consolidated) the profit and loss account are not in agreement with the accounting records and returns, the auditors shall state that fact in their record.

c. Every auditor of a company shall have a right of access at all time to the company's books, accounts and vouchers and entitled to require from the company's office such information and explanations as he thinks necessary for the performance of the auditors duties and powers.

d. If the requirements of v and vi schedule 3 and part i to iii of schedule 4 to this Act are not complied with in the accounts, it shall be the auditor's duty and power to include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.

e. It shall be the auditor's duty and power to consider whether the information given in the directors report for the year for which the accounts are prepared is consistent with those accounts and if they are of opinion that it is not, they shall state the fact in their report.

4.0 **CONCLUSION**

This unit as discussed comprehensively the legal requirement to the auditor.

5.0 **SUMMARY**

The needs for cooperative managers to be acquainted with rules and regulations that guide individual in the organizations be it small or large so also there are legal requirement to the auditor of cooperative societies or any other business form more cooperative societies is not exempted.

6.0 **TUTOR MARKED ASSINGMENT**

Discuss the legal requirement to the auditor?

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UNIT 5: PREPARATION OF AUDIT WORK

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Preparation of Audit Work
3.2 factors considered in developing overall audit plan
3.3 Audit work programme for various sizes and types of cooperatives societies
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

In this unit, we shall focus on preparation of audit work and programme in cooperative societies. As we normally say that he who fail to plan must be ready to fail. So also in audit cooperative societies account, there is need for preparation of audit work programmes to follow in other to actualize the set objectives and principles of cooperatives.

2.0 OBJECTIVE

After studying this unit you will be able to:

- Prepare audit work
- Constituted factors in developing overall audit plan.

3.0 MAIN CONTENT

3.1 Preparation of Audit Work

Preparation involves all those activities carried out by the auditors to set out the work to be done in advance in a systematical manner in order to facilitate maximum utilization of available resources and to achieve optimum result. According to International Standard on Auditing (ISA) 300, planning preparation means developing a strategy and a detailed approach for the expected nature, timing and extent of the audit. The auditor prepares or plans to perform the audit work in an efficient and timely manner.

Audit preparation or planning is a wide process which involves the review of part of work that is previous year's work, a careful set out plan for current year's work and at the end of the current year and a review of the work to be performed. Audit planning preparation does not end merely with ensuring that there is enough man power to carry out the audit work or that there is enough financial resources to see the work through, rather preparation/planning involve the review of all audit work entirely. It involves an understanding of the factors affecting the business such as environmental, political, legal, social, economic, etc. An audit plan preparation is the formulation of the general strategy for the audit, which sets the direction for the audit, describes the expected scope and conduct of the audit and provides guidance for the development of the audit programme. The auditor should prepare/develop and document an overall audit plan describing the expected scope and conduct of the audit. While the record of the overall audit plan will need to be sufficiently detailed to guide the development of the audit programme. Its precise form and content will vary depending on the sizes and types of cooperative societies, the complicity of the audit and the specific methodology and technology used by the auditor.

3.2 FACTORS CONSIDERED IN DEVELOPING OVERALL AUDIT PLAN

Matters to be considered by the auditor in developing or preparing the overall audit plan for various sizes and types of the cooperatives societies include:

- Knowledge of the business with respect to its general economic factors and society conditions affecting the cooperative society business.

    ii. Important characteristics of the cooperative societies, its business, its financial performance and its reporting requirements including changes since the date of the prior audit.

    iii. The general level of competence of management

- Understanding accounting and Internal Control System

    i. The accounting policies adopted by the cooperative society and changes in those policies.

    ii. The effect of new accounting or auditing pronouncements.

    iii. The auditor's cumulative knowledge of the accounting and internal control

- Risk and materiality
  1. The expected assessment of inherent and control risks and the identification of significant audit areas
  2. The setting of materiality level for audit purposes.
- Nature, timing and extent of procedures
  1. Possible change of emphasis on specific audit areas
  2. The effect of information technology on the audit
  3. The work of internal auditing and its expected effect on external auditing procedures
- Coordination, Direction, Supervision and Review
  1. The involvement of experts
  2. The number of locations
  3. Staffing requirements
- Other matters

i. Conditions requiring special attention such as the existence of related parties

ii. The terms of the engagement and any statutory responsibilities

iii. The nature and timing of reports or other communication with the various cooperative societies that are expected under the engagement.

3.3 Audit work programme for various sizes and types of cooperatives societies

During the course of the audit in order to obtain audit evidence from which the auditors draws conclusions on the financial statement.

The audit work programme serves as a guide to audit staff members during the course of the audit.

Depending on the objectives of the procedures in the audit work programmes, they may be classified either as a compliance audit work programmes or substantive audit programmes.

Compliance audit programme are those audit programmes which contain audit test or procedures which seek to obtain audit evidence as to whether internal controls have been applied as prescribed by management in theory and in practice.

Substantive audit programme are those audit programme which contain audit test and procedures, including analytical reviews, which seek to obtain audit evidence as to completeness, accuracy and validity of the transactions and account balances in the cooperative society's books of account or financial statement.

Year End Audit Programme – as the name indicates, YAP are those containing audit procedures to be executed at the year end audit. Such procedures will often relate to those to be performed during the observation of inventories and cash accounts.

Final Audit Programme - FAP are those programmes containing audit procedures to be performed during the final audit visit.

Even though some compliance procedures may be included procedures in the final audit work programme will mainly relate to those performed in connection with the transactions and balance sheet audit and the review of the financial statement.

The audit work programmes suitable for various sizes and types of the cooperatives societies are as following:

- Check the register of members kept by the secretary. The register should distinquish between the different types of membership. E.g. ordinary members, life members, etc, and verify the amount due from each type of membership.

- Check the duplicate of receipts book issued to each member on annual subscription payable by each member and the register book

- Verify the admission form fees of each member with the receipt issued to each member of the cooperative societies vouch receipts to the cash book

    - All receipts issued out in respect of the conations should be inspected

    - All the transactions and activities receipts should be inspected to correspond with the cash book

    - Any major discrepancies in any line of inventories or transactions and activities receipts and the cash book should be further investigated.

- Verify the schedule of investments giving the full title of each inventories, the book value and the market value at the date of Balance Sheet.
- Verify the existence and ownership thereof by confirmation of certificate from bank if lodged for safe custody.
- Ensure that all interests receivable from investments have been received and accrued for
- Verify all payments for revenue expenses and for purchases of assets
- Verify the assets and liabilities at the end of the period.

4.0 **CONCLUSION**

In this unit, we have considered the preparation of audit work for cooperative societies and factors to be considered in developing audit plan for various sizes and types of the cooperatives societies base on knowledge, risk and marketing and understanding of accounting and internal control systems. Audit work programme are schedules or checklist of detailed and specific instruction prepared by auditors setting out those procedures to be executed

5.0 SUMMARY

Any financial statement need to follow a process and procedures in preparation of that financial statement for balancing the account that will give a true picture for decision making. Audit work programme should be emphasize for various sizes and types of cooperative societies should have both internal and external auditor to audit the account prepared by either the financial secretary or treasurer of the societies and follow the due process and procedures of financial standard.

6.0 TUTOR-MARKED ASSINGMENT

List and explain factors to be considered in developing overall audit plan.

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UNIT 6: DEFINITION OF FRAUDS AND ERRORS

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Definition of Frauds and Errors
3.2 Frauds and Errors Detection in various sizes and types of the cooperatives societies
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit we have considered the preparation of audit work for cooperative societies and factors to be considered in developing audit plan for various sizes and types of the cooperatives societies base on knowledge, risk and marketing and understanding of accounting and internal control systems. This unit shall focus explaining and understand the definition of Frauds and Errors, mention Frauds and Errors Detection in various sizes and types of the cooperatives societies.

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand the definition of Frauds and Errors
- mention Frauds and Errors Detection in various sizes and types of the cooperatives societies

3.0 MAIN CONTENT

3.1 Definition of Frauds and Errors

The incidence of financial fraud, particularly in a computer environment, is increasing and has been a central future in a member of financial scandals in recent years. The fact, together with the increasing sophistication of fraudsters, creates difficult problems for management and auditors. There are some who could argue that the detection of fraud should be the auditors' principal function. This prevailing attitude clearly gives rise to a public expectation which is neither shared nor fulfilled by the profession.

When planning and performing audit procedures and in evaluating and reporting the results thereof the auditor should consider the risk of material misstatements in the financial statement resulting from fraud and error.

The term fraud refers to an intentional act by one or more individuals among management, employees or third parties, which results in a misrepresentation of financial statements. Fraud may involve,

i. Manipulation, falsification or alteration of records or documents.

ii. Misappropriation of assets.

iii. Suppression or omission of the effects of transactions from records or documents.

iv. Misapplication of accounting policies

v. Recording of transaction without substance

The term error refers to unintentional mistakes in financial statements such as

i. Mathematical or clerical mistakes in the underlying records and accounting data

ii. Misapplication of accounting policies

iii. Oversight or misinterpretation of facts

3.2 Frauds and Errors Detection in various sizes and types of the cooperatives societies

The Detection of Fraud and Error in various sizes and types of the cooperative societies can be done through any of the following procedures:

i. Observation of sudden change in living standard of staff and members of the cooperative societies.

ii. Volunteered information either resulting from disgruntled participant

iii. Use of security dogs

iv. Normal course of internal and external auditing

3.0 CONCLUSION

This unit discusses the definition of Frauds and Errors and Frauds and Errors Detection in various sizes and types of the cooperatives societies

5.0 SUMMARY

This unit presents the definition of Frauds and Errors and Frauds and Errors Detection in various sizes and types of the cooperatives societies.

6.0 TUTOR-MARKED ASSINGMENT

What is Frauds and Errors and Frauds

How do Errors Detects in various sizes and types of the cooperatives societies

7.0 REFERENCES/FURTHER READINGS

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Unit7: PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS
3.2 CONDITIONS OR EVENTS WHICH INCREASE THE RISK OF FRAUD AND ERROR
3.0 CONCLUSION
4.0 SUMMARY
5.0 TUTOR-MARKED ASSINGMENT
6.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussed on the definitions of Frauds and Errors and Frauds, Errors Detection in various sizes and types of the cooperatives societies. This unit shall focus explaining and understand procedures for prevention of fraud and errors, mention the conditions or events which increase the risk of and Errors

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand procedures for prevention of fraud and errors
- mention the conditions or events which increase the risk of and Errors

3.0 MAIN CONTENT

3.1 PREVENTION OF FRAUD AND ERROR

Prevention of fraud and error can be mitigated or ameliorated through any of the following procedures:

i. Reinforcement of control system

ii. Adequate number of staff and separation of duties.

iii. Periodic rotation of staff

iv. Strict disciplinary actions to deter staff

v. Effective use of police personnel

vi. Moving in company of good friends

vii. Managers showing interest in the life of staff without necessarily policing

viii. Sequential numbering of cheques or document

ix. Staff to be screened before employment (use of reference/referees)

x. Installation of machine or mercury light that are capable of detecting forged notes.

In planning the audit the auditor should assess the risk that fraud and error may cause the financial statements to contain material misstatements and should inquire of management as to any fraud or significant error which has been discovered.

3.2 CONDITIONS OR EVENTS WHICH INCREASE THE RISK OF FRAUD AND ERROR

In addition to weaknesses in the design of the accounting and internal control systems and non-compliance with identified internal controls, conditions or events which increase the risk of fraud and error include:

a. Problems in obtaining sufficient appropriate audit evidence

b. Unusual transactions

c. Unusual pressures within cooperative society

d. Questions with respect tot eh integrity or competence of management.

Based on the risk assessment the auditor should design audit procedures to obtain reasonable assurance that misstatement arising from fraud and error that are material to the financial statements taken as a whole are detected.

Consequently, the auditor seeks sufficient appropriate audit evidence that fraud and error which may be material to the financial statements have not occurred or that if it has occurred, the effect of fraud is properly reflected in the financial statement or the error is corrected.

The likelihood of detecting error ordinarily is higher than that of detecting fraud, since fraud is ordinarily accompanied by acts specifically designed to conceal its existence.

4.0 **CONCLUSION**

This unit discussed procedures for prevention of fraud and errors mention the conditions or events which increase the risk of and Errors.

5.0 **SUMMARY**

This unit presents procedures for prevention of fraud and errors, mention the conditions or events which increase the risk of and Errors

6.0 TUTOR-MARKED ASSINGMENT

Discuss procedures for prevention of fraud and errors?

Mention the conditions or events which increase the risk of and Errors?

7.0 REFERENCES/FURTHER READINGS

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UNIT 8: INTERNAL AUDIT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 INTERNAL AUDIT
3.0 SCOPE OF INTERNAL AUDIT
3.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on procedures for prevention of fraud and errors mention the conditions or events which increase the risk of and Errors. This unit shall focus explaining and the internal audit and the scope of internal audit.

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand the internal audit
- explain the scope of internal audit

3.0 MAIN CONTENT

3.1 INTERNAL AUDIT

Definition of Internal Audit: The CIMA official Terminology defines internal audit as “An independent appraisal activity established within an organization as a service to it. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.

Originally concerned with the financial records, the investigative techniques developed are now applied to the analysis of the effectiveness of all parts of a cooperative society operation and management.

Internal audit is therefore distinct from external audit which is defined as “A periodic examination of the books of account and records of a cooperative society or an entity carried out by an independent third party (the auditor), to ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity”.

From these definitions the two main features of internal audit emerge.

i. Independence – Although an internal audit department is part of an organization, it should be independent of the line management whose sphere of authority it may audit. The department should therefore report to the board or to a special internal audit committee and not to the finance director.

ii. Appraisal: Internal audit is concerned with the appraisal of work done by other people in the organisation and internal auditors should not carry out any of the work themselves. The appraisal of operations provides a service to management, providing information on strengths and weakness throughout the organization.

3.2 Scope and objectives of Internal Audit

The scope and objectives of internal, audit vary widely. Normally however, internal audit operates in one or more of the following broad areas:

- Review of the accounting and internal control systems. The management is responsible for the establishment of adequate accounting and internal control systems. Often, internal audit is assigned specific responsibility for reviewing design of the systems, monitoring their operation and recommending improvements.

- Examination of financial and operating information. This may include review of the means used to identify, measure, classify and report information and specific enquiry into individual items including detailed testing of transactions, balances and procedures.

- Review of economy, efficiency and effectiveness. This review may include the non-financial controls of an organization.

- Review of compliance: This review may cover compliance with laws, regulations and other external requirements and with internal policies and directives and other requirements including appropriate authorization of transactions.
- Special investigations: One example is suspected fraud.

4.0 **CONCLUSION**

This unit discusses the internal audit explain comprehensively the scope of internal audit.

5.0 SUMMARY

The scope of internal audit is a periodic examination of the books of account and records of a cooperative society or an entity carried out by an independent third party (the auditor), , accounting standards, legal requirements and give a true and fair view of the financial state of the entity, to ensure that they have been properly maintained, are accurate and comply with established concepts, principles.

6.0 TUTOR-MARKED ASSINGMENT

discuss the internal audit and explain the scope of internal audit

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UNIT 9: GUIDANCE FOR INTERNAL AUDITORS

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 GUIDIANCE FOR INTERNAL AUDITORS
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on the internal audit explains comprehensively the scope of internal audit. This unit shall focus on explaining guidance for internal auditors

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand guidance for internal auditors

3.0 MAIN CONTENT

3.1 GUIDIANCE FOR INTERNAL AUDITORS

The auditing guideline for internal auditors explains the essentials for effective internal auditing as follows:

- Independence: The internal auditors should have independence in terms of organizational status and personal objectivity which permits the proper performance of their duties.
- Staffing and training: Like external audit reams, the internal audit unit should be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives. Training should be a planned and continuing process at all levels.
- Relationships: The internal auditors should seek to foster constructive working relationship and understanding with management, with external auditors with any other review agencies and where one exists with the audit committee.
- Due care: The internal auditors cannot be expected to give total assurance that control weakness or irregularities do not exist but they should exercise due care in fulfilling their responsibilities.
- Planning, controlling and recording: Like the external auditors, the internal auditors should adequately plan, control and record their work.

- Evaluation of the internal control system. The internal auditors should identify and evaluate the organisation's internal control system as a basis for reporting upon its adequacy and effectiveness.
- Evidence: The internal auditors should obtain sufficient, relevant and reliance evidence on which to base reasonable conclusions and recommendations.
- Reporting and follow up: The internal auditors should ensure that findings, conclusions and recommendations arising from each internal audit assignment are communicated promptly to the appropriate level of management and they should actively seek a response.

4.0CONCLUSION

This unit discusses guidance for internal auditors.

6.0TUTOR-MARKED ASSINGMENT

What is guidance for internal auditors

7.0REFERENCES/FURTHER READINGS

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UNIT 10: DEFINITION OF INTERNAL CONTROL

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 DEFINITION OF INTERNAL CONTROL

3.2 FEATURES OF INTERNAL CONTROL

4.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand the definition of internal control
- mention the features of internal control

3.0 MAIN CONTENT

3.1 Definition of Internal Control

The responsibility for the prevention and detection of irregularities and fraud rests with the management who may obtain reasonable assurance that this responsibility will be discharged by instituting an adequate system of internal control.

Definition of Internal Control: The Auditing practices committee defines internal control system in their guideline as "The whole system of control, financial or otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management's policies, safeguard the asset and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as controls or internal controls.

It is for management to determine the extent to which internal control are to be applied within the organization.

There are numerous factors to be considered:

i. The nature, size and volume of transactions

ii. The geographical distribution of the enterprise

iii. The controls exercises personally by individual members of management

iv. The cost of setting up controls and the benefits obtained thereby

v. Managements attitude to controls

3.2 FEATURES OF INTERNAL CONTROL

The guideline on internal control puts forward eight features of systems on which an auditor may place reliance.

- Segregation of duties: The APC states one of the prime means of control is the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking. Functions which should be separated include those of authorization, execution, custody, recording and in the case of a computer based accounting system, system development and daily operation".
- Physical: These internal controls are defined by the APC as being concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel. This includes both direct access and indirect access via documentation. These controls assume importance in the case of valuable, portable, exchangeable or desirable assets. The physical control can also be achieved by electronic means in a computerized environment for example, through the use of electronic I.D. cards, passwords, etc.
- Authorization and approval: The APC states all transactions should require authorization or approval by an appropriate

responsible person. The limits for these authorizations should be specified.

- Management: The APC states "these are the controls exercised by management outside the day to day routine of the system. They include the overall supervisory controls exercised by management, the review of management accounts and comparison thereof with budgets the internal audit function and other special review procedures.
- Supervision: The APC states any system of internal control should include the supervision by responsible officials of day to day transactions and the recording thereof.
- Organisation: As stated by the APC enterprises should have a plan of their organization, defining and allocating responsibilities and identifying lines of reporting for all aspects of the enterprise's operations including the controls. The delegation of authority and responsibilities should be clearly specified.
- Arithmetical and accounting: The APC states these are the controls within the recording function which check that the transactions to be recorded and processed have been authorized, that they are all included and that they are correctly recorded and accuracy processed. Such controls include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation, control accounts and trial balances and accounting for documents.
- Personnel: This last type of internal control is defined by APC as procedures to ensure that personnel have

capabilities commensurate with their responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, selection and training as well as the innate personal characteristics of the personnel involved and important features to be considered in setting up any control system.

4.0 **CONCLUSION**

This unit discusses the internal control and mentions the features of internal control.

5.**0 SUMMARY**

This unit presents the definition of internal control and elucidates the features of internal control.

6.0 **TUTOR-MARKED ASSINGMENT**

What is internal control

Enumerate the features of internal control

7.0 **REFERENCES/FURTHER READINGS**

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Unit 11: Limitations of Internal Controls

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 LIMITATION OF INTERNAL CONTROL
3.2 MEANNING OF VOUCHING AND VERIFICATION
3.3 Verification of Voucher Transactions
CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit we discussed on the definition of internal control and elucidate the features of internal control. This unit shall focus explaining understand limitation of internal control enumerating limitation of internal control analyse the meaning of vouching and verification and methods of verification of Voucher Transactions.

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand limitation of internal control
- mention limitation of internal control
- know the meaning of vouching and verification and methods of verification of Voucher Transactions

3.0 MAIN CONTENT

3.1 LIMITATION OF INTERNAL CONTROL

Internal controls are essential features of any organization that is expected to be well managed effectively and efficiently. However, it is note worthy to realize that internal controls have inherent limitations which include:

i. The possibility of circumvention of controls either done or through collusion with parties outside or inside the entity.

ii. Abuse of responsibility

iii. Fraud

iv. Poor working conditions

v. Poor remuneration system

vi. Human cleverness or ingenuity

vii. Management override of controls

viii. Changes in environment making controls inadequate

ix. Potential human error caused by stress of work load, alcohol, carelessness, distraction, mistakes of judgment and the misunderstanding of instructions

x. Internal controls tend to be directed at routine transactions. The one-off or unusual transaction tends not to be subject of internal control.

xi. A requirement that the cost of an internal control is not disproportionate to the potential loss which many result from its absence.

3.2 MEANNIG OF VOUCHING AND VERIFICATION

Vouching: This is an audit procedure which involves proving the authenticity of recorded transaction. It relates to the examination of documentary evidence supporting transitions in order to obtain evidence as to their completeness, accuracy and validity.

Verification: This is an audit procedure which involves detailed examination of the draft balance sheet and work back as necessary to ascertain the existence, ownership and proper evaluation of the company's assets and liabilities. It is an audit procedure carried out by the auditor in order to ascertain the financial position of an enterprise.

Audit Procedures of Intangible Fixed Assets

The type of asset we are likely to encounter under this heading include patents, licenses, trade marks, development costs and goodwill. All intangibles have a finite economics life and should hence be amortized. Tests on intangible assets will include:

- General – prepare analysis of movement on cost and amortization accounts
- Ownership

- Obtain confirmation of all patents and trademarks held by a patent agent
- Verify payment of annual renewal fees

- Valuation

  - Review specialist valuation of intangible assets considering qualification of values, scope of work and assumption and method used
  - Confirm carried down balances represent continuing value, which are proper changes to future operations

- Additions

  - Inspect purchase agreements and supporting documentation for intangible assets acquired in period
  - Confirm purchases have been authorized
  - Verify amounts capitalized of patents developed by the company with supporting costing records

- Amortization
  - Review amortization by check computation and confirm that rates used are reasonable

- Income from Intangibles

  - Review sales returns and statistics to verify the reasonable of income derived from patents, trade marks, licenses, etc,
  - Examine audited accounts of third party sales covered by a patent; licenses or trademark owned by the company.

3.3 Verification of Voucher Transactions

(A) Audit procedures of Tangible Fixed Assets are as follows:

i. Completeness

- Obtain or prepare a summary of tangible fixed assets showing how gross book value, accumulated depreciation and net book value reconcile with the opening position.
- Compare fixed assets in the general ledger with the fixed assets register and obtain explanation for differences
- Check whether assets which physically exist recorded in fixed asset register
- If a fixed asset register is kept, obtain a schedule showing the original costs and present depreciation value of major fixed assets
- Reconcile the schedule of fixed asset with the general ledger

ii. Existence

- Confirm that the company physically inspects all items in the fixed asset register each year.
- Inspect assets concentrating on high value items and additions in year

- Confirm items inspected are existing, are in use and are in good condition
- Review records of income yielding assets
- Reconcile opening and closing vehicles by numbers as well as amounts.

iii. Valuation

- Verify valuation to valuation certificate
- Consider reasonableness of valuation, reviewing with experience of valuer, scope of work, and methods and assumption used
- Check revaluation surplus has been correctly calculated
- Consider whether permanent diminution in value of assets has occurred

iv. Ownership:

- Verify title to land and buildings by inspection of title deeds, land registry certificate and leases
- Obtain a certificate from solicitors/bankers stating purpose for which the deeds are being held (custody only), stating deeds are free from mortgage or lien.
- Inspect registration documents for vehicles held

- Confirm all vehicles used for the client's business
- Examine documents of the title for other assets.

v. Addition

- Verify additions by inspection of architects certificate, solicitors completion statements, suppliers invoices, etc.
- Check capitalization of expenditure is correct by considering for fixed asset additions and items in relevant expense categories
- Check purchases have been authorized by directors/senior management
- Ensure that appropriate claims have been made for grants and grants received and receivables have been received.
- Check additions have been recorded in fixed asset register and general ledger.

vi. Self – constructed assets

- Verify material and labour cost and overheads to invoices, wage records, etc
- Ensure expenditure has been analyzed correctly and properly changed to capital check no profit element has been included in costs.

vii. Disposal

- Verify disposals with supporting documentation
- Check calculation of project and loss
- Check that disposals have been authorized
- Consider whether proceeds are reasonable

viii. Depreciation

- Review depreciation rates applied in relation to asset lives, replacement policy, past experience of yam's and losses on disposal, consistency with prior years and accounting policy and possible obsolescence.

ix. Charges and commitments

- Review for evidence of charges in statutory book and by company search
- Review leases of leasehold properties to ensure that company has fulfilled covenants therein
- Examine invoice received after year end orders and minutes for evidence of capital commitments

x. Insurance

- Review insurance policies in force for all categories of tangible fixed assets
- Consider adequacy of their insured values

Check expiry dates

4,0**CONCLUSION**

This unit discusses the limitation of internal control, mention limitation of internal control, know the meaning of vouching and verification and methods of verification of Voucher Transactions

5.0 **SUMMARY**

6.**0TUTOR-MARKED ASSINGMENT**

What are the limitations of internal control?

What is vouching and verification?

Discuss the methods of verification of Voucher Transactions?

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UNIT 12: AUDIT PROCEDURES FOR PREPAYMENTS

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 audit procedures for prepayments
3.2 audit procedures for cash in hand and bank
3.3 verification of liability
3.4 verification of sundry accruals
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on the limitation of internal control, mention limitation of internal control, know the meaning of vouching and verification and methods of verification of Voucher Transactions. This unit shall focus on explaining

understand audit procedures for prepayments, mention

Audit Procedures for Cash In hand and Bank, describe

verification of liability and verification of Sundry.

2.0 OBJECTIVE

After studying this unit, you should be able to:

- understand audit procedures for prepayments
- mention Audit Procedures for Cash In hand and Bank
- describe verification of liability and verification of Sundry Accruals

3.0 MAIN CONTENT

3.1 AUDIT PROCEDURES FOR PREPAYMENTS

The extent of audit testing will depend on the materiality of the amounts.

i. Verify prepayments by reference to the cash book, expense invoices, correspondence and so on.

ii. Check calculations of prepayments

iii. Review the detailed profit and loss account to ensure that all likely prepayments have been provided for

iv. Review the prepayments for reasonableness by comparing with prior years and using analytical procedures where applicable

3.2 Audit Procedures for Cash In hand and Bank

The following suggested substantive balance sheet tests summarize the principal audit procedures relevant to cash and bank balances. The procedures apply to all cash in hand and bank accounts are as follows:

- Cash in hand – count cash balances held and agree to petty cash book or other record
  - count all balances simultaneously
  - all counting to be done in the presence of the individuals responsible, enquiry into any IOUs or cashed cheques outstanding for unreasonable periods of time
  - obtain certificates of cash in hand from responsible officials
  - confirm that bank and cash balances as reconciled area correctly stated in the accounts
- Bank accounts procedures:
  - obtain standard bank confirmation's from each bank with which the client conducted business during the audit period
  - check arithmetic of bank reconciliation
  - trade items outstanding from the bank reconciliation to the after date bank statements or cash book and record details of any items not cleared at the time of the audit
  - verify by checking pay in slips that uncleared banking are paid in prior to the year end.
  - Verify reconciliations with cash book, bank statements and general ledger
  - Verify the bank balances with reply to standard bank letter
  - Scrutinize the cash book and bank statements before and after the balance sheet date for exceptional entries or transfers which have a material effect on the balance shown to be in hand

- Identify whether any accounts are secured on the assets of the company
- Consider whether there is a legal right of set-off of overdrafts against positive bank balances
- Determine whether the bank accounts are subject to any restrictions.

3.3 VERIFICATION OF LIABILITY

It is instructive to situate that some of the liability components of the balance sheet are technically quite difficult in that they are regulated by company law. This mainly applies to share capital and reserves. In the case of other liabilities, circularization for verification purpose is quite rare and other procedures are normally used. This can be one of the most sensitive areas of the audit as it affects the company's liquidity and gearing ratios and these may be closely related to bank borrowing agreements or debenture agreements.

Testing for understatement and completeness is particularly important.

3.4 Verification of Sundry Accruals

Sundry accrual is an area that lends itself to analytical procedures and reconciliation techniques. Care must be taken with statutory liabilities such as Pay As You Earn (PAYE) and Value Added Tax (VAT) where there is arguably an expectation that the auditors verify these liabilities regardless of materiality.

The following substantive procedure are suggested:

i. Check that accruals are fairly calculated and verify by reference to subsequent payments and supporting documentation.

   - It is important to note that for PAYE and VAT the following approach should be adopted

   - PAYE: Normally this should represent one month's deductions. Check amount paid to revenue by inspecting receipted annual declaration of tax paid over or returned cheque

   - VAT: Check reasonableness to next VAT return. Verify paid cheque for last amount paid in year

ii. Review the profit and loss account and prior year figures and consider liabilities inherent in the trade to ensure that all likely accruals have been provided.

iii. Scrutinize payments made after year-end to ascertain in whether any payments made should be accrued.

iv. Consider basis for round sum accruals and ensure it is consistent with prior years

v. Ascertain why any payments on account are being made and ensure that the full liability is provided.

For provision (other than provisions for depreciation, tax and bad debts)

vi. Prepare a schedule of any provisions indicating their purpose and basis showing details of movement during the period.

vii. Decide whether any of the provisions are sufficiently material to be separately disclosed in the accounts.

4.0 CONCLUSION

This unit discusses the following:

Audit procedures for prepayments

Audit Procedures for Cash In hand and Bank

Describe verification of liability and verification of Sundry

Accruals

5.0 SUMMARY

This unit presents audit procedures for prepayments,

Mention audit Procedures for Cash In hand and Bank and describe verification of liability and verification of Sundry

accruals

6.0 TUTOR-MARKED ASSINGMENT

Enumerate audit procedures for prepayments and Audit Procedures for Cash In hand and Bank?

Discuss verification of liability and verification of Sundry accruals?

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UNIT 13: VERIFICATION OF LONG-TERM LIABILITIES

1.0 INTRODUCTION

2.0 OBJECTIVE

1.0 MAIN CONTENT

3.1 VERIFICATION OF LONG-TERM LIABILITIES

3.2 SUBSTANTIVE PROCEDURES

2.0 CONCLUSION

5.0 SUMMARY

1.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

1.0 **INTRODUCTION**

The last unit focused on Audit procedures for prepayments

Audit Procedures for Cash In hand and Bank describe verification of liability and verification of Sundry and Accruals. These units we shall explain understand verification of long-term liabilities and mention substantive procedures.

2.0 **OBJECTIVE**

After studying this unit, you should be able to:

- understand verification of long-term liabilities
- mention substantive procedures

3.0 MAIN CONTENT

3.1 Verification of long-term liabilities

We are concerned here with long term liabilities comprising debentures, loan stock and other loans repayable at a date more than one year after the year end.

Auditors will primarily try and determine the following:

i. Completeness: Whether all long-term liabilities have been disclosed

ii. Measurement: whether interest payable has been calculated correctly and included in the correct accounting period

iii. Disclosure: whether long-term loans interest has been correctly disclosed in the financial statements.

The major complication for the auditors is that debenture and loan agreements frequently contain conditions with which the company must comply including restrictions on the company's total borrowings and adherence to specific borrowing ratios.

Further more the auditors are some times specifically engaged to monitor and report to the debenture/loan stock trustees on the company's adherence to these conditions. Substantive Procedures Applicable To All Liabilities Audits.

3.2 **SUBSTANTIVE PROCEDURES**

The following suggested substantive procedures are relevant:

i. Obtain/prepare schedule of loans outstanding at the balance sheet date showing for each loan name of lender, date of loan, maturity date, interest date, interest rate, balance at the end of the period and security.

ii. Compare opening balance to previous year papers.

iii. Test the clerical accuracy of the analysis

iv. Compare balances to the general ledger

v. Check name of lender to register of debenture holders or equivalent

vi. Trace additions and repayments to entries in the cash book

vii. Confirm repayment are in accordance with loan agreement

viii. Examine cancelled cheques and memoranda of satisfaction for loans repaid

ix. Verify that borrowing limits imposed either by article or by other agreements are not exceeded

x. Examine signed board minutes relating borrowings / repayments

xi. Obtain direct confirmation from lenders of the amounts outstanding, accrued interest and what security they hold

xii. Verify interest charged for the period and adequacy of accrued interest

xiii. Confirm assets charged have been entered in the register of charges and notified to the registrar.

xiv. Review restrictive covenants and provision relating to default

xv. Review minutes, cash book to check if loans have been recorded.

4.0 CONCLUSION

This unit discusses the verification of long-term liabilities and explains comprehensively substantive procedures

5.0 SUMMARY

This unit presents the verification of long-term liabilities and explains comprehensively substantive procedures

6.0 TUTOR-MARKED ASSINGMENT

discuss the verification of long-term liabilities?

What is substantive procedures

7.0 REFERENCES/FURTHER READINGS

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UNIT 13: DEFINITION AND SCOPE OF INVESTIGATION

1.0 INTRODUCTION

2.0 OBJECTIVE

7.0 MAIN CONTENT

3.I DEFINITION OF INVESTIGATION AND ENQUIRIES

3.2 Scope of Investigation

3.3 The Procedures of an Investigation

4.0 CONCLUSION

3.0 SUMMARY

4.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on the verification of long-term liabilities and explains comprehensively substantive procedures This unit shall focus explaining and defining investigation and enquiries buttress on the understanding on the scope of investigation and finally describe the procedures of an investigation.

and enumerating the Merit and Demerits of Audit also identify the demerits of Audit and Audited Accounts.

2.0 OBJECTIVE

At the end of the study you should be able to:

Define investigation and enquiries

Understand the scope of investigation

Describe the procedures of an investigation

3.0 MAIN CONTENT

3.I DEFINITION OF INVESTIGATION AND ENQUIRIES

Investigation is the term which implies the examination of records and accounts of an organization for a specified purpose. Investigation can also be term as inquiries made by an accountant, into the financial and non-financial affairs of an organization on behalf of his clients, for specifically agreed purposes other than to report on the truth and fairness of the organisation's financial information. Investigation is different from audit because they are not carried out primarily to ascertain whether or not the financial statements have been properly drawn up and present a true and fair view.

3.2 Scope of Investigation

Investigations commonly met with in practice include those carried out:

i. On behalf of incoming partner

ii. On behalf of an individual or firm proposing to buy a business

iii. On behalf of a bank for credit purposes

iv. On behalf of a person intending to invest in a private business firm or company

v. For the purpose of preparing a report on profit forecast for inclusion in a prospectus

vi. On behalf of the proprietors of a business where fraud is suspected or known to have taken place

vii. In connection with taxation liabilities (back duty)

viii. Under the Company And Allied Matters Act 1990

3.3 The Procedures of an Investigation

Through investigations may be carried out for various purposes, there are some identifiable procedures which are common to all investigations. These procedures include.

i. Obtain the terms of reference from the client

- The Accountant should obtain written instructions from the client

- The instructions should set out in clear terms
- The objective of the assignment
- The scope of the assignment including the periods to be covered and the persons or departments involved
- The degree of detail required
- Constraints, financial and otherwise imposed for example the degree of secrecy required
- Those to whom the accountant should address his report
- Where the instructions have been discussed with the client the accountant should document his understanding in a manner similar to those of audit engagements in a letter of engagement and should seek the client's confirmation of the terms

ii. Establishment of contact with the Company's Auditors

The accountant should establish contact with the auditors of the business under investigation, not only as a matter of professional etiquette but also to enlist their cooperation during the investigation.

iii. Organize the investigation

The accountant is consulted by the client in his capacity as an expert. He must therefore decide within the limits imposed by his specific instructions, the extent to which the investigation should be carried out, having regard to the information which will be of importance to his client and the use into which his prepared report will be put.

He should also plan the time to be taken, the cost estimates and the staff requirements for the investigation.

iv. **Obtain Background Information concerning the environment in which the business operates:**

The accountant should obtain such information that will enable him understand the environment within which the business is carried on. These information will generally relate to the political, social, economic and technological factors affecting the business of the enterprise. Such affirmation is especially important where the client intends to hold long term investment in the business either by way of outright purchase or through part-ownership.

The information to be obtained include the size of the industry, the number of competitors and nature of competition within the industry, legislation affecting the industry, availability of labour, materials and other resources, frequency of technological changes, analysis of the strengths, weaknesses, opportunities and threats within the industry, and performance ratio in the industry

v. **Obtain preliminary information about the company under investigation.**

The accountant should obtain information specific to the enterprise under investigation. In the case of an investigation for the purpose of acquiring the whole or a part of the business.

The following information about the organization to be acquired should be, background history of the enterprise, nature of business, organizational structure, financial history, significant accounting policies, accounting system, accounting records, personnel and other financial reports including budgets, management accounts and prospectus.

vi. Prepare the report outline

Based on the background information and information obtain by the accountant about the enterprise under investigation, it should be possible to carryout a preliminary analysis regarding those critical areas that the investigation should address in view of the defined objectives.

In the case of an investigation for the purchase of a business, some areas for consideration that may emerge from the analysis will include turnover, cost of sales, other expenses, income, fixed assets, stocks and work in progress.

Based on the result of this preliminary analysis the auditor should prepare a report outline stating out in broad terms the major sections of, and sub-heading to be discussed in the report.

vii. Carry out the Investigation Proper

In conducting the investigation proper, the accountant would involve himself in obtaining information regarding the various aspects set out in the report outline. The information obtained will provide a basis for forming the opinion expressed in the accountant's report.

The accountant would adopt various techniques when carrying out the investigation proper. Some of the techniques would include inspection of records and asset, observation of procedures, and processes and enquiry from management staff and other knowledgeable third parties.

The accountant should carefully analyze the data obtained to enable him derive the information required for his report. The accountant should properly document his work and maintains for future reference

viii Draft the Report

Based on the information obtained from the analysis of the data collected during the investigation, the accountant should prepare a draft report for discussion with the client. Usually each section of the draft report would be prepared by the staff that has carried out the work. The whole report should be reviewed for constituency and structure

ix. Discuss Draft Report with Client

The draft report should be discussed with the client. The reasons for discussing the report include: to ensure that the report is in the format required by the client, to ensure that the scope of the work is satisfactory to the client, and to ensure that information obtained meet with the client's requirement

x. **Carry out Further Work that the client may require**

Based on the result of the discussion, the accountant should carry out further work that may be required. This may go beyond the initial scope specified in the terms of the assignment for example investigating more departments or more personnel where there is fraud.

ix. Finalize the Report and submit it to the client

xii Await any feed back

4.0 CONCLUSION

This unit discusses investigation and enquiries and the scope of Investigation and explain further the procedures of an Investigation.

5.0 SUMMARY

Investigation can also be term as inquiries made by an accountant, into the financial and non-financial affairs of an organization on behalf of his clients, for specifically agreed purposes other than to report on the truth and fairness of the organisation's financial information and enquiries the scope of investigation the cooperative manager should be able to describe the procedures of an investigation

6.0 **TUTOR-MARKED ASSINGMENT**

Discuss investigation and enquiries?

what is the scope of investigation?

List the procedures of an investigation?

6.0 REFERENCES/FURTHER READINGS

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UNIT 14: INTRODUCTION OF AUDIT REPORT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT

3.1 Introduction - Definition of Audit Report

3.2 Objects of Audit Report

3.3 The Essential Features of Audit Report

4.0 CONCLUSION

4.0 SUMMARY
7.0 TUTOR-MARKED ASSINGMENT
8.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on investigation and enquiries and the scope of Investigation and explain further the procedures of an investigation. This unit shall focus explaining Define Audit Report, describe Objects of Audit Report and enumerating the Essential Features of Audit Report.

2.0 OBJECTIVE

At the end of the study you should be able to:

Define Audit Report

Describe Objects of Audit Report

Mention the Essential Features of Audit Report

3.0 MAIN CONTENT

3.1 Introduction - Definition of Audit Report

It is instructive to note that there are two fundamental aspects of an audit. One is to establish the facts and the other is to report materials facts fairly and fearlessly to members

The audit report is a means by which the auditors express their opinion on truth and fairness of a company's financial statement for the benefits principally of the shareholders, but also for other users. Statute has constituently recognized its importance by requiring that certain mandatory statement appear in the report. International Auditing Guidelines (IAG 13) was the first step taken by Audit practice Board towards closing the "expectation gap" which represents "the difference between the apparent public perceptions of the responsibilities of a auditors on lone hand and the legal and professional reality on the other hand.

3.2 Objects of Audit Report

The primary purpose of an audit report is to serve as the medium through which the auditor communicates his findings. Findings at the end of his review of the financial statements to members or owners of the clients entity. The end product of an audit exercise is audit report.

The audit report is normally attached to the financial statement and is therefore, available for inspection by users of the financial reporting. It usually entails the final opinion of the auditor as to credibility of the view presented by the financial statements. With audit report the shareholders will be able to know if the management of the company is running the business of the company in accordance with their best interest. So also, potential investors would be able to determine whether to invest in such a company or not

3.3 The Essential Features of Audit Report

The essential features of audit report as per International Auditing Guidelines (IAG 13) include the following

i. Title

ii. Those to whom the report is addressed

iii. The financial statements to which the report refers

iv. A reference to the statue and professional standards under which the audit was carried out

v. The auditor’s opinion

vi. The auditor’s signature

vii. The date of the report

viii. The auditor's name and address

Under Schedule 6 of CAMA 1990, the features of audit report relate to those in his report and these include the following matters

i. whether he has obtained all the information and explanations which he considers necessary for the purpose of his audit.

ii. whether in his opinion, proper books of account have been kept by the company and proper retirns adequate for the purpose of the audit obtained from branches not visited.

iii. whether the financial statements are in agreement with the books of account and returns.

iv. Whether in his opinion the financial statements give a true and fair view of the state of affairs, profit or loss and where applicable cash flow.

iv. Whether the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act 1990 and any other statue.

3.0 CONCLUSION

The audit report is a means by which the auditors express their opinion on truth and fairness of a company's financial statement. This unit discusses view definitions of Audit

Report and describes Objects of Audit Report also Mention the Essential Features of Audit Report.

5.0 SUMMARY

This unit presents view definitions of Audit Report and describes Objects of Audit Report also Mention the Essential Features of Audit Report.

6.0 TUTOR-MARKED ASSINGMENT

Define Audit Report?

Describe Objects of Audit Report?

Mention the Essential Features of Audit Report?

7.0 REFERENCES/FURTHER READINGS

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UNIT 15: STANDARD FORMATS OF AUDIT REPORTS.

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT

3.1 Unqualified auditor's report

3.2 Content Of Audit Report

4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

1.0 INTRODUCTION

The last unit discussion on definitions of Audit Report and describes Objects of Audit Report also Mention the Essential Features of Audit Report. This unit shall focus on explaining

unqualified auditor's report describe the Content of Audit Report.

2.0 OBJECTIVE

At the end the study you should be able to:
Understand unqualified auditor's report

Describe the Content of Audit Report

3.0 MAIN CONTENT

3.1 Unqualified auditor's report

To the members of (Name of Company) We have examined the financial statement set out on pages xx to yy and have obtained all the information and explanations which we considered necessary.

Respective Responsibilities of the Directors and Auditors:

The company's directors are responsible for the preparation of the financial statements. It is our responsibility, as auditors, to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

Basis of Opinions:

We conducted our audit accordance with generally accepted auditing standards.

An audit includes examination, on test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors, in the preparation of the financial statements, and of whether the company's accounting policies are appropriate to its circumstances, consistently applied and adequately disclosed.

We planned and performed our audit in such way as to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion:

In our opinion, the financial statements, which have been prepared on the basis of the accounting policies set out on page 22, give a true and fair view of the state of affairs of the company at 31 December, 2011 and of its profit and cash flow statement for the year ended on that year. The books of account have been properly kept and the financial statements, which are in agreement therewith, comply with the companies and Allied Matters Act 1990 and conform with generally accepted accounting principles in Nigeria.

Lagos, Nigeria	(Name of Audit firm)
(Date)	(Chartered Accountants)

3.2 Content Of Audit Report

A. In relation to profits and losses:

   i. Turnover representing sales exclusively to third parties less discounts, returns, inwards and other allowances.

ii. Cost of goods sold including cost of purchases showing separately costs relating to amortization, depreciation and obsolescence of fixed assets e.t.c.

iii. Other revenues, such as investments income, rents, profits arising from sales of assets and other unusual items, all to be listed separately.

iv. Profit before taxation of the company and of the group, if the company has subsidiaries.

v. Taxation figures with full disclosures of bases.

vi. Minority interests.

vii. Extraordinary items of profit less taxation attributable thereto.

viii. Net profit attributable to shareholders after taxation

ix. Amount of preference dividends together with rates.

x. Net profit attributable to company shareholders.

xi. Amount and rates of equity dividends distinguishing between interim and final

xii. Retained profits

B. In relation to the balance sheet:

i. Summary of the balance sheet of the group (or company if it has no subsidiaries) at the end of each previous accounting period reported upon.

ii. Balance sheet of the company and the group at the end of the last accounting period reported upon.

C. Accounting polices followed in dealing with material items such as turnover, stock valuation, attributable profits from subsidiary or associated companies. Deferred taxation, depreciation e.t.c.

D. Particulars of any capital of the company or of its subsidiaries which is under option or agreed conditionally or unconditionally to be put under option, with the price and duration of option and consideration of which the option was granted and the name and address of the grantee. Provided that where an option has been granted or agreed to be granted to all the members or debenture holders or to any class thereof, it shall be sufficient, so far as the names are concerned to record that fact without giving the names and addresses of the grantees.

E. i Particulars of any preliminary expenses incurred or proposed to be incurred and by whom the same are payable.

ii. The amount or estimated amount of the expenses of the issue and of the application for quotation so far as the same are not included in the statement of preliminary expenses and by whom the same are payable.

F. Particular of any commissions, discounts, brokerages or other special terms granted within the five years immediately preceding the publication of the prospective in connection with the issue of sale of any capital of the company or any of its subsidiaries.

G. Full particulars of the nature and extent of the interest direct or indirect, if any of every director in the promotion of, in any property purchased or acquired by the company or any of its subsidiaries within the five years preceding the publication of the prospectus, or proposed to the purchased or acquired on capital account including:

i. the amount payable or paid in cash, shares or securities to the vendor and where there is more than one separate vendor or the company or subsidiary is a purchaser. The amount so paid or payable to each vendor and the amount if any, payable for goodwill and

ii. Short particulars of all transactions relating to any property which have taken place within five years immediately preceding the publication s of the prospectus.

H. i. The name of any promoter and (if a company) the exchange may require a statement of the issued share capital, the amount paid up thereon, the date of its incorporation, the names of its directors, bankers, or auditors and such other particulars as the exchange may think necessary in connection therewith.

ii. The amount of any cash or securities paid or benefit given within the five years immediately preceding the publication of the prospectus or proposed to be paid or given to any promoter and the consideration for such payment or benefit.

I. In relation to other assets:

i. Land and buildings distinguishing between freeholds and leaseholds and in the latter case the terms of the leases.

ii. Where a valuation or revaluation of assets took place during any of the period reported upon, full disclosure must be made of any surplus arising from such an exercise and its appropriation.

iii. Quoted investment should be valued and in the case of quoted trade investments the names and holdings of the companies in which such investments are made should be stated together with aggregate dividends received in each case.

J. A statement to the effect that no audited accounts have been made up to date subsequent to that of the latest accounts in which the reporting accountant's report is based.

K. In relation to forecast profits: A published letter of the issuing house commenting on the accounting bases and calculations for the profit forecast.

The report shall be by both the Auditors to the company and the independent reporting accounting to the issue except the prior waiver had been received in accordance with paragraph II of the regulations in which event the auditors would be signing in dual capacities.

M. Any other matter which appear to be relevant for the purposes of the report. The above. Requirements are not exhaustive and the stock exchange reserves the right to delete or add.

4.0 CONCLUSION

This unit discusses Unqualified auditor's report the financial statements, which have been prepared on the basis of the accounting policies and Content Of Audit Report.

5.0 SUMMARY

The unqualified auditors report of the financial statements will entertain fraud and corruption.

6.0 TUTOR-MARKED ASSINGMENT

Discuss Unqualified auditor's report and Content Of Audit Report?

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COURSE GUIDE

COP414: COOPERATIVE AUDITING

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INTRODUCTION

Cooperative organizations of various sizes and types, take decisions bothering on auditing of financial statements. The need to provide managers, shareholders, auditors and other users with true and fair view information necessary to take quality decisions cannot therefore be over-emphasized.

Auditing is viewed as a core course in the accounting profession that draws from many other disciplines like financial accounting, law, information technology, etc. a good manager therefore should have a good grasp of cooperative auditing so as to be well equipped in the nature and purpose of audit in cooperative organizations, prepare audit work programme in cooperative societies, understand the detection and prevention of errors and frauds, understanding vouching and verification methods and techniques, understand investigation and inquires in auditing and know the presentation of audit report.

The aim however, is not to turn students of this course to chartered accountants or auditors but to make them relevant in whatever cooperative organization they may find themselves.

2. COURSE AIMS

The overall aim of the course can be summarized as introducing students to the basic concepts, scope and areas of cooperative auditing.

This will be achieved by:

i. Introducing you to nature of auditing, legal requirements and power relating to the auditor.

ii. Treating with you, preparation of audit work and preparation of audit work programmes for various sizes and types of cooperative societies.

iii. Presenting how cooperative auditing is used to achieve prevention, detection and controlling of frauds and errors.

iv. Discussing interest audit and internal control and how vouching and verification techniques were used for voucher transactions and liabilities.

v. Presenting how investigation and inquires were used for records and accounts of the organizations.

vi. Discussing how standard audit reports are being structured.

3. COURSE OBJECTIVES

To achieve the broad aims set out above, the course objective below each of the separate units of the course also has its objectives at the beginning of the unit to help you focus better.

Once you have successfully completed the course, it is expected that you should be able to:

- Define auditing

- Understand the historical background of auditing
- Identify the qualities required in a auditor
- Distinguish between the primary and the secondary objectives of an audit
- List the benefits associated with audit
- Enumerate the duties and power of an auditor
- Describe legal, professional regulation, accounting and auditing standards that guide the auditors
- Identify the various factors that must be considered in the preparation of the audit work
- Describe audit work programme
- Define errors and fraud
- Itemize different techniques of preventing and detecting frauds and errors
- Define internal auditing
- Identify the scope and objectives of internal audit
- Enumerate the guidance for internal auditors
- Define internal control system
- Enumerate the features of internal control system

- Understand the interest limitations in the internal control system
- List the audit procedures, that the auditor required in verifying tangible and intangible fixed assets; prepayment and cash and banks.
- List the general procedures for verifying Accrual and Liabilities
- Identify the substantive procedures that the auditors should undertake in relations to long term loan.
- Define investigation and inquires
- Describe the basic stages and procedures of investigation
- List the basic elements of the auditor's report
- Identify the matters with which the auditors of a limited company implies satisfactions in an unqualified report
- Describe the express references in an auditing requests as required by CAMA 1990

4. STRUCTURE OF THE COURSE

This is a two-credit units course made up of thirty-three study units covering the following seven broad areas of cooperative auditing.

Module 1:Introduction to Cooperative Auditing

Module 1:Introduction to Cooperative Auditing

UNIT 1 : INTRODUCING COOPERATIVE AUDITING

Contents

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Concept of Cooperative

3.1.1 The Definition of Auditing

3.1.2 Types of Cooperatives

3.2 Cooperative Audit

3.2.1 Salient Features of Cooperative Audit

3.2.2 Main Features of Cooperative Audit

3.2.3 Need for Cooperative Audit

3.2.4 Objects of Cooperative Audit

3.2.5 Main Aspects of Cooperative Audit

3.2.6 Duties of a Cooperative Auditor

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References and Further Readings

UNIT 2: THE NATURE AND ORIGIN OF AN AUDIT

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 The Nature and Origin of an Audit

3.2 DUTIES OF COOPERATIVE AUDITORS

4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 3: OUTLINE THE OBJECTS OF AUDIT

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Outline the objects of Audit
3.2 The Objective of an Audit
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

Unit 4: Legal Requirements To The Auditor/Powers Relating To The Audit

1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Legal Requirement to the Auditor
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 5: PREPARATION OF AUDIT WORK

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 Preparation of Audit Work

3.2 FACTORS CONSIDERED IN DEVELOPING OVERALL AUDIT PLAN

3.3 Audit work programme for various sizes and types of cooperatives societies

4.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

UNIT 6: DEFINITION OF FRAUDS AND ERRORS

1.0 INTRODUCTION

2.0 OBJECTIVE

3.0 MAIN CONTENT

3.1 Definition of Frauds and Errors

3.2 Frauds and Errors Detection in various sizes and types of the cooperatives societies

4.0 CONCLUSION

5.0 SUMMARY

6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

Unit7: PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 PROCEDURES FOR PREVENTION OF FRAUD AND ERRORS
3.2 CONDITIONS OR EVENTS WHICH INCREASE THE RISK OF FRAUD AND ERROR
3.0 CONCLUSION
4.0 SUMMARY
5.0 TUTOR-MARKED ASSINGMENT
6.0 REFERENCES/FURTHER READINGS

UNIT 8: INTERNAL AUDIT
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 INTERNAL AUDIT
3.0 SCOPE OF INTERNAL AUDIT
3.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 9: GUIDANCE FOR INTERNAL AUDITORS
1.0 INTRODUCTION
2.0 OBJECTIVE

3.0 MAIN CONTENT
3.1 GUIDIANCE FOR INTERNAL AUDITORS
3.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 10: DEFINITION OF INTERNAL CONTROL
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 DEFINITION OF INTERNAL CONTROL
3.2 FEATURES OF INTERNAL CONTROL
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 11: LIMITATIONS OF INTERNAL CONTROLS
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 LIMITATION OF INTERNAL CONTROL
3.2 MEANNING OF VOUCHING AND VERIFICATION
3.3 Verification of Voucher Transactions
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT

7.0 REFERENCES/FURTHER READINGS

UNIT 12: AUDIT PROCEDURES FOR PREPAYMENTS
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 AUDIT PROCEDURES FOR PREPAYMENTS
3.2 Audit Procedures for Cash In hand and Bank
3.3 VERIFICATION OF LIABILITY
3.4 Verification of Sundry Accruals
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 13: DEFINITION AND SCOPE OF INVESTIGATION
1.0 INTRODUCTION
2.0 OBJECTIVE
4.0 MAIN CONTENT
3.I DEFINITION OF INVESTIGATION AND ENQUIRIES
4.0 CONCLUSION
3.0 SUMMARY
4.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS
Unit 14: Introduction to Audit Report
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT

3.1 Introduction - Definition of Audit Report
3.2 Objects of Audit Report
3.3 The Essential Features of Audit Report
4.0 CONCLUSION
4.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

UNIT 15: STANDARD FORMATS OF AUDIT REPORTS.
1.0 INTRODUCTION
2.0 OBJECTIVE
3.0 MAIN CONTENT
3.1 Unqualified auditor's report
3.2 Content Of Audit Report
4.0 CONCLUSION
5.0 SUMMARY
6.0 TUTOR-MARKED ASSINGMENT
7.0 REFERENCES/FURTHER READINGS

5. ASSESSMENT

There will be two aspects to the assessment of the course:

(a) Continuous assessment-tutor marked assessments.

(b) Written examination of two (2) hours duration.

6. TUTOR MARKED ASSIGNMENT (TMA)

In attempting the assignments, students are expected to utilize the information gathered during the course. Each assignment, should be submitted to your assigned tutor at a date to be decided by the National Open University of Nigeria Authority, on a separate file. The assignment will count for 50% of the total course mark.

7. EXAMINATION

The final examination for the course will be of two hours duration and account for 50% of the total course grade.

Typically, all areas of the course will be assessed during examination.

8. SUMMARY

This module/unit serves as a comprehensive guide to cooperative auditing. The discussion centers on nature and purpose of audit in cooperative organizations, prepare audit work programme, understand the detection and prevention of errors and frauds, understanding vouching and verification methods and techniques. The high point of the unit was the understand investigation and inquires in auditing and know the presentation of audit report.