**1.) AUDITING OF THE TRADE UNION ACCOUNT**

**1.1) INTRODUCTION AND DEFINITION OF AUDIT**

Audit is a search for evidence to arrive at what the auditors perceives to be truth. It is an act of gathering evidence that is sufficient and appropriate to prove a given situation, to achieve objectives set for the purpose within accounting. Audit can qualify as a means to prove that information prepared by a given organization so can be relied on by the public and regulatory bodies.

1.2) Within the Trade Union ACT CAP 437 Laws of the Federation of Nigeria 1990 ACT Cap T14 Laws of the Federation of Nigeria 2004, audit is captured under Part IV – Accounts and Returns to be sent to the Registrar. Every registered Trade Union must prepare Financial Statements which will be audited and filed as returns in line with Sections 37 and 39 of the Act.

1.3) Therefore, the auditor in this case spends time searching for evidence within the Trade Union’s organization’s record, sufficient and appropriate documentary evidences to form a professional opinion as to whether records examined by them give a true and fair (not exact) view on the organisations financial information. In this case it is not uncommon for medical audits to be carried out to ensure that medical treatment are or have been appropriate.

1.4) With the hospital environment, standard of health care are a real concern to doctors who send their patients to other specialist hospitals for treatment and, of course, to the patients themselves.

1.5) Audit of Financial statements is in essence, an exercise whose objective is to enable auditors to express an opinion whether the financial statement give a true and fair view of the organization’s affairs at the end of its income and expenditure for the period ended and have been properly prepared in accordance with the applicable reporting framework i.e. relevant legislations and applicable accounting standards.

**2) JUSTIFICATION OF AUDIT.**

**2.1)** By the intervention of audit, the value of the information on an account improves (information hypothesis). Auditors are required because the value of information subjected to an audit are more reliable and as a consequence more useful to decision makers and regulatory agencies to evaluate true performances in line with requirements of the law.

2.2) We have sections of the Act that attracts the attention of the auditor in the financial reporting requirements; Section 16 – Trade Union funds not be used for certain proceedings, Section 18 –   
 Payment of Trade Union dues to the Central Labour Organsation, Section 19 – Injunction to restrain misappropriation of funds of Trade Union, etc. Financial Statements audited by a qualified auditor would normally be regarded as more reliable then an unaudited statement. Therefore audit produces an economic and social benefit.

The crowning factor is that an auditor is guided by certain principle in the execution of his assignment which include  
1) Independence: The auditor is not a member officers or official of the Trade Union

organization that he/she audits.

2) Accountability: The auditor will act in the primary interest of the Trade Union organization that engages him/her whilst having regards to the wider public interest. The laws of Federation of Nigeria and conventional practices.

3) Integrity: Auditors act with integrity, fulfilling their responsibility with honesty, fairness and   
 truthfulness.

4) Competence: Auditors act with professional skill derived from their qualification, training and   
 practical experience.

**3.) THE SEARCH FOR EVIDENCE EXPLAINED**  
A lot of judgement is exercised by the auditors in achieving sufficient and appropriate audit evidences. The auditor is guided by set standards due to the development of appropriate audit programme.

3.1 The auditors search to obtain sufficient appropriate audit evidence to enable him/her draw

reasonable conclusion on which to base the audit opinion is a requirement operated and guided by International Standards (the Statement of Auditing Standards, Laws of the Federation of Nigeria etc). It brings us these key words SUFFICIENT and APPROPRIATE evidence.

3.2) The reliability of audit evidence is of importance to the auditor, certain guidelines have

evolved our time as veritable tools in accessing evidence reliability.

1. Evidence from independent third party is considered good evidence. Upon purchase of a calculator from the local store a well executed receipt which bear evidence of cash paid (not invoice) should be made brought from the store that captures the essence of the transaction instead of a customized receipt made in-house. In practice, certificate on honour can be raised for other instances in which it is practically impossible to obtain third party collaborative receipts. A mere acknowledgment on the face of voucher is not considered solid good evidence. Acknowledgement for allowances, salary and other payment attached to emoluments are fine but this requires further explanation.
2. Evidence created in the ordinary course of business is good evidence and better than

evidence specifically created to satisfy the auditor. The auditor is mindful that only   
 arms length transactions give rise to authentic receipts

1. Written evidence is of greater value to the auditor than oral evidence. Oral evidence

should be aided by technology as recorded devices to serve as acceptable.

4) Properly established and tested system of control enhance the reliability of   
 evidence derived from them.

4.) **AUDITING AND SYSTEMS WORKS**4.1)Every audit concentrates on the system of control deployed by the Trade Union   
 organization to ensure that the organization runs smoothly, with minimal crisis and error.

4.2) A vivid example is that every trustee within Trade Union organization cannot be available at

all times to run administrative requirements necessary to keep the office going. They therefore delegate jobs to subordinates in a bid to ensure that check-off dues are collected, and lodged to bank interest, that cheques are encashed and disbursed as authorized, that files are maintained properly, etc.

4.3) In achieving this level of less crisis, less errors etc trustee try to control the activities of their

subordinates to ensure that check-off dues are collected on time and lodged to the appropriate bank account, that bank cheques are enchased in the approved sum and paid strictly as approved and that files are maintained chronologically, in a neat and meaningful manner. This delegation is called internal control system.

4.4) Every audit is concerned with the strength of this internal control structure within every organization. A weak system of internal control will require more job from the auditor but a strong system of internal control means that the auditor will execute less checks and rely more on the product of such strong system of control.  
An example to drive a car from Abuja to Kaduna the driver must control the car to arrive the desired destination.   
He will march the break to stop the car, he will turn the steering to negotiate a bend etc. In doing this, the driver controls the vehicle to the destination.

The same applies to controlling the activities of your transactions. Once the activities of your transaction are not controlled your operations will run into crunis. The auditor is interested in the control of features of your operation.

Audit will go on two platforms depending on the judgement of the auditor. It could either be a 100% verification and vouching of receipt and payment or a evaluation of the system of control that govern the creation of financial summary.

With a 100% verification and vouching approach, the concerns of the auditors will center but not limited to the following.  
1) Receipt of money via cash cheque, e-payment (POS, Transfer, etc). The interest of   
 the auditor will be to review the duplicate sheet that captures the transaction.

The points of concentration shall be:  
- That the date on the receipt is appropriate, it marches with the date the sum was lodged to bank   
 in particular and the date the sum was received.  
- That this receipt properly identification the payer. A distinct identification of payer entails the full name of payer or his/her designation together with an identifiable business address or residential address.  
- That the duplicate receipt identifies the sum received in figure and words for cash, it should show a breakdown of the sum into denomination as cash proof. For cheques/bank draft, it should indicate details on the face of the cheque; the date, issuing bank cheque number.  
- Evidence that the original receipt is delivered directly to the correct payer.  
- For e-payments, it is also fundamental that receipts is issued and posted to the correct payer.

The auditor will show interest in the  
- Chronological use of receipt number  
- The related lodgement tellers that routes particular receipt to the bank.  
- The fact that the entire sum was lodged to bank intact.

* The appropriateness of the bank in which the sum was lodged.

- The custody of the receipt booklet.  
- Witness to the transaction  
- The sufficiency of the sum received.

In case the volume of the transaction is much, the auditor may request for a schedule of all sum received within given period, he will test on a sample basis for consistency, appropriation and sufficiency as exemplified above and he will run a system audit to evaluate the reliability of the system that resulted in the figure on the schedule.  
With a system audit, the concern of the auditor will be the strength of the control system, how well the structure of internal control around the environment, recording and accounting serves the need.

Specifically, the areas of concern will be a control conscience structure around.  
- The existence of a well laid out organization structure that spells out reporting responsibilities, who reports to whom within the receipt function.

- The division of responsibility in such a way that one persons job serves as a check on   
 the work of another. Separation of duties between the person that receives many and   
 the person who lodges to bank.