

PROFILE AND EVALUATION OF THE ACCOUNTING AND INTERNAL CONTROL SYSTEMS OF SMALL AND MICRO COOPERATIVES IN ILOCOS NORTE, PHILIPPINES

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RATIONALE

Concerns that led to the conduct of the study:

External auditors are confronted with the following:

1. Instead of conducting audits, they bookkeep and prepare financial statements;
2. Accountability of personnel especially those handling cash cannot be fairly ascertained;
3. Authenticity of transactions is doubtful due to lack of supporting documents and system of authorization and approval.

RATIONALE

The main source of internal conflicts is on finances due to:

1. Inadequate records to construct financial reports that are especially needed for decision making;
2. Accountability for losses cannot be pinpointed to particular officer/s or employee/s;
3. Stakeholders' observe good operating performance but results show otherwise.

OBJECTIVES OF THE STUDY

General:

Evaluate the existing accounting and internal control systems of small cooperatives to be able to provide recommendations for improvement and initiate interventions.

OBJECTIVES OF THE STUDY

Specific :

1. Identify the existing accounting and internal control system, if any, and compare them to an established ideal system.
2. Determine operating performance patterns and relate to existing accounting and internal controls systems.
3. Recommend improvement based on the identified deviations of the existing system against the ideal system.
4. Initiate interventions based on the recommended improvements.

METHODOLOGY

Research design: Descriptive

Sampling: Purposive
- cooperative operating at least five years (i.e., 2005 - 2009)

- 30 small and micro cooperatives
15 credit
15 consumer

FINDINGS

1. Except for some government offices-based credit cooperatives, majority of the subject cooperatives are inadequate on the following aspects :

- Competence of personnel involved in the accounting process;
- Proper use of essential documents and forms evidencing transactions; system of authorization and approval in such documents and forms;

FINDINGS

▪Good practices that safeguard assets, assure reliance on accounting data and statements, promote responsibility and accountability and compliance to established policies and procedures:

- Cash control
- Regular update of books of accounts
- Checking of computation accuracy
- Recognition of accruals and deferrals
- Sales and accounts receivable control
- Inventory and purchase/expense control
- Periodic preparation of financial statements
- Other good internal control practices

FINDINGS

2. The effects of the internal control weaknesses observed generally have direct bearing on the operating performance and financial position of the cooperatives.

CONCLUSIONS

1.The inadequacies of the accounting and internal control systems have failed to give accurate financial pictures that should serve as bases for sound economic decisions;

2.The absence of an acceptable records system and adequately trained personnel who are involved in the accounting process is taking toll on the reporting compliance of the cooperatives;

3.Cooperatives with better accounting and internal control systems especially those having adequately prepared personnel (including the board of directors and committee members) have better operating performance.

RECOMMENDATIONS

1.There is a need to develop and accounting and internal control system for the small and micro cooperatives.

2. The personnel involved in the accounting processes should be trained taking into consideration their intellectual capacity and learning phase. On the job-training may be better rather than the traditional 2-3 day crash courses. control system established.

RECOMMENDATIONS

3. An accounting and internal control system should be installed and its implementation monitored.

4. The cooperatives should be encouraged to develop an operations manual that shall embody the accounting and internal control policies as well as administrative controls that shall include the code of conduct and discipline among employees and cooperative members to strengthen the accounting and internal control system established.

CURRENT INITIATIVES AND INTERVENTIONS

1. An instructional and training material for personnel involved in the accounting process was developed and currently in use in the undergraduate (i.e., cooperative accounting and auditing courses in the Cooperative Management program) and in the training of personnel involved in the accounting process;
2. On the job training is being conducted to personnel in some the cooperatives that were the subjects of the study; likewise accounting and internal control systems were installed and periodically monitored.
3. Volunteer students in the undergraduate were trained to assist in the training and installation of accounting and internal control systems in the cooperatives.

THANKYOU