



Online Webinars
**INTERNAL
CONTROLS**

"8 POWERFUL SESSIONS"

THURSDAYS
05 MAY - 30 JUNE, 2022
10:00 AM - 12:00 AM

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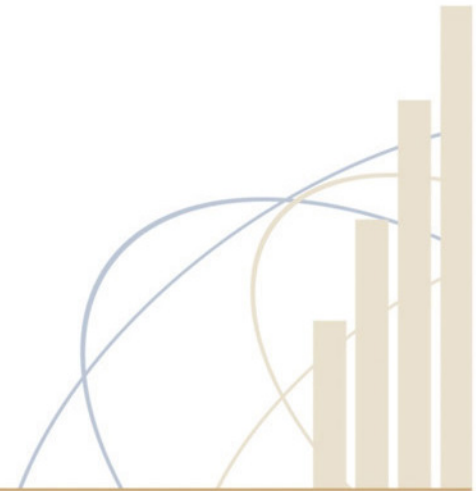
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PROFILE: Ayanda Mati

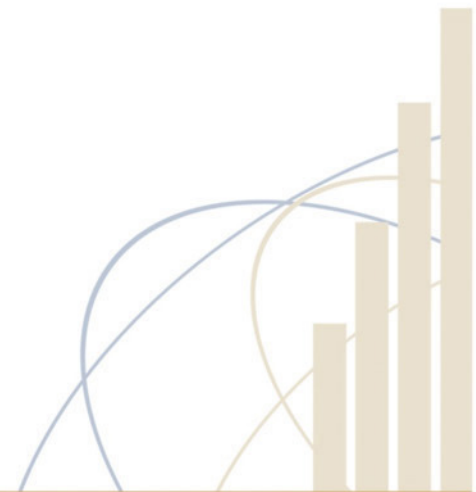


- ✓ **Chief Audit Executive at Langeberg Municipality, WC;**
- ✓ **Director at Strato Ventures (Pty) Ltd;**
- ✓ **Completed SAICA articles at the AGSA;**
- ✓ **BCom – Accounting (UWC); PGDA – Applied Accounting Sciences (UNISA);**
- ✓ **Currently completing MCom – Computer Auditing (US);**
- ✓ **Memberships: Associate member of IIA and SAICA;**
- ✓ **Interested in motorsport, cricket and African History.**



OUTLINE: Creating the right environment to implement controls successfully

- ✓ **Fundamentals of controls**
- ✓ **What is a right environment to implement controls?**
- ✓ **Drivers of internal controls**
- ✓ **Role of governing Body, management and other role players**
- ✓ **Key message**



The Oxford dictionary defines the word *control* (Pronunciation: /kən'trəʊl/) as:

- ✓ “the power to influence or direct people's behaviour or the course of events.” (Noun)
- ✓ Similar: “Supervision”, “Authority”, “Command”, “Guidance”, “Management” or “Leadership”
- ✓ “determine the behaviour or supervise the running of.” (Verb)
- ✓ Similar: “Be in charge of”, “Supervise”, “Manage” or “Oversee”
- ✓ This demonstrate that in an organisation there are certain individuals with a responsibility to create the right operating environment;

What is a right environment to implement controls?

- ✓ **Control environment**: Set of actions taken by management that set the tone for how employees engage in their day-to-day activities;
- ✓ **Highest level in the organisation (Top down approach)**;
- ✓ **Characteristics of the right environment to implement controls**:
 1. **Integrity and ethical values**: Code of conduct, which indicates best business practices, good ethical behaviour; should be known and accessible to everyone.
 2. **The commitment to competence**: Level of skill required for each specific job should be clearly defined.
 3. **Leadership philosophy and operating style**: Management's attitudes towards the organization objectives; the approaches to minimize the risks; exploiting opportunities; and attitude toward internal controls and innovative ways of doing things.

What is a right environment to implement controls?....Continuation

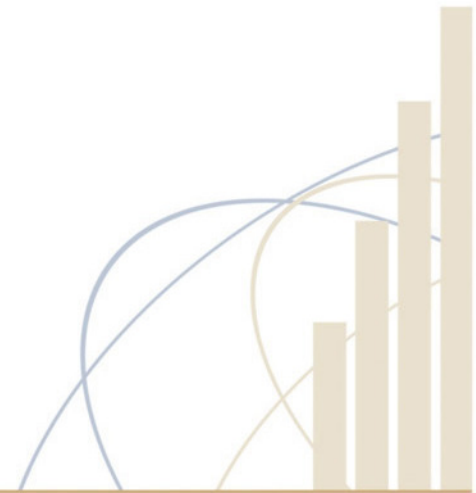


4. **Assigning authority and responsibility:** All employees should know their job description; clear delegations of authority.
5. **Organizes and develops its people:** Reporting lines should be clear & respected; should be in line with the size of the organisation; continuous training & development of employees, and performance management.
6. **Policies and procedures:** Clear, written policies to guide actions of employees; policies should be accessible to everyone; standard operating procedures should be documented and should also cover contingency plans and business continuity management in case of emergencies.

Drivers of internal controls....Continuation

Leadership

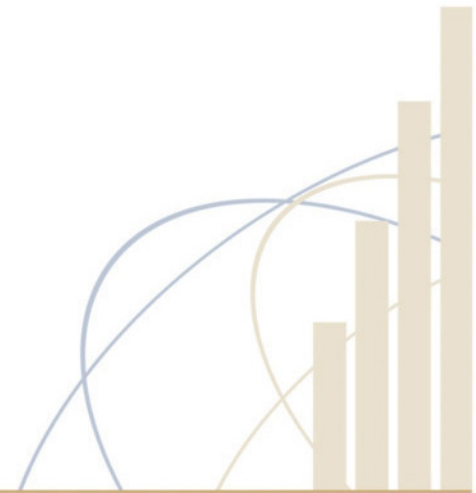
- ✓ **Effective leadership culture**
- ✓ **Oversight responsibility**
- ✓ **HR Management**
- ✓ **Policies and procedures**
- ✓ **Audit action plans**
- ✓ **IT Governance**



Drivers of internal controls...Continuation

Financial and performance management

- ✓ Proper record keeping
- ✓ Processing and reconciling control
- ✓ Regular reporting
- ✓ Compliance monitoring
- ✓ IT system controls

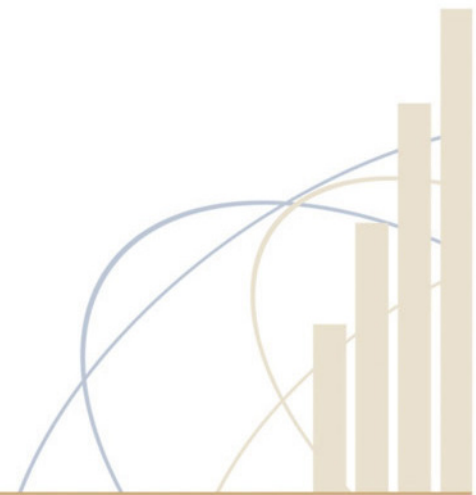


Drivers of internal controls



Governance

- ✓ Risk management
- ✓ Internal audit
- ✓ Audit committee



Role of governing body, management and other role players



Governing body (Overview of King IV 17 principles)

- ✓ Lead ethically and effectively;
- ✓ Govern the ethics of the organisation in a way that supports the establishment of an ethical culture;
- ✓ Ensure that the organisation is and is seen to be a responsible corporate citizen;
- ✓ Appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process;



Role of governing body, management and other role players



Governing body (Overview of King IV 17 principles)

- ✓ Ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects;
- ✓ Serve as the focal point and custodian of corporate governance in the organisation;
- ✓ Comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively;
- ✓ Ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties;

Role of governing body, management and other role players



Governing body (Overview of King IV 17 principles)

- ✓ Ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness;
- ✓ Ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities;
- ✓ Govern risk in a way that supports the organisation in setting and achieving its strategic objectives;
- ✓ Govern technology and information in a way that supports the organisation setting and achieving its strategic objectives;

Role of governing body, management and other role players



Governing body (Overview of King IV 17 principles)

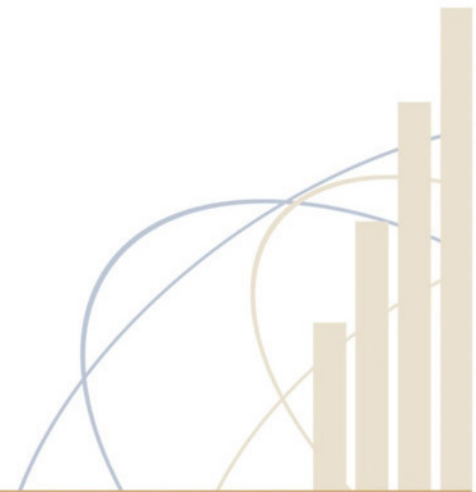
- ✓ Govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen;
- ✓ Ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term
- ✓ Ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports;
- ✓ Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time;

Role of governing body, management and other role players



Governing body (Overview of King IV 17 principles)

- ✓ **Ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests**



Role of governing body, management and other role players



Management

- ✓ Responsible to maintain effective internal controls by:
 1. Maintain adequate policies and procedures;
 2. Communicate these policies and procedures; and
 3. Monitor compliance with policies and practices.

Risk Management

1. Effective risk management process assist management to identify, assess and control negative events & exploit positive events in achieving the objectives of an organization.
2. There must be adequate capacity and resources to implement effective risk management;
3. Risk management framework must be established and implemented.
4. Risk management strategies should be clearly defined

Role of governing body, management and other role players



Internal Audit

- ✓ Responsible to provide assurance, advice or insight on:
 1. Internal controls;
 2. Risk; and
 3. Governance.

Audit Committee

- ✓ Provide oversight of the financial reporting process, the organization's financial reporting process, the audit process, the risk management process, the system of internal control; and compliance with laws & regulations.



Key message

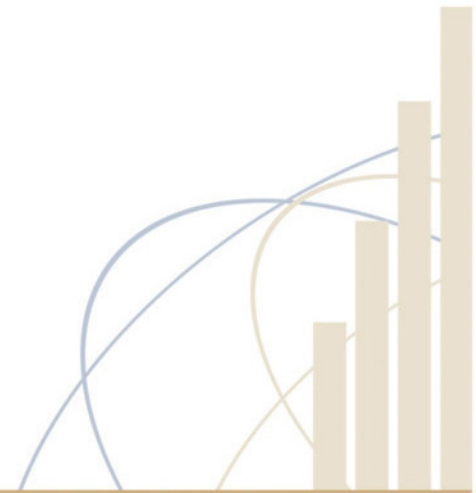
The right environment to implement controls successfully;

- ✓ **Control environment: Set of actions taken by management that set the tone for how employees engage in their day-to-day activities;**
- ✓ **Top down approach;**
- ✓ **Having the following characteristics:**
 1. **Integrity and ethical values,**
 2. **The commitment to competence,**
 3. **Leadership philosophy and operating style,**
 4. **Assigning authority and responsibility,**
 5. **Organizes and develops its people, and**
 6. **Policies and procedures.**
- ✓ **Need to pay attention to drivers of internal controls;**
- ✓ **All role players should play their part.**



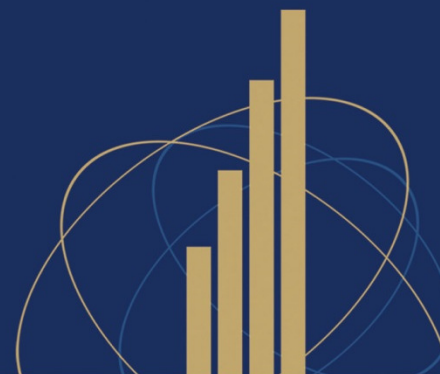
Questions, comments and inputs

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Thank You!



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