

- 6 POWERFUL SESSIONS -

FINANCE POLICIES & OPERATING PROCEDURES



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FRIDAYS 25 FEB – 01 APR, 2022
10:00 – 12:00



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Finance policies and operating procedures

- ✓ **Week 1:** Update your policies without consultants
- ✓ **Week 2:** Document a process flow aligned to the policy
- ✓ **Week 3:** Document the standard operating procedures aligned to the policy
- ✓ **Week 4:** Review standard operating procedures for effectiveness and internal controls
- ✓ **Week 5:** Building performance targets and reporting standard operating procedures
- ✓ **Week 6:** Monitoring the implementation of standard operating procedures





4. Review standard operating procedures for effectiveness and internal controls



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Week 3: Presenter

Noeline Slogrove

[B Com, MBA, Post-grad Diploma in Risk,
Fellow member of Inst. Directors, Member of IRMSA]



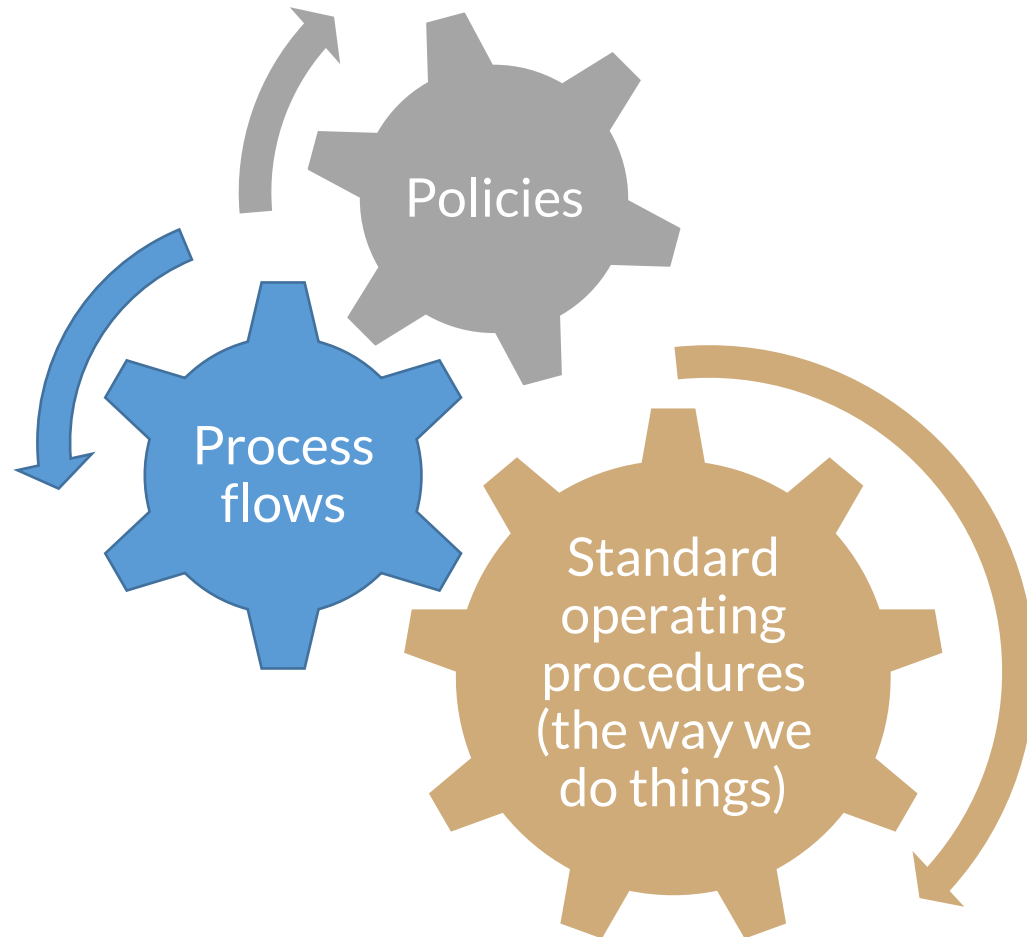
Week 4: Outline

- ✓ Review standard operating procedures
- ✓ Link between standard operating procedures and internal controls
- ✓ Background to internal controls
- ✓ Limitations of internal controls
- ✓ Update the standard operating procedures
- ✓ Discussion of your questions

Reviewing standard operating procedures

✓ When to review:

- Less than ideal output of a procedure
- Bottlenecks
- Frustrations
- Policy changes
- New systems
- Periodic reviews
- Continuous improvement
- Change in policy
- Change in process flow
- Change in conditions
- Staff changes
- Change in expectations
- Audit report outcomes
- Internal audit reports



Reviewing standard operating procedures

✓ 5 W's:

- **Who**
 - Performs each activity
 - Receives the outcome of the activities?
- **What**
 - Activities are performed?
 - Forms and reports are used?
 - Computer systems and files are used?
 - Is the sequence of activities?
- **When**
 - Are the activities performed?
 - Is the timing of the activities?
 - Is the frequency of the activities?
- **Where** are the activities performed
- **Why** are the activities performed?

Will any changes to the process increase the efficiency of the process or firm up controls?



Reviewing standard operating procedures

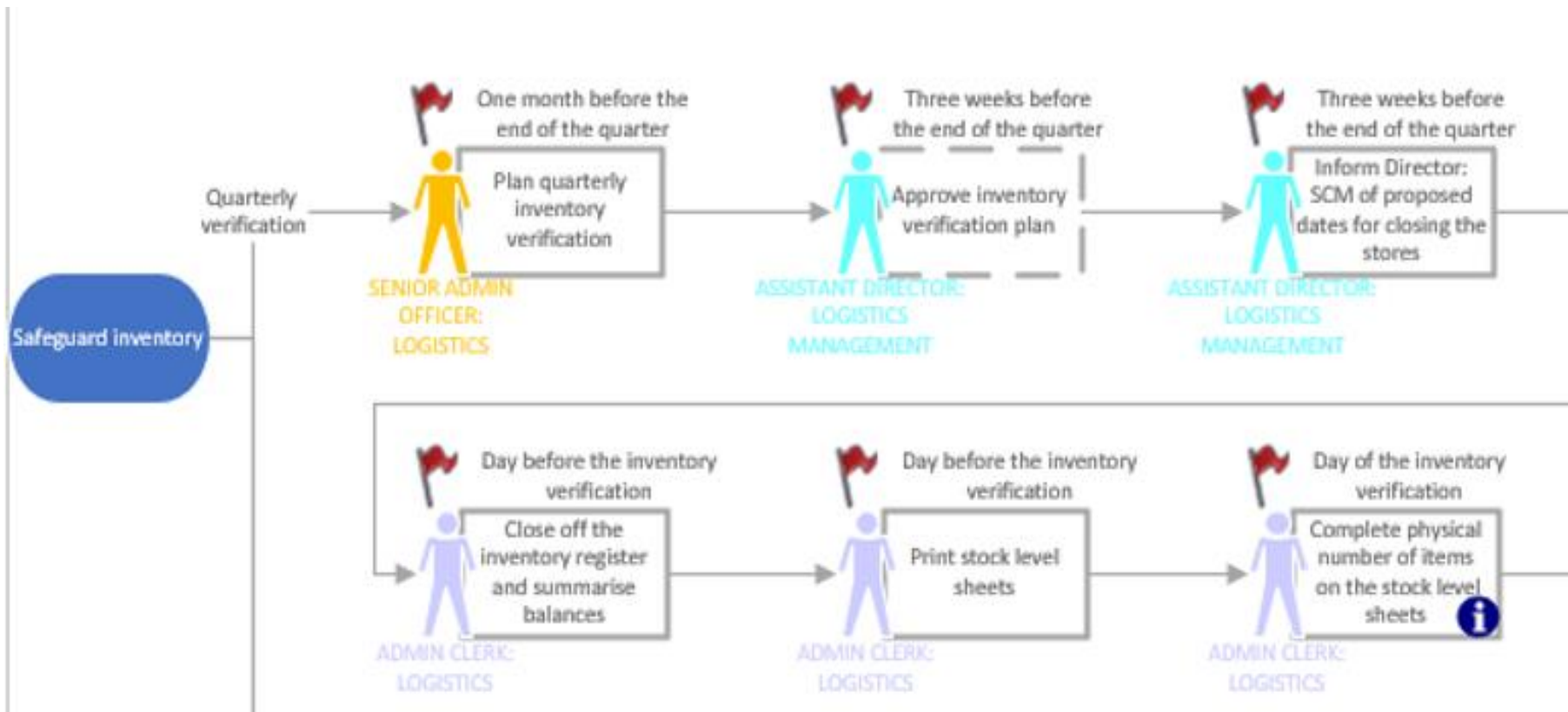
✓ Review the document and look out for:

- Consecutive steps performed by the same person
- Documents (steps) that loop back
- Bottlenecks
- Reconciliations
- Control effectiveness

No material
weaknesses

Look out for lists of daily, weekly, monthly and annual reconciliations in the Routine Accounting chapter of the CIGFARO Handbook and include these in the standard operating procedures

Example: Reviewing standard operating procedures



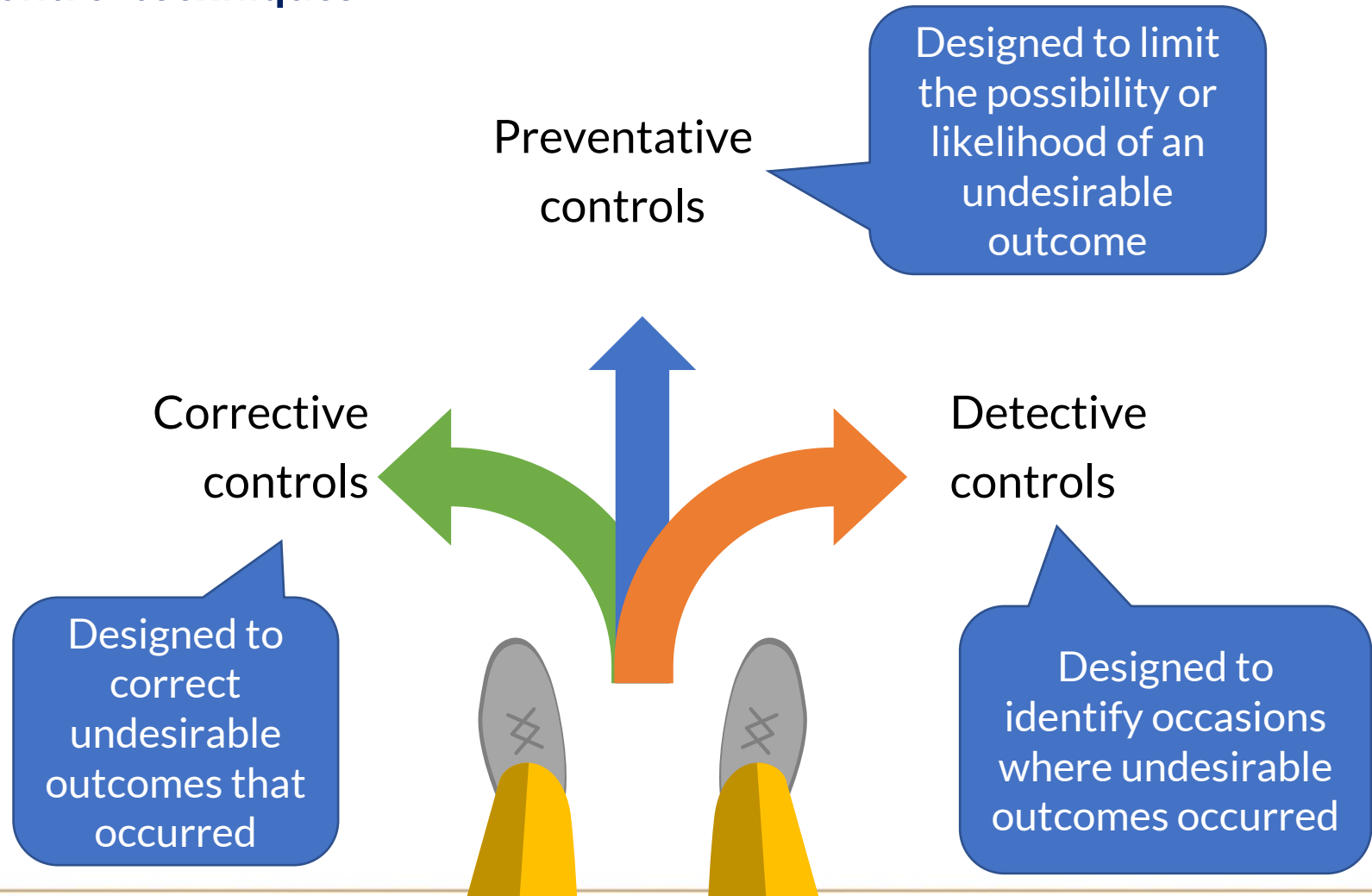
Link between standard operating procedures and internal controls

- ✓ **Internal controls ensure adherence to standard operating procedures**
- ✓ **Standard operating procedures ensure that internal controls are executed**
- ✓ **Both serve to prevent and detect errors and fraud**

Standard operating
procedures include
internal controls

There is still a
chance for human
error!

✓ Control techniques



Example: Internal control techniques

✓ Preventative control

- The Human Resources department sends out a calendar of payroll cut-off dates at the beginning of the financial year

✓ Detective control

- A bank reconciliation detects errors and omissions in the cash book

✓ Corrective controls

- A disciplinary process to ensure consequence management

More examples and information in the CIGFARO handbook's chapter on internal controls

✓ Control activities

- Segregation of duties
- Transactions are recorded timely
- Cash is deposited timely
- Assets are physically safeguarded
- Transactions are performed by authorized personnel only
- Reconciliations are properly and promptly recorded

Build these into
the standard
operating
procedures

Example: Detective controls for payroll

✓ Control activities

- Search for fictitious employees
- Determine improper alterations of amounts
- Verify that tax deductions are calculated properly
- Examine timesheets and trace to payroll records to verify employee hours
- Verify accuracy of pay rates by comparing a list of authorised pay and extra pay rates with resolutions
- Changes to banking details are verified with supporting documents
- Determine if proper payroll forms are in place
- Payroll reconciliations and clearing control accounts
- ... and some more

Detective controls help ensure that the errors and fraud in payroll would be detected timely

Limitations of internal controls

- ✓ Cost implications and budget constraints
- ✓ Tend to be directed at routine transactions rather than non-routine transactions
- ✓ Still a potential for human error
- ✓ Possible to circumvent internal controls with collusion
- ✓ Persons responsible for internal controls may use the responsibility to override or circumvent the controls
- ✓ Controls may become redundant when conditions change
- ✓ New controls may be needed when conditions change



Update the standard operating procedures

- ✓ Design effective internal controls
- ✓ Make sure that the benefit outweighs the cost
- ✓ Check again for inefficiencies
- ✓ Follow review process



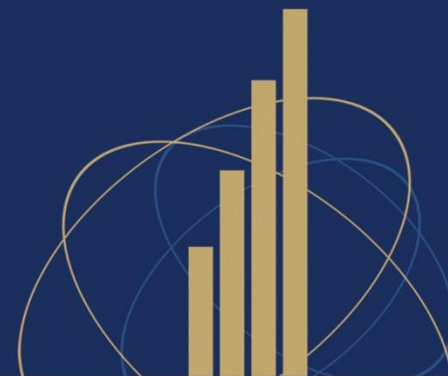
Make sure that you not
have unintended
consequences!

Questions?





Thank You!



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A photograph of three business professionals in a meeting. A woman in the foreground is looking towards the camera with her hands clasped. Two men are seated behind her, looking towards the left. A grey speech bubble is overlaid on the left side of the image.

Next week's
session

5. Building performance targets and reporting standard operating procedures



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