

**Standard Operating Procedures
“SOP” &
Risk and Control Matrix “RACM”**

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SOP: THE 5 W'S

What are SOP's?

- SOP is a set of written instructions that document a routine activity within your company/ division/ workgroup

Who needs SOP's?

- Anybody who performs the work

When do you use SOP's?

- Everyday, During Audit / Risk Assessment

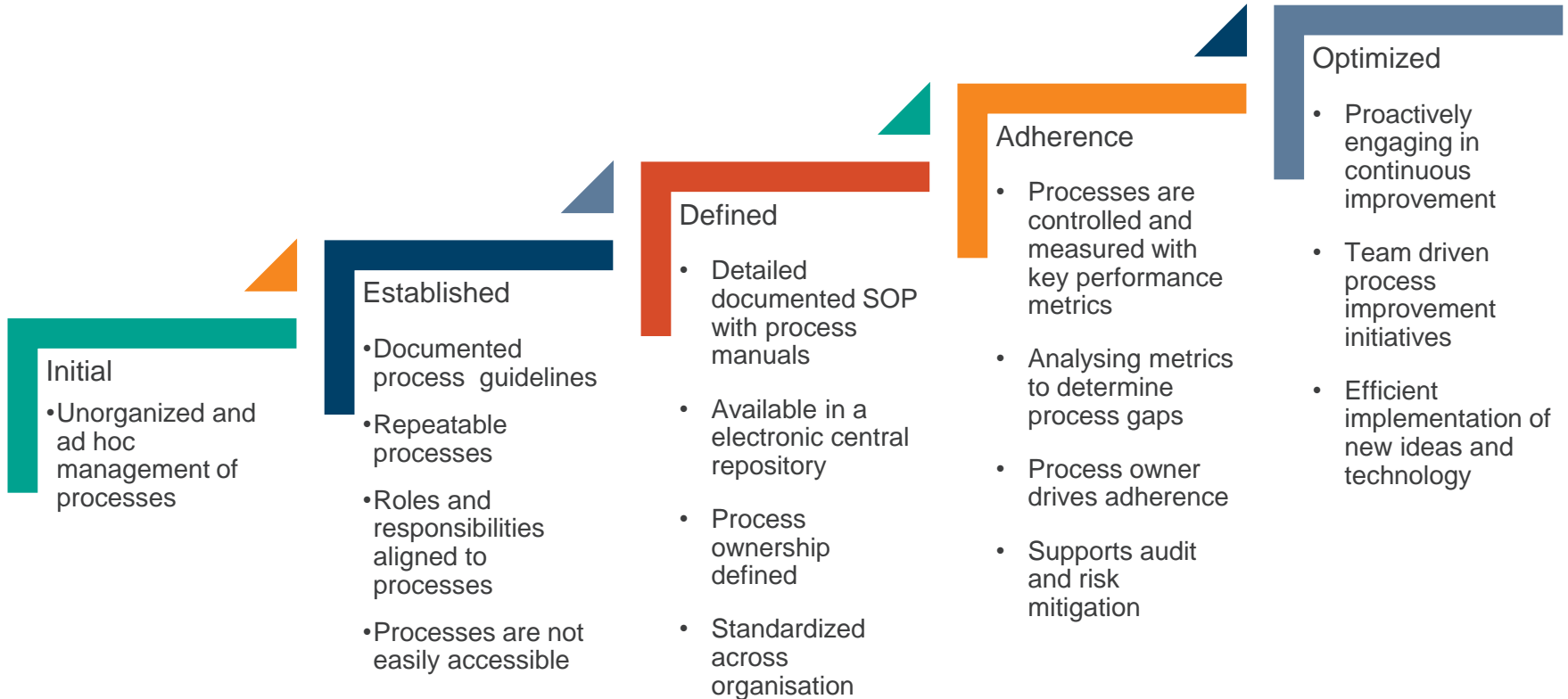
Where do you use SOP's?

- Training to staff, Guiding staff in daily process, Review of control

Why are SOPs important?

- Describe how to perform routine, Standardize working procedures, Consistency, Document for staff training

ACHIEVE PROCESS MATURITY



WHAT IS RISK AND CONTROL MATRIX (RACM)

What is Risk?

- In general, risk is defined as the possibility that an **event will occur**, which will impact an organization's **achievement of objectives**.
- **Business Risk:** A threat that an event or action will adversely affect an organization's ability to maximize stakeholder value and to **achieve its business objective**.

What is Internal control?

- Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance on **effectiveness and efficiency of operations, reliability of financial reporting** and **compliance with applicable laws and regulations**.

Risk Example

Risk of Plant Breakdown due to lack of timely maintenance.

Control Example

Detailed Preventive Maintenance schedule is prepared and undertaken to ensure periodic maintenance of all equipments

What is RACM?

- RACM is a **powerful tool** that can assist an organization in identifying, ranking, and **implementing risk-mitigation controls**.
- It's a **repository of risks** that pose a threat to an organization's operations, **as well as the controls in place to mitigate those risks**.

DOCUMENTING RISK & CONTROL

RISK AND CONTROL MATRIX

<Process Name>

Specific tasks within the Mega Process (For e.g Accounts Payable)

Mega Process - Order to Cash (OTC), Procure to Pay (PTP) or Financial Statement Close (FSCP)

Control Objective Response - Ensure control response includes:

- **What** is the control
- **Who** performs (title and function)
- **How** often performed,
- **Who** reviews (title and function)
- **Where** in the cycle flow does the control exist (cross reference to cycle flow)

Major Process No.	Major Process	Sub Process	Risk #	Risk Description (What Can Go Wrong)	Control #	Control Description
			R1		OTC.01	
			R2		OTC.02	
			R3		OTC.03	
			R4			

Specific tasks within the Process or Major process (For e.g Vendor Reconciliation)

Risk description

Control description

DOCUMENTING RISK & CONTROL

Independent Company (IC) Name:	
Location:	
Status:	Select a status...

Risk of material misstatement (Yes, No, N/A)	ASSERTIONS (check all that apply)					Control Evidence	CONTROL DETAILS					
	Existence/ Occurrence	Completeness	Valuation/ Allocation	Rights/ Obligations	Presentation/ Disclosure		Process Owner (include title)	Frequency of Control	Control Method (Manual / Automated)	Supporting IT Applications and/or System	Control Nature (Prevent - P, Detect - D)	Key Control? (Yes, No, N/A)

"Y" for Yes and "N" for No

Against each control specify:

- Control Owner
- Control Evidence – Absence of evidence indicates no control

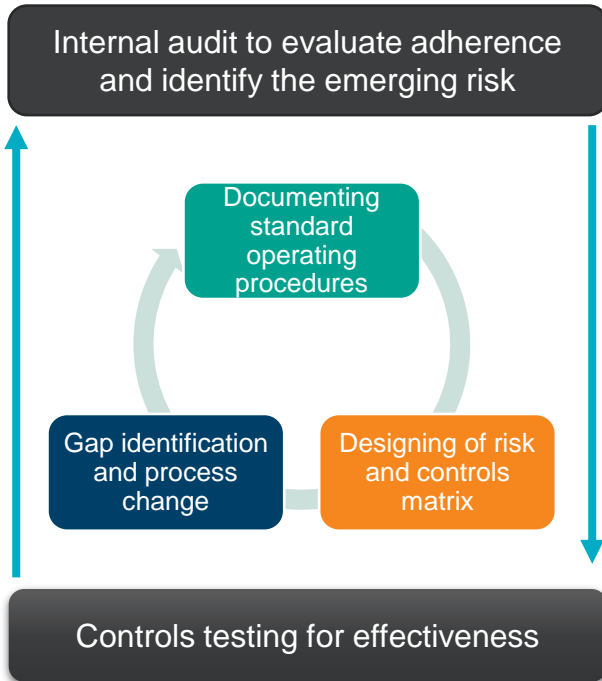
Event Driven
Daily
Monthly
Quarterly
Annually

Manual
Automated
IT Dependent

Preventive
Detective

Key/ Non-Key
Controls

INTERPLAY OF RACM AND SOP



Areas where RACM depends on Standard Operating Procedures

RACM Element	SOP Dependency
Control Description	Brief of process followed and documented in SOP
Control Owner	Responsible personnel for control
Control Frequency	Interval at which control is performed
Reviewer in control	Personnel who is reviewer under mentioned controls
Determination of Control Type/ Method	SOP helps determining whether control is manual or auto / detective or preventive.

RACMs enabling

RACM	SOP Enhancement
Process gaps and risk	Creation of SOP or enhancement of current document to ensure minimization of risk

COMMON MISTAKES IN DRAFTING SOP

Lack of Clarity

The language used in the SOP should be clear and concise. Avoid using technical jargon or complex words that may be difficult for the reader to understand

Failure to Include Necessary Information

An SOP should provide all the necessary information required to carry out a specific process or task.

Inconsistencies

Ensure that the language used in the SOP is consistent throughout the document.

Lack of Accessibility

An SOP should be easily accessible to everyone who needs to use it.

Failure to Update

It is important to regularly review and update SOPs to ensure that they reflect the most current practices and procedures.

Lack of Testing

Before finalizing an SOP, it is important to test the process or task to ensure that the steps and procedures are accurate and effective.

Lack of Feedback

Soliciting feedback from stakeholders can help to ensure that the SOP is clear, complete, and effective

KEY ISSUES IN DRAFTING RACM

Identifying All Relevant Risks

To create an effective RCM, it is important to identify all the relevant risks associated with a process, system, or activity.

Mapping Risks to Controls

The RCM should clearly map risks to the corresponding controls that are in place to manage those risks

Ensuring Controls are Adequate

Each control identified in the RCM should be evaluated to ensure that it is adequate to manage the corresponding risk.

Determining the Severity of Risks

Each risk identified in the RCM should be evaluated to determine the severity of the risk.

Regular Review and Update

An RCM should be reviewed and updated on a regular basis to ensure that it remains current and effective

Ensuring Clarity and Consistency

The RCM should be clear and easy to understand, and the language used should be consistent throughout the document.

Ensuring Stakeholder Involvement

It is important to involve stakeholders in the development of the RCM to ensure that all relevant risks and controls are identified and evaluated

QUESTIONS?



THANK YOU!!