

BUSINESS PROCESSES

RISKS & INTERNAL CONTROLS



Business process overview

Sustainable success depends on effectively managing the risks and controls across your core business processes:

1. Revenue & Receipts
2. Purchases & Payments
3. Inventory & Production
4. Human resources & Payroll
5. Finance & Investments

These processes form the backbone of many SMEs. They ensure that your operations run smoothly, your cash flow is protected, and governance is maintained.



Are you managing each of the processes efficiently?



You could do an **'as is' assessment** to identify **inefficiencies and critical gaps**, ensuring your processes are optimised for sustainable success.



Revenue & Receipts cycle



Key risks

- Relayed invoicing and cash collection
- Non-payment or delayed payment
- Non-compliance with the revenue recognition accounting standard



Key controls

- Timely invoice processing
- Credit checks for customers
- Regular review of the debtors book / Age analysis



Impact

- Improved cash flow and liquidity
- Reduced bad debts
- Reliable financial reporting



Is your business optimising its invoicing and debtors management to maintain cash flow?



Purchases & Payments cycle



Key risks

- Unauthorised purchases or overspending.
- Payment delays impacting vendor relationships.
- Fraudulent transactions.



Key controls

- Clear approval process for purchases & payment of invoices.
- Vendor and banking details verification.
- Regular review of the creditors book / Age analysis & reconciliation to supplier statements



Impact

- Cost control and better cash flow management.
- Strong supplier relationships.
- Fraud prevention.



Are you ensuring that only legitimate costs and SARS-compliant invoices pass through your books?



Inventory & Production cycle



Key risks

- Overstocking or stockouts.
- Poor production planning leading to inefficiencies.
- Stock theft or loss.



Key controls

- Real-time inventory tracking systems.
- Align production with sales forecast.
- Periodic stock counts and audits.



Impact

- Optimal stock levels.
- Reduced production waste.
- Improved operational efficiency.



Does the stock on your books reconcile with the stock on your floor?



Human resources & Payroll cycle



Key risks

- Non-compliance with legislation.
- Inaccurate payroll processing.
- High employee turnover.
- Fictitious employees leading to payroll fraud.



Key controls

- Embed legal compliance (e.g. BCEA, Income Tax Act etc.) into HR & Payroll practices.
- Payroll recons & verification processes.
- Regular performance reviews & training.
- Segregation of duties in payroll processing.



Impact

- Legal compliance.
- Accurate payroll processing.
- Employee retention.
- Prevention of payroll fraud.



Are your HR & Payroll practices aligned with legal requirements and protected from fraud risks?



Finance & Investment cycle



Key risks

- Poor capital allocation.
- Inadequate funding or overleveraging.
- Low investment returns.



Key controls

- Monitor returns on investments (e.g. ROE, ROTA, ROCE).
- Develop funding strategies (e.g. equity, debt, or alternative funding) aligned to your risk appetite.
- Track cash flow and key financial KPIs regularly.



Impact

- Sustainable growth and profitability
- Financial resilience.
- Informed investment decisions.



Does your capital structure align with your business goals and risk appetite?



Disclaimer

- This document has been prepared in good faith for informational purposes only. It does not constitute professional advice tailored to your business.
- If you require specific guidance on any of the topics covered in this document, we recommend consulting with qualified professionals who understand the unique nuances of your business.
- For tailored support, please feel free to contact Abueng Advisory at admin@abuengadvisory.co.za or any qualified advisor of your choice.

