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**Second Term Report of the CFO**

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# **Introduction**

This is the second term report of the Chief Financial Officer of Student Parliament written in accordance with Student Constitution and Parliament Constitution of the University of Stellenbosch.

The report reflects the financial environment of Student Parliament. By critically analysing the financial going concern and sustainability of the entity in my official capacity, as Chief Financial Officer.

Included in my report are recommendations on the internal control environment to reduce the risk of material misstatement due to fraud or error.

# **Budget review of members compiling the treasures forum**

To ensure our vision and mission of the Treasures Forum will be conquered, each body of the forum was subjected to a budget review. Their budgets and actual financial information to date, were questioned. Expense and income accountants were examined for any potential material misstatements due to fraud or human error.

Significant risk identified throughout the procedure, required those charged with governance to deliver adequate audit evidence, to substantiate their actions. Professionalism skepticisms is applied, by Parliament, where the integrity of those charged with governance can be questioned.

The risk assessment procedure was done to analyze the risk environment of each body’s financial position, to identify risk that can possibly lead to material misstatement. The purpose of this procedure is to eliminate significant risks identified.

Please note, that this is not the conclusion of the risks present in each body's financial structure, but the possibility of the occurrence of these risks. Their budgets are currently analyzed on a continuance basis, to prevent occurrence of future risks and the elimination of current risks.

# **Concerns risen during the budget review:**

* There’s an inconsistent standardization of financial reporting amongst the student structures that evokes an erratic reporting framework amongst these bodies, with regards to disclosure, financial statements and contracts.

* The University delegates the responsibility of burden payment of honorariums to the student financial treasures. This delegation ripples a wave of impurities, leading to the possible incentive of over compensation for one’s self interest. To eliminate the risk of self-interest. Student leaders and the University should sign a pre-engagement contract, stating the responsibilities, role required of the leader, their mandate and compensation receivable for the fulfillment of their mandate. This signed document will then act as an audit trail stating the predisposition between the two parties.  Potentially this will resolve future conflict of the fairness of funds received for duties performed by the respective member.

* A concern has risen, that there’s an insufficient allocation of resources to marketing.  Marketing plays an important role to acquire new relationships with stakeholders and grow current relationships.  Leadership structures should have the inclination to borne expense, that stimulates stakeholder’s engagement and cultivates brand awareness.
* Transport consumed a large part of preplanned expenses, approximately weighing an average of 17% in each body’s respective budget. This information was based on prior historical data, with the assumption transport expenditure for meetings and events must be incurred as on pre-covid activity level. The transgression to an online meeting place, triggered a favorable variance for each respective body. If the continuity of this transgression is embraced, it will feasibly alter a lesser future provision for transport expenses. This alteration is not only more cost efficient, but significantly reduces our Ecological footprint.

* Average of 7% was budgeted for sustainability by the respective bodies. One can ask if these goals will ever come into fruition with the limited capital resources allocated to ratify the development of their project. A challenge with sustainability; is designing a dream that will advance to a tangible project.  The University Sustainability Committee should be the anchor of support, ensuring student bodies projects reiterate as a sustainable going concern. Working with and for the students, safeguarding the materialization of sustainability in the Matie community.
* As the uncertainty with COVID-19 continues, my biggest concern is the loss of funds assigned to social events. The constant change in the risk framework, governing COVID-19 protocols, raises the questionability for the occurrence of these events. Committee members should contemplate to amend their budgets; this can ultimately prevent lost opportunity cost associated with the improbable execution of questionable budgeted expenses.  Alternatively, these discretionary funds can be reinvested in other projects like sustainability.

## **Second term opening sitting:**

During the sitting I delivered a summary of synopsis of the financial body’s risk environment and the variances risen during the budget review process. Raising concerns about flaws in the internal control environment and significant risk identified that can possibly result in material misstatement. This led to me being bombarded by the student leaders, demanding evidence for the variances identified. They were of the opinion that I was accusing them of fraud and not that my synopsis was an analyzation of the occurrence of possible future misstatement for the current financial year.

# **Tera Term:**

* For each expense incurred, the CFO must email to the head of finance to grant the treasure access to the accountant number. This leads to a frustrating process that is time consuming and inefficient. For every type of transactions, the treasurer must apply to gain access to the accountant number.
* I experience multiple program glitches when working on Tera Term. In some instances, the program automatically altered the document descriptions.
* Proof of work document: After initiating a transaction, the CFO can generate a text file of the transaction as proof of work processed. This generated text file is unreadable for new generation software, making the audit trail futile. As no documents, can be documented.

# **Goals:**

* Deliver an conclusion of the internal control environment.
* Updating the internal control environment to reduce the risk of material misstatement.
* Preventing material misstatement, by analysing the risk environment of the financial body’s on an continuance basis.

# **Conclusion:**

The goals I set out for myself and the mandates given to me by the Student Parliament Constitution were achieved in the second term.