

# INTERNAL AUDIT NEWSLETTER

ISSUE #RRCO-IA03

## Importance of Standard Operating Procedure (SOP)

### Let's take a brief introduction of the topic:

#### What does SOP mean?

SOP is a set of step-by-step instructions compiled by an organizational management to help employees carry out routine operations. The purpose of an SOP is to ensure that company's operations are performed consistently, correctly and accurately. The SOPs are commonly used in all the industries, including manufacturing, FMCG, healthcare, service, IT to maintain quality, standard and compliance with regulations.

**SOP's are beneficial not only to front-line teams, but also**

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**Rathi Rathi and Co.**

Chartered Accountants

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### LET'S TAKE AN EXAMPLE

An established café ensures every cappuccino meets its high standards by following a well-documented, systematic process. From grinding fresh coffee beans to brewing rich espresso, steaming milk, and artfully assembling the drink, each step is carefully outlined, guaranteeing a consistently perfect cappuccino every time.

Such detailed documentation of the processes and operations can be termed as an SOP.

#### Quote of the day:

"Consistency is the key to quality, and standardization is the lock that protects it."

# SIGNIFICANCE OF SOP



## CONSISTENCY & QUALITY CONTROL

SOPs ensure that processes are carried out uniformly, which helps maintain consistent quality and reliability across an organization.

## EFFICIENCY

By outlining clear steps, SOPs streamline workflows, reduce errors, and speed up training, leading to more efficient operations.

## COMPLIANCE & RISK MANAGEMENT

SOPs help organizations adhere to regulatory requirements and industry standards, minimizing legal and compliance risks.

## ACCOUNTABILITY & CLARITY

They define roles and responsibilities, making it easier to hold individuals accountable and ensure everyone understands their tasks and procedures.

## CONTINUOUS IMPROVEMENT

SOPs provide a foundation for assessing and improving processes, enabling organizations to enhance performance and adapt to changes over time.

## PERIODIC REVISION OF SOP

As organizations grow, and technology advances, they undergo various changes with respect to technology, compliances, ERP, employees, etc. To ensure that the SOPs stay relevant with respect to the changes, it is important that periodic reviews and revisions of the SOPs are performed.

An SOP needs to be revised whenever there are changes or updates to an organization's process flow, alterations in departmental roles and responsibilities, or other factors, to ensure alignment with the organizational framework.

Additionally, feedback from the employees who regularly use SOPs can highlight areas for improvement or clarify complex operations. Regular updates to SOPs not only align them with current organizational practices but also promote a culture of continuous improvement.



## ESSENTIAL CONTENTS IN SOP

Clear and detailed information about the technical aspects of the procedure/operations

State the allocation of responsibilities to the appropriate personnel as per the Delegation of Authority (DOA)

ERP related guidelines: To ensure that all the users can understand and perform the operations efficiently in the ERP system

Clear guidelines related to the authority matrix, wherever applicable

# IMPROVING SOP THROUGH INTERNAL AUDITORS



## EVALUATE

Compare existing SOPs with actual practices



## ASSESS RISK

Identify vulnerabilities and suggest changes



## GATHER FEEDBACK

Use employee insights to improve usability



## BENCHMARK

Align the SOPs with industry best practices



## TRAIN STAFF

Raise awareness and understanding of SOPs



## PROMOTE CULTURE

Encourage regular reviews and updates

# Audit Observation

## *Non-availability of SOP for critical operations*

During the review of procurement and vendor management process, it was observed that no formal SOP was established to govern critical operations like vendor onboarding, approvals of Purchase Orders (PO), contract negotiations and vendor performance evaluation.

The absence of documented procedures resulted in inconsistencies in procurement decisions, delayed approvals, and non-compliance with internal policies and regulatory requirements.



## Risk Involved

- Risk of biased or non-competitive vendor choices, leading to higher costs and compromised quality.
- It may lead to delayed PO approvals that may disrupt operations and production plans.
- Lack of vendor evaluation may lead to continued engagement with underperforming vendors.

## Recommendation

- Establishment of detailed SOPs for critical operations
- Implementation and timely review of SOPs to ensure efficient functioning of the operations by training the employees.



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# MEET OUR TEAM



**CA Suraj Khandelwal**  
*Senior Partner*

With over 15 years of work experience, he is a specialist in process review, risk management services, and corporate governance.

He has a passion for helping businesses improve their performance, efficiency, and compliance through internal and forensic audits, fraud investigations, and business advisory.

Follow him - [!\[\]\(d66ff64371a51729ac8c1cdaa685ba6f\_img.jpg\) suraj-khandelwal1212](#)

As an Internal Audit Manager, he has been at the forefront of leading and executing internal audit processes within organizations.

His meticulous approach and keen attention to detail have helped organizations strengthen their internal controls and processes.



**CA Somesh Shinde**  
*Audit Manager*

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**Audit Team**

We are thrilled to shine a spotlight on the powerhouse that is our Internal Audit Team!

With a dedicated team of 20 diligent professionals, our audit squad is the backbone of our commitment to excellence and integrity.

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**“ FOCUSED ON VALUE ADDITION ”**



**Rathi Rathi and Co.**  
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# RRCO CORNER

*Team Internal Audit Wishes You  
A Very Happy Diwali!*

