MODULE 1 · SESSION 3

Control the Monthly Finance Close

How to design a month-end process that catches reporting errors before management decisions rely on them.

Theory session

Intermediate

Running case: LedgerLift

Where this session sits

1.1 and 1.2 produced the numbers; 1.3 makes sure they are right before anyone uses them

MODULE 1
Build Reliable Financial Foundations

MODULE 2
Manage Cash and Uncertainty

MODULE 3
Choose and Manage Funding

SESSIONS IN THIS MODULE

1.1 Read Statements Through Accruals
Connecting the three statements to the entries that create them

1.2 Allocate Costs, Explain Margin
Assigning shared costs and reconciling margin movement

1.3 **Control the Monthly Finance Close** — YOU ARE HERE
Catching errors before decisions are made on them

SESSION OUTCOMES

What this session explains

Designing a close that is fast because it is controlled

01 **A close is a control process**

Its purpose is to produce numbers that can be relied on, not merely to produce them.

02 **Controls are preventive or detective**

The cheapest error is the one that never enters the ledger.

03 **Speed comes from architecture**

A faster close is usually the result of fewer manual handoffs, not longer hours.

04 **Segregation of duties has a small-team version**

You cannot have four people, but you can still avoid one person controlling a whole cycle.

DEFINITION

What the close is actually for

A deadline is not the objective

WORKING DEFINITION

The month-end close is the control process that takes a period's transactions to a reported position someone is willing to sign — with the errors found, the estimates reviewed, and the reconciliations agreed.

1

Completeness

Every transaction that belongs in the period is in it, and nothing from another period has leaked in.

2

Accuracy

Balances agree to an independent source — a bank statement, a supplier statement, a subledger.

3

Reviewability

Someone other than the preparer checked the judgements, and left evidence that they did.

COSO (2013). Internal Control — Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission.

Five stages of a controlled close

Running them in parallel is how errors survive to the reporting pack

MONTH END

1. Cut-off: stop the period cleanly
2. Reconcile: agree balances to independent sources
3. Adjust: post accruals and reclassifications
4. Review: someone other than the preparer checks
5. Report: issue the pack and explain variances

THE STAGE UNDER MOST PRESSURE

Cut-off is the stage most often compressed under deadline pressure, and it is the one that determines whether everything downstream is measuring the right period.

Preventive and detective controls

You need both, and they cost differently

PREVENTIVE

Stop the error entering

EXAMPLES

Approval thresholds, three-way matching, system-enforced coding, locked periods.

STRENGTH

The cheapest error is the one that never happens. No investigation, no correction, no restatement.

LIMIT

They constrain the people doing legitimate work, so they must be proportionate.

DETECTIVE

Find it before it matters

EXAMPLES

Reconciliations, variance analysis, exception reports, analytical review.

STRENGTH

They catch what prevention missed, including errors nobody anticipated.

LIMIT

The error has already entered the records, so correction and explanation are required.

THE DISTINCTION THAT MATTERS

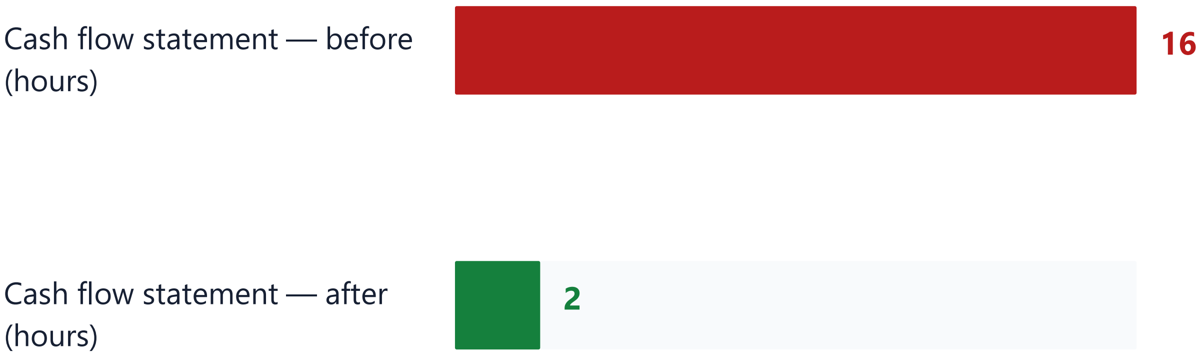
A reconciliation that is prepared but never reviewed is not a control. It is a document. The control is the review, and the evidence that it happened.

CONCEPT 3 · SPEED

Where close time actually goes

Crane's result came from removing handoffs, not from working harder

REPORTED CHANGE AT CRANE WORLDWIDE LOGISTICS



A two-day process became two hours; overall reporting time fell by nearly 50%.

WHAT CHANGED

The data path

Automated trial balance loads across 45+ ERP instances replaced manual collection.

WHAT DID NOT

The accounting

The standards, the judgements and the estimates were unchanged. Only the plumbing moved.

THE GENERAL RULE

Automate collection, not judgement

Gathering and reconciling data is mechanical. Deciding what an estimate should be is not.

What a close checklist has to record

Six fields per task — enough to be auditable, few enough to maintain

Field	Why it exists
Task and account	What is being done, and to which balance.
Owner	One named person. Shared ownership means nobody checks.
Dependency	What must finish first. This is what makes the sequence real rather than aspirational.
Due day	Relative to day one of close, not a calendar date.
Evidence	Where the supporting reconciliation or calculation is stored.
Reviewer and date	Who checked it, and when. Without this the control does not exist.

WHY IT IS WRITTEN DOWN

The checklist is the close. If it lives in someone's head, the process cannot be handed over, improved, or relied on when that person is away.

Where to put the controls you can afford

Effort follows the product of likelihood and consequence

IMPACT ▲		
	CONTROL TIGHTLY Material and error-prone. Revenue cut-off, manual journals, estimates. Review every period.	**MONITOR** Material but stable. Payroll, depreciation. Analytical review is usually enough.
	SPOT CHECK Immaterial but error-prone. Sample rather than reconcile.	**LEAVE** Immaterial and stable. Controlling it costs more than the error would.

LIKELIHOOD OF ERROR →

THE HIGHEST-RISK AREA

Manual journal entries

They bypass the system's own controls by design. Every one should have a reason, support and a reviewer.

THE SECOND

Anything estimated

Accruals and provisions are where judgement enters — and where bias can live undetected.

THE PRINCIPLE

Proportionality

A control costing more than the error it prevents is a net loss, however diligent it looks.

Segregation of duties when you have three people

The principle survives; the implementation changes

UNACCEPTABLE

One person raises, approves and pays, and reconciles their own work. No error or misuse is detectable.

WORKABLE MINIMUM

The person who prepares is not the person who approves. The founder reviews bank reconciliations personally.

FULL SEGREGATION

Initiation, authorisation, custody and recording all separated. Realistic once the team is larger.

COMPENSATING CONTROLS FOR A SMALL TEAM

Where you cannot separate	Compensate with
One person records and reconciles.	The founder reviews and signs the bank reconciliation every month.
One person can create suppliers and pay them.	A monthly report of new suppliers, reviewed by someone else.
One person posts all journals.	Every manual journal above a threshold is reviewed before posting.

Three closes that look disciplined and are not

Each produces a pack on time and a number you cannot rely on

The rolling reconciliation

Looks like A reconciling item carried forward for months.

Why it fails An unexplained difference is an error you have agreed to tolerate.

Fix Age reconciling items and clear anything over 60 days.

The review that is a signature

Looks like Everything signed, nothing questioned.

Why it fails Review without challenge adds a name, not assurance.

Fix Require the reviewer to record what they checked and what they asked.

Speed without control

Looks like A three-day close, and restatements two months later.

Why it fails Stages were run in parallel, so cut-off errors flowed straight through.

Fix Measure adjustments found after issue, not just days to close.

CASE STUDY

Crane Worldwide Logistics

A close assembled from workbooks across 45+ ERP instances, rebuilt as one operating model.

Architecture, not diligence

The data path and the control method changed together

BEFORE

A close held together by spreadsheets

THE ARCHITECTURE

Excel consolidations and budgets; manual currency and intercompany reconciliations across 45+ ERP instances.

THE CONSEQUENCE

The organisation lacked accurate, timely data for close and reporting.

THE CONTROL BURDEN

Every manual handoff was a place an error could enter uncaught.

AFTER

Standardised and automated

THE CHANGE

OneStream across 30 countries and 100+ users, replacing manual consolidation and planning.

THE DATA PATH

Automated trial balance loads across 45+ ERP instances, near real-time.

THE RESULT

Reporting time cut by nearly 50%; cash flow statement from two days to two hours.

READING THE CASE

The improvement was architectural, not diligence-based. Crane changed the data path and the control method rather than managing the same fragmentation more carefully.

Drawn from the session case pack.

APPLICATION

Bringing the theory to LedgerLift

A five-day close a small finance team can actually run

Day	What happens	Control that makes it reliable
Day 1	Cut-off: close the period; no further postings.	System-locked period; exceptions need named approval.
Day 2	Reconcile bank, receivables, payables, payroll.	Each reconciliation has a preparer and a different reviewer.
Day 3	Post accruals, prepayments, revenue deferrals.	Every manual journal carries support and a driver, per Session 1.1.
Day 4	Build the margin bridge and variance commentary.	Any variance over 10% or £10k needs a written explanation.
Day 5	Review and issue the pack.	Founder signs the bank reconciliation and the journal listing.

WHAT COMES NEXT

Module 2 takes these controlled numbers and uses them to forecast cash.

SUMMARY

What to carry out of this session

1. **The close exists to make numbers reliable.**
   Producing a pack on time is not the objective; producing one you can sign is.

2. **Prevent where you can, detect where you cannot.**
   A reconciliation prepared and never reviewed is a document, not a control.

3. **Speed comes from removing handoffs.**
   Crane's cash flow statement went from two days to two hours by changing the data path.

4. **Put the effort where impact meets likelihood.**
   Manual journals and estimates first; stable immaterial balances last.

5. **Small teams still segregate something.**
   Preparer and approver must differ, even when that means the founder reviews the bank reconciliation.

FURTHER READING

Sources for this session

Primary references behind each concept

CONTROL FRAMEWORK	COSO (2013). *Internal Control — Integrated Framework.*
CLOSE PRACTICE	Ernst & Young (2018). *The Financial Close: Optimising Process and Controls.*
RISK AND CONTROL	ISO 31000:2018. *Risk Management — Guidelines.*
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