

# **Internal Controls over Financial Reporting (ICFR) & Internal Financial Controls (IFC)**

***Strengthening control framework, streamlining processes***

# WHAT HAS CHANGED ???



## Past (Co's Act 1956) vs. Present (Co's Act 2013)...

### Past

- ❑ No specific reporting on Internal control effectiveness but as per CARO,2003, where auditor reported on internal controls and was limited to the adequacy of controls over purchase of inventory and fixed assets and sale of goods and services.
- ❑ No specific reporting on Fraud was needed

### Present

- ❑ Sec 134 coined a New Term Internal Financial Control (IFC)
- ❑ **Specific Reporting:** Sec 143 (3)(i) requires Auditors to report on adequate IFC systems which are operating effectively. (**For all Companies**)
- ❑ Rule 8(5) of Companies Accounts Rules requires Directors to report on adequacy of IFC with reference to Financial Statements. (**For all Companies**)
- ❑ Sec 143(12) requires the auditor to report specifically on Fraud



## Past (Co's Act 1956) vs. Present (Co's Act 2013)

### Past

- ❑ Testing and Documentation of Control was ideal but not mandatory

### Present

- ❑ Controls need **to be now documented and tested at each level** starting at the top (Entity Level) to the Operations and Transactions Level as also IT controls.
- ❑ Need to Conduct Test of Design of Controls and Test of operating effectiveness of controls
- ❑ All above needs to be done before 31<sup>st</sup> March 2015 else there may be a possibility of a qualified report by the auditor.

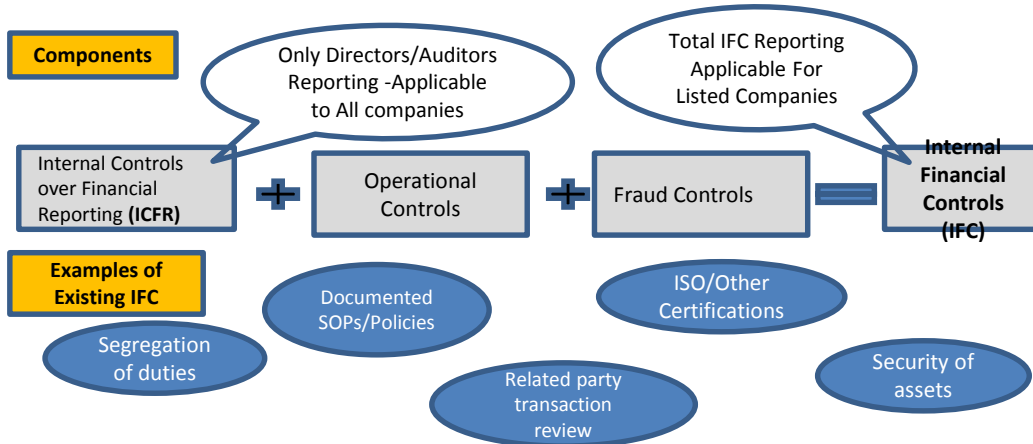


# Definition Of Internal Financial Control (IFC)

## Definition

As per sec 134 of the companies Act,2013 the term “Internal Financial Controls(IFC) “means the policies and procedures adopted by the company for ensuring:-

- Orderly and efficient conduct of its business, including adherence to company’s policies
- Safeguarding of its assets
- Prevention and detection of frauds and errors.
- Accuracy and completeness of the accounting records, and
- Timely preparation of reliable financial information.



## Questions to be considered by the management ?

- Are policies and procedures documented?
- Do policies and procedures cover all operational and financial activities?
- Are various activity controls over operations documented?
- Is the company mechanism to review and monitor controls properly documented ?
- Are fraud risks separately identified and corresponding controls documented?
- Are existing Controls Tested (Internally or By an Independent Consultant)?
- Have the policies and procedures been communicated clearly?
- Are employees being trained to take on the ongoing changes in Governance, Risk & Compliance (GRC) framework?

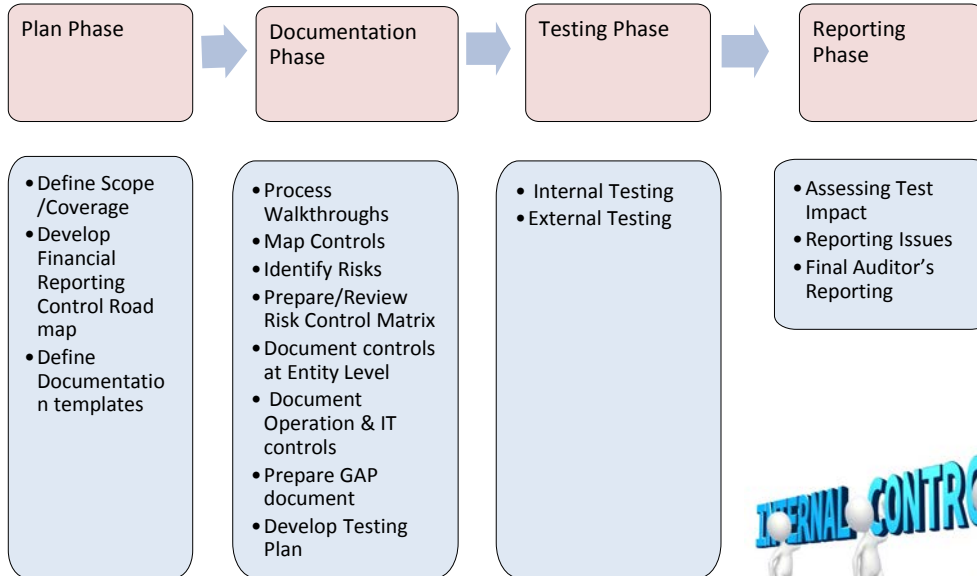
IF THE ANSWER TO EVEN ONE OF THE QUESTIONS IS **NO** -

*Then you need to start immediately to address the issue as time is short. (Upto March 31,2016)*



© Can Stock Photo - csp0343960

# How to Approach Financial Reporting Controls ?



# How can SGCO help ?

---



Content	Description
<b>Evaluation of existing system</b>	Evaluation of the existence and effectiveness of controls ,identify the gaps, if any and recommending alternative/modified controls.
<b>Designing IFC Framework</b>	Assistance in designing and documenting internal financial control framework at all levels, including IT and fraud controls.
<b>Training on IFC</b>	Assistance in Conducting training on IFC and its various components
<b>Project Management/Quality related support</b>	Assistance in project management and quality related support during the phases of implementation
<b>Start to End assistance</b>	Assistance in implementation i.e. from planning to reporting
<b>Remediating specific control gaps</b>	Assistance in remediating specific control gaps by developing policies, SOPS, Training etc

---



# Why SGCO?

---



Content	Description
<b>Business Solution Approach</b>	SGCO approaches assignments with an approach that helps clients reach workable business solutions.
<b>Significant experience</b>	SGCO have significant experience in carrying out similar engagements for many clients across diversified businesses.
<b>Skilled Team</b>	SGCO have a team of professionals with the requisite skills and experience to cater to your requirements.
<b>Strong implementation process</b>	SGCO are positioned to provide you with the smooth and strong implementation process and assured quality of services.
<b>Timely deliverables</b>	SGCO ensures service delivery as per laid down deliverables.

# Contact Us



## Amit Pandit

Partner

Handheld: +91 98201 27898

Desk-phone: +91 22 6625 6311

Email: [amit.pandit@sgco.co.in](mailto:amit.pandit@sgco.co.in)

## Mukesh Gilda

Partner

Handheld: +91 99304 06677

Desk-phone: +91 22 6625 6313

Email: [mukesh@sgco.co.in](mailto:mukesh@sgco.co.in)

---

### Mumbai

4A, Kaledonia-HDIL,  
2nd Floor, Sahar Road,  
Near Andheri Station,  
Andheri (East),  
Mumbai – 400069.

Tel.: +91 22 6625 6363

Fax: +91 22 6625 6364

E-mail: [info@sgco.co.in](mailto:info@sgco.co.in)

---

### Vadodara

102 - 103,  
Shivani Flats,  
B/H Bank Of India,  
Ellora Park, Vadodara,  
Gujarat - 390 023.

Tel.: +91 265 2387747

Fax: +91 265 2392665

E-mail: [vineet@sgco.co.in](mailto:vineet@sgco.co.in)

---

[www.sgco.co.in](http://www.sgco.co.in)