



Internal Control over Financial Reporting (ICFR)

As per Section 134 of the Companies Act 2013, the term 'Internal Financial Controls' means the policies and procedures adopted by the company for ensuring the 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.

DEFINITION

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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Why ICFR is Important

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01 REGULATORY COMPLIANCE

Organizations consider ICFR as a regulatory burden and mainly focus to comply with regulatory requirements.

02 PROCESS EFFICIENCIES

Organizations take ICFR as an opportunity to bring processes efficiencies through control optimization, eliminate redundant / duplicate controls and extend control automation.

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03 VALUE ENHANCEMENT

Organizations focus more on controls issues related to new projects / ventures whereas existing critical controls get monitored through continuous monitoring tools.

04 FRAMEWORK DEVELOPMENT

To brings an effective governance culture and provides role clarity by developing entity specific ICFR framework based on financial reporting standards and leading control practices.

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05 OPERATIONS ASSESSMENT

To assesses company's operations and provides value centric mechanism to identify process universe, reporting risks and their mapping with financial statements.

06 CONTROL DESIGN REVIEW

To leverages from various walk-through, data analytics and control dynamic techniques to assess design adequacy of existing controls related to financial reporting.

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07 UPGRADING INTERNAL PRACTICES

Based on the control design gaps, this phase brings value to business through re-engineering existing processes and introducing leading digital practices to strengthen control design.

08 SAMPLING TECHNIQUES

To deploys various data driven sampling methodologies to select the right value centric approach to get wider insights and assurance on target population.

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09 EFFECTIVENESS TESTING

To use a mix of Data Analytics and conventional testing techniques to ensure that transactions executed during the period comply with financial reporting requirements.

10 DOCUMENTATION AND REPRESENTATION

To remain active throughout ICFR life cycle and provides an effective governance culture identifying clear roles, timelines and templates etc. requirements.