Internal Financial Controls

Refresher Course on Internal Audit

19th September 2020



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The views discussed are presenter's personal view and not related to his current / previous organisations

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What IS IFC

Policies & Procedures adopted by the Company

for ensuring the **orderly and efficient conduct of its business** ,

including

adherence to Company's policies,

the safeguarding of its assets,

the prevention and detection of frauds and errors,

the accuracy and completeness of the accounting records

and the timely preparation of reliable financial information.



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Key Guiding Sources







Section 134 143 149(8) / Sch IV 177 Rule 8(5) Regulation 4(f)(ii)(7) 18

Audit of IFC Over Financial Reporting SA 315

Requirements

Certify **effectiveness** of internal control systems pertaining to **financial** reporting.

CEO AUDITOR IFC Audit BOD **Committee**

State in their report whether the company has adequate internal financial control system in place and the operating effectiveness of such controls

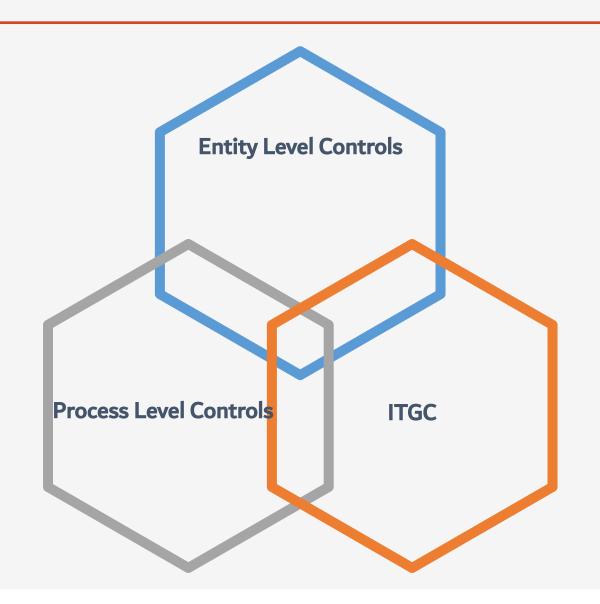
Directors Responsibility Statement to state that the Directors had laid down internal financial controls and the same were adequate and operating effectively

Board of Directors' Report to state the details in respect of adequacy of internal financial controls with reference to the financial statements.

to **evaluate internal financial controls** and risk management systems

call for comments of the auditors on internal control systems, scope of audit, their observations on internal control systems and financial statements before submission of the same to the board

CONSTITUENTS



Entity Level Controls

Control Environment

Risk Assessment

Control Activities

Information & Communication

Monitoring Activities



Entity Level Controls

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Risk Assessment

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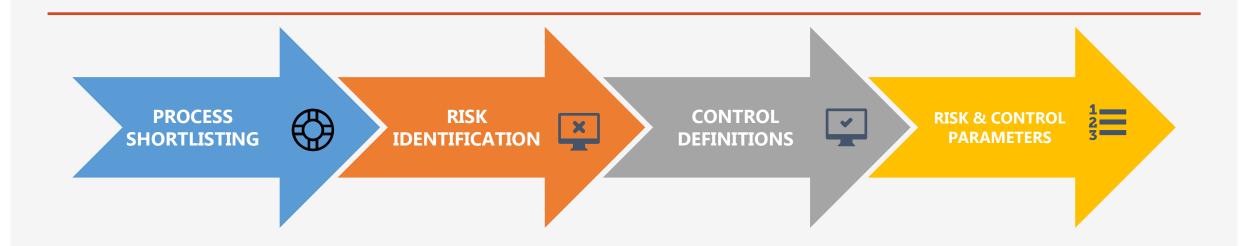
- Orgn Commitment to Integrity
- Board Independence
- Mgmt- Oversight, Structure, Roles & Responsibilities
- Orgn Talent Focus
- Orgn- Holds
 Accountable for Internal Control Responsibilities

- Clear Objectives to facilitate risk identification and assessment
- Identifies and Analyses the Risks
- Fraud Risks considered
- Identifies and Assesses Changes

- Select Control
 Activities that
 Mitigate the Risk
- Selects General Control Activity over Technology
- Deploys Control
 Activities through
 policies and
 procedures

- Generates and Uses Relevant and Quality Information
- Internally
 Communicates
 information including
 objectives and
 responsibilities for
 Internal Audit
- Communicates with External Parties

- Performs ongoing activities to ascertain internal controls are working
- Informs and Communicates Internal Control Deficiency in a timely manner





- Identify Processes
 Relevant to your
 Business
- Ensure Proper
 Bifurcation



PROCESS SHORTLISTING



RISK IDENTIFICATION



- Engage with Various Stakeholders identify various risks
- Keep in mind the bifurcation of risks and ensure only relevant (for IFC) are included



"We've considered every potential risk except the risks of avoiding all risks."

PROCESS SHORTLISTING



RISK IDENTIFICATION



CONTROL DEFINITIONS

- Discussions with various stakeholders to identify controls incorporated to address the risk
- Ensure that the Control addresses the risk
- Ensure that the control is defined properly to facilitate proper testing/ evaluation







CONTROL DEFINITIONS



RISK & CONTROL PARAMETERS



Ensure all contents of the Risk and Control Parameters are fully recorded. Such as

- Key / Non Key
- Operating/Financial / Compliance
- Preventive/Detective
- Manual Automated
- Assertions

PROCESS SHORTLISTING



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Information Technology General Controls

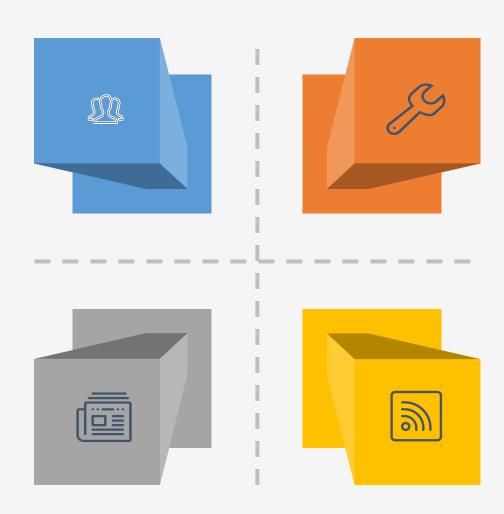
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User Access

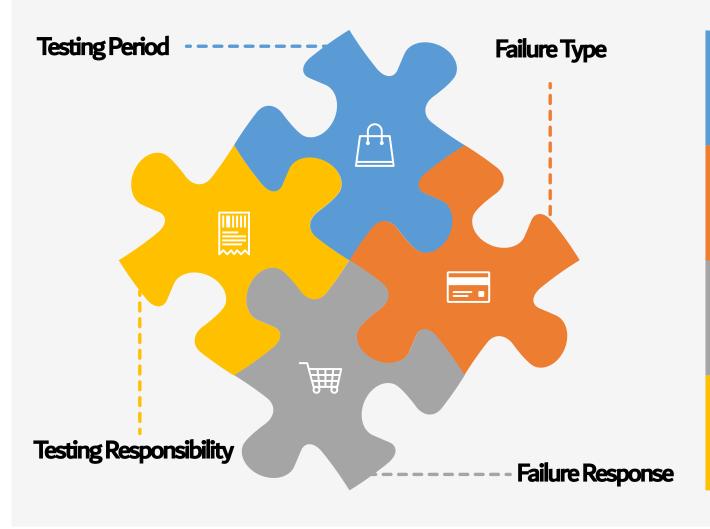
Change Management

Data Centre / Back Up Policies

IT/ Cyber Security



Key Challenges



Testing Period & Sample Apportionment

Testing at end of year – Sample Across the year

Roles and Responsibilities

Who is owner of the testing and who is owner of results

Revisions and Responses

Failures responded more with changes in control definition than changes in Control

Form Vs Substance

Risk of Management Override of Controls

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RESPONSIBILITIES

	Certify	Review Framework	Review Results	Test	Facilitate	Document	Advise
Board	•						
Audit Committee		•	~				
Management	✓			✓			
CEO/CXO				✓		•	
Finance					✓	~	
Statutory Audit				•			✓
Internal Audit				•		•	~

Leveraging IFC and Internal Audit

IFC

Audit Universe
Annual Audit Plans
Audit Scope and Approach



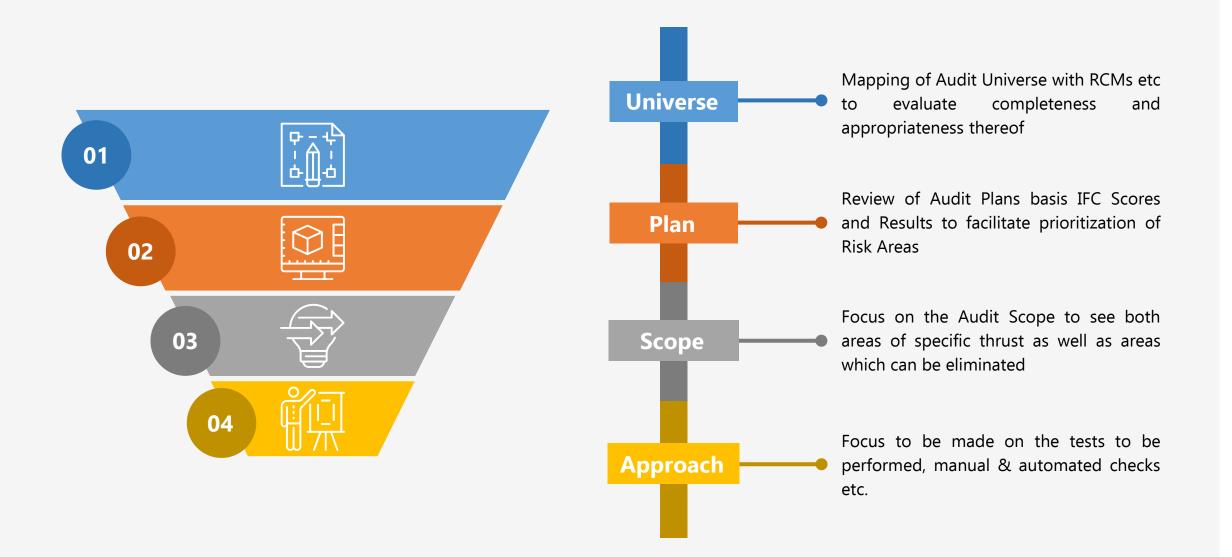
Internal Audit

RCM Updates

Management Testing

Supporting Statutory Auditor

IFC support to Internal Audit



Internal Audit to IFC

