

SECTION 4

MAKING IT EASY – READY-TO-USE DRAFTS AND FORMATS

4.1 Entity Level Controls – Specimen (refer paragraph 2.5.5)

ABC Private Limited ICFR for the year ending 31st March, 2016 <i>Entity Level Controls (ELC)</i>	
LIST OF CONTROL GROUPS	
Control Ref	Control Group
C01	Roles and responsibilities of Board of Directors
C02	Formal SOPs for various crucial processes
C03	Admin Manual covers various policies
C04	Risk Management policy
C05	Background Verification process in place
C06	Manpower planning and recruitment policy/process to ensure right crew for the right job
C07	Board Review of business plans, budgets, budget vs. actual, periodic performance and Internal Audit reports
C08	Monthly MIS reporting
C09	Staff hired through a management approved placement agency
C10	Promotions based on well-defined Performance Evaluation system.
C11	Talent growth through need-based and compliance related training
C12	Attrition management

Control Ref	Control Group
C13	Independent Review and periodic updates by External Professional Consultant
C14	Access rights restrictions
C15	Independent Review by Internal Auditor
C16	Validation controls - confirmation, verifications of assets/bank balances, valuations
C17	Compliance framework, tracker and reporting - controls on compliances and regulatory reporting
C18	Sexual Harassment Policy
C19	Appointment letter covers ethical standards and other required terms and conditions which is signed-off by employees at the time of joining
C20	Board/Management Approval
C21	Formal roll out of ICFR policy and testing
C22	Data Back-up strategy
C23	Defined BCP/DRP process
C24	Periodic department reviews
C25	Defined Financial Closure Policy
C26	Compliance with related-party transactions and disclosures
C27	Periodic updation and communication of ISO manual
C28	Formal KRA definition and communication of the same
C29	Information and Communication

ABC Private Limited
ICFR for the year ending 31st March, 2016
Entity Level Controls (ELC)

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
1	Control Environment	Management establishes structure, authority and responsibility in pursuit of objectives	Board Oversight	Board does not clearly define authority to be exercised at Board level and authority delegated to other Directors	C01	Board powers are clearly defined	<ol style="list-style-type: none"> 1. Confirm the documentation of Board powers and delegation of authority done by the Board. 2. Verify Board minutes and meeting frequency. Verify attendance records to ensure participation and insights.
2	Control Environment	Board of Directors exercises oversight of the development and performance of internal controls	Board Oversight	<p>Board does not acknowledge its responsibility towards oversight for establishing and performance of internal controls</p> <p>Board does not formally delegate the responsibility for establishment of internal financial controls and for ensuring effective performance thereof.</p>	C02	<ol style="list-style-type: none"> 1. Board minutes includes a statement acknowledging its responsibility for ICFR 2. Board provides broad guidelines for internal controls and records formal delegation of authority for establishment of controls. 	<ol style="list-style-type: none"> 1. Verify that formal guidelines have been provided by the Board. 2. Verify that specific responsibility has been allocated for establishing internal financial controls

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
3	Control Environment	Board of Directors exercises oversight of the development and performance of internal controls	Board Oversight	Board does not have a mechanism to review ICFR adequacy and performance	C07, C08	<p>Board of Directors review the performance of the company and adequacy of internal controls through regular interactions with the Finance Manager</p> <p>Budgets are established on yearly basis</p> <p>Monthly reporting is done by Finance Manager to the Group CFO who in turn reports to BOD.</p>	<ol style="list-style-type: none"> 1. Verify Board meeting minutes where adequacy and effectiveness of internal controls have been reviewed. 2. Confirm that there are regular interactions between Board members and Finance Manager through CFO, and other key management personnel to assess quality of controls and review business performance. 3. Review budget variances, exceptional items to assess internal control gaps, if any.
4	Control Environment	Demonstrates commitment to integrity and ethical values	Board Oversight	Board of Director does not set the right tone at the top to encourage ethics and integrity.	C03	<p>Policies are framed by the Board w.r.t. ethical conduct, anti-bribery and corruption, anti-fraud.</p>	<ol style="list-style-type: none"> 1. Verify minutes of Board meeting and Admin Manual/ directions issued by the Board of Directors from time to time. 2. Review Appointment letter of an employee.

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
5	Control Environment	Holds individual accountable for the internal control responsibilities	Board Oversight	Board of Directors does not set the right tone at the top to encourage institution of controls and systems and ensure accountability for lapse of controls	C02	Directions are given by the Board to encourage process-driven conduct, automation and effective monitoring across the organization.	Verify minutes of Board meeting and policies/directions issued by the Board of Directors from time to time.
6	Control Environment	Management establishes authority and responsibility in pursuit of objectives	Delegation of Authority	Ambiguity in delegation of financial powers reduces the control over financial transactions and increase the risk of financial losses	C01	<ol style="list-style-type: none"> 1. Financial powers in terms of signing /effecting banking transactions is with the Director. 2. Also, all the major contracts, agreements, Purchase Orders are signed/approved by the Directors. 3. All the major decisions are closely reviewed by the respective HODs at Group level before approval by the Director. 	Confirm that authorization/approvals of Directors is in place, review Board resolution to define powers of Director
7	Control Environment	Demonstrates commitment to integrity and ethical values	Ethics & Integrity	Flawed performance incentive/compensation policy not in line with ethical tone and standards may increase the risk of compromise / non-compliance to ethical standards of conduct	C03, C19	<ol style="list-style-type: none"> 1. Admin Manual gives a reference to ethical standards expected from employees. 2. Appointment Letter includes relevant clauses 	<ol style="list-style-type: none"> 1. Verify Admin Manual to ensure all updations are included. 2. Verify Appointment Letter of employee

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
8	Control Environment	Demonstrates commitment to integrity and ethical values	Ethics & Integrity	If management does not take timely and appropriate disciplinary action, it would encourage non-adherence to established policies and procedures	C03	Management takes disciplinary action for violations/ non-adherence, in a timely and appropriate manner.	<ol style="list-style-type: none"> 1. Verify the mechanism for recording non-adherences/ violations. 2. Verify the evidence of action being taken.
9	Control Environment	Demonstrates commitment to integrity and ethical values	Ethics & Integrity	Applicant screening procedures do not adequately consider integrity and ethical values	C05, C09	<ol style="list-style-type: none"> 1. Adequate background verification is done for employees (Police Clearance, Experience letter, etc.) 2. Majority of office staff is hired through a placement agency which is selected by the management to ensure right person for the right job 3. Declarations are obtained from employees for non-disclosure and code of conduct adherence as a part of joining formalities 	
10	Control Environment	Demonstrates commitment to attract, retain and develop competent individuals	Recruitment & Selection	Lack of adequate talent or mismatches in requirements and skill sets may severely impact achievement of objectives	C05, C06, C09	<ol style="list-style-type: none"> 1. A rigorous recruitment and selection process is adopted to ensure selection of right employees for the right job. 2. Majority of office staff is hired through a placement agency which is selected by the management 	<ol style="list-style-type: none"> 1. Confirm the no. of exits and the principal underlying reasons. 2. Confirm that key positions are not left vacant for a long time.

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
11	Control Environment	Demonstrates commitment to attract, retain and develop competent individuals	Incentive	In absence of a proper work environment the company may have to deal with high attrition levels	C10, C12	1. Promotions are based on well-defined Performance Evaluation system. 2. Management ensures a very low attrition rate.	1. Review the appraisal process for appropriateness and confirm that there is due process for redressal of appraisal related grievances. 2. Review attrition rate and related analysis
12	Control Environment	Board of Directors exercises oversight of the development and performance of internal controls	Internal Audit	A robust system of monitoring through periodic internal audits or control Self Assessments has not been established	C07, C15	1. Internal audits are done quarterly as per pre-defined scope which is approved by the management. 2. Board meetings discuss internal audit reports - key findings.	1. Verify Internal audit scope and reports 2. Review Board Minutes
13	Control Environment	Demonstrates commitment to attract, retain and develop competent individuals	Training	Inadequate attention to training may result into skill dilution, lack of awareness about policies and regulatory requirements and inability to discharge assigned responsibilities.	C11	1. Training for regulatory and process changes is imparted on a timely basis as per either client's requirement or regulatory requirement 2. Training is identified and imparted as needed	Verify training process
14	Risk Assessment	Specifies objectives with clarity to identify and assess the risks	Risk Management Framework	Absence of enterprise-wide risk assessment and absence of documented risk management policy	C04	Formal risk management policy is presented to the Board and approved by the Board of Directors.	Review the risk management policy adopted by the Company

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
15	Risk Assessment	Identifies and analyzes significant changes that could impact internal controls	Business Continuity Plan, Disaster Recovery Plan	Absence of BCP/DRP may lead to business interruptions and may jeopardize business continuity	C22, C23	1. Business Continuity Plan (BCP) and Disaster Recovery Plan(DRP) are in place. 2. Data recovery plan is established and operational.	1. Review the BCP and DRP. 2. Review the data recovery plan.
16	Risk Assessment	Identifies and analyzes significant changes that could impact internal controls	Financial reporting	Regulatory changes impacting business, financial conduct or reporting requirements are not understood, analyzed or internalized.	C17	1. Regulatory changes are understood and assessed for their impact on business. 2. Compliance tracker is filled in at defined frequency and updated periodically for amendments.	Verify formal assessment of key regulatory changes.
17	Risk Assessment	Identifies and analyzes significant changes that could impact internal controls	Financial reporting	Improper channels to communicate the changes in business practices to the accounting department may affect the method or the process of recording the transactions in financial statements	C24	Periodic departmental reviews are done wherein Finance team is also present; review covers discussions on changes in business practices affecting financial statements.	Review modification in processes, if any, by the accounts team
18	Risk Assessment	Identifies and analyzes significant changes that could impact internal controls	Financial reporting	Risk of regulatory non-compliance and financial misstatements if suitable accounting principles, policies or rules not followed	C13, C15, C25	1.Management specifies financial reporting rules and standards which are consistent with accounting principles suitable and appropriate for the entity.	1. Verify financial statements with adequate disclosures 2. Verify statutory auditor's report

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
19	R i s k Assessment	I d e n t i f i e s and analyzes significant changes that could impact internal controls	F i n a n c i a l reporting	Non identification of changes in accounting principles or financial reporting requirements may lead to non-compliance and the financial statements will not show true and fair figures or may not include disclosures as required.	C13, C25	<p>2. Reviews by/consultations with the Statutory Auditors as required by the regulation (annual review) or as considered necessary by the management, are done.</p> <p>3. Internal audit coverage extends to compliance review and financial reporting review.</p> <p>1. Defined and documented Financial Statement Closure Process is in place.</p> <p>2. Periodic updates are received from professional consultants.</p>	3. Verify internal audit reports
20	R i s k Assessment	I d e n t i f i e s risks to the achievement of objectives and analyzes risks to manage them	F i n a n c i a l reporting	Absence of an appropriate mechanism of related party transactions identification can lead to regulatory non-compliance and/ or financial misstatements	C20, C26	<p>1. Various compliances under different statutes in relation to transactions with related party (transfer pricing related compliance and return filing) are verified.</p> <p>2. Board approval is taken for related party transaction</p>	Verify Board noting and approval of related party transactions.

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
21	R i s k Assessment	Assesses fraud risk to the achievement of objectives	IT Security	Company infrastructure and IT systems being used for fraudulent activities thereby affecting the reputation and increasing the legal risks attached	C14	<ol style="list-style-type: none"> 1. Access is restricted to users who are either employees or authorized personnel. 2. Password and user id protected systems exist. 3. Deactivation of external storage devices on company PC's has been done. 4. Access to all public sites and domains is restricted. 	<ol style="list-style-type: none"> 1. Review list of user-ids with access rights 2. Verify protocol for access to systems and policy highlighting security of user id and passwords
22	R i s k Assessment	I d e n t i f i e s risks to the achievement of objectives and analyzes risks to manage them	Training	Changes in the procedure manual of a particular department without the knowledge of its employees leads to dilution of the impact of the changes implemented	C27	<p>Periodic review of process manual is done and updates are communicated to all employees concerned.</p>	<ol style="list-style-type: none"> 1. Verify that the manuals are periodically reviewed. 2. Verify evidence of communication of changes to employees.
23	C o n t r o l Activities	Selects and develops control activities to mitigate risks	Evaluation	Risk of recurrence of issues if not evaluated and policies/procedures not modified accordingly	C15	<p>Periodic internal audit is done by an external agency and changes made basis agreed actions.</p>	<p>Verify internal audit reports available, and record of resolution of agreed actions.</p>

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
24	Control Activities	Selects and develops control activities to mitigate risks	Financial reporting	Risk of financial loss and/or financial misstatement in the absence of an established physical verification of assets mechanism	C16, C20	<ol style="list-style-type: none"> Physical verification of fixed assets, cash is done. Third party and bank balance confirmations statements are taken. Board discusses findings of physical verification of assets/ discrepancy resolution 	<ol style="list-style-type: none"> Verify fixed asset verification report and check for periodicity (CARO, 2015) Verify third party confirmations. Verify records showing full particulars - quantitative details and situation of fixed assets (CARO, 2015) Verify Board meeting minutes
25	Control Activities	Deploys control activities through policies and procedures	Payments and reimbursements	Absence of policies will lead to reimbursement/ allowance of non agreed expenses to the employees or reimbursement of expenses over and above the set limit to the employees.	C03	All financial policies relating to employees are in place along with defined level of approvals.	Verify remuneration structure for financial policies relating to employees.
26	Information & Communication	Communicates externally regarding matters affecting internal controls	External Communication	May result in reputational/ financial/reporting risk due to erroneous communications to external parties/ external reporting	C03	<ol style="list-style-type: none"> Clear identification of persons authorized to communicate with external parties on relevant company matters. A formal social media policy is in place. 	Verify the Admin Manual for communicating with external parties

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
27	Information & Communication	Communicates externally regarding matters affecting internal controls	External Communication	In the absence of clear communicating channels for external parties, employee/management malpractices may not come to light, may have a reputation risk with respect to third parties	C03, C18	There are properly identified communication channels (email ids) for third parties under grievance mechanism, sexual harassment policy	Review grievance mechanism and sexual harassment policy
28	Information & Communication	Communicates internally, including objectives and responsibilities of internal control	Internal Communication	Absence of clear communication on performance measures may lead to ambiguities and increase in attrition levels	C28	Clear communication of the Key Result Areas in the evaluation process	Verify the communication for the KRAs
29	Information & Communication	Communicates internally, including objectives and responsibilities of internal control	Management Oversight	Risk events, exceptional and unusual events remain unreported to the management and hence the risk management framework is not duly enhanced.	C07, C08, C29	1. Formal communication process established for escalating disruption to operations, occurrence of risk events and any material exceptional event. 2. Periodic MIS/ dashboards, highlighting of all exceptions. 3. Board meeting, management review meeting discuss unusual events.	1. Verify periodic MIS on sample basis 2. Verify management and Board meeting minutes

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
30	Monitoring	Evaluates and communicates to deficiencies, to enable corrective actions being taken	Financial reporting	Inadequate process for obtaining third party confirmations to validate financial figures and to detect financial frauds.	C16	<ol style="list-style-type: none"> 1. Third party confirmations obtained from banks, debtors, related parties 2. Web based review done to assess tax status, TDS status, regulatory compliance related numbers. 	Verify confirmations obtained from counter parties and Government website (such as Income Tax) for reconciling statutory figures and other balances.
31	Monitoring	Conducts ongoing/ separate evaluations to confirm that internal controls are functioning	Financial reporting	Absence of review of the financials by management	C07, C08	Monthly MIS consisting of financial statements and other operations, reconciliations prepared by Finance Manager are reviewed and analyzed by Group CFO	Verify financial statements/ reports, periodic MIS and reconciliations
32	Monitoring	Evaluates and communicates to deficiencies, to enable corrective actions being taken	Grievance and dispute resolution mechanism	Inappropriate grievance processes may lead to delay in detection of frauds, misreporting of financial figures, need for provisioning due to disputes	C03	Employee grievance policy (to resolve complaints and grievances) forms part of Admin Manual	Verify policy to resolve complaints and grievances, as stated in Admin Manual
33	Monitoring	Conducts ongoing/ separate evaluations to confirm that internal controls are functioning	Management Oversight	Process gaps, errors and misstatements may not be identified by the management which may also lead to fraud or non-compliance due to absence of well-established risk and internal audit review system	C03, C07, C15	<ol style="list-style-type: none"> 1. Internal audit function reports to Board of Director and highlights deficiencies observed. 2. Policies and processes are introduced and revised from time to time to plug identified gaps and controls lapses. 	<ol style="list-style-type: none"> 1. Verify Internal Audit reports 2. Verify meeting minutes 3. Verify sample policies and process notes

Sr No	Attribute	Principle	Process Activity	Risk	Control Ref No.	Control Description	Audit Step
34	Monitoring	Conducts ongoing / separate evaluations to confirm that internal controls are functioning	Management Oversight	Absence of communication of deficiencies and monitoring corrective action may lead to un-remediated deficiencies and resultant control gaps w.r.t. ICFR	C21	Formal roll out of ICFR policy and testing process for control design and effectiveness	<ol style="list-style-type: none"> 1. Check ICFR framework and documented RCMS 2. Check the process adopted for testing control design and operational effectiveness

Note:

The above work-sheet can be enhanced with columns such as department, details with respect to controls (whether key or non-key, whether control exists – yes or no, type of control – manual or automated, nature of control – preventive, detective or both preventive and detective, control frequency – daily, weekly, fortnightly, monthly, half-yearly, annually, event-based, as and when), document/ evidence, deficiencies, remedial plan, reference to document and remarks

4.2 IT General Controls – Specimen (refer paragraph 2.5.6)

ABC Private Limited ICFR for the year ending 31st March, 2016 RCM - IT General Controls	
LIST OF CONTROL GROUPS	
Control Ref	Control Group/ Attribute
ITGC 01	Comprehensive IT Policy
ITGC 02	Access Rights Restrictions
ITGC 03	User account management - User id and password security
ITGC 04	Data management - back up and restoration of data and system
ITGC 05	Connectivity management - LAN, internet, firewall, anti-virus,
ITGC 06	Sign-off of stakeholders/management for changes made to key applications relevant to financial reporting
ITGC 07	Restriction to share data
ITGC 08	Controls or authorization for acquisition / development of new system / migration / subsequent changes
ITGC 09	Incident handling – In-house IT Personnel
ITGC 10	Approval/periodic review of user access rights

ABC Private Limited
ICFR for the year ending 31st March, 2016
IT General Controls (ITGC)

Sr. No.	Attribute	Activity Description	Identification of Risk of Material Misstatement ("What Could Go Wrong") Risk Description	Control Ref Number	Control That Addresses Risk of Material Misstatement — Control Name
1	Risk Assessment	IT Policy	Intended IT related processes not followed due to absence of defined comprehensive IT policy document	ITGC 01	A defined comprehensive IT policy document to provide various guidelines to work in the IT environment, is in place
2	Control Environment	Access Rights	Editable access of Financial System (Accounting Software) provided to persons other than Company employees (Internal and Statutory Auditors, Consultants, etc.)	ITGC 02	View-only access of Accounting Software provided to persons other than Company employees (Internal and Statutory Auditors, Consultants, etc.) who are not required to modify the financial transactions
3	Control Environment	Closing of Accounting period/year in the Accounting Software	Erroneous/intentional posting of Accounting entry in the earlier closed period/year	ITGC 02	Closing of previous period/year to restrict back-dating of transactions
4	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGC 03	1. For CMS System - all new users are given pre-expired password and the system prompts the user to set new password at the time of first login 2. For Tally - all new users are given pre-expired password and the system prompts the user to set new password at the time of first login
5	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGC 02	1. For CMS - Users access rights are granted by IT only upon specific approval by the concerned functional head

Sr. No.	Attribute	Activity Description	Identification of Risk of Material Misstatement (“What Could Go Wrong?”) Risk Description	Control Ref Number	Control That Addresses Risk of Material Misstatement — Control Name
					2. For Tally - Users access rights are granted by IT only upon specific approval by the concerned functional head
6	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	System prompts the user to change the password after the expiration of 30 days.
7	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	Password must contain at least 7 characters, alpha numeric (alphabets, numbers and special characters).
8	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	If the password is wrongly entered continuously for 5 times within 30 minutes, the respective login id gets locked.
9	Control Environment	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	If a user is not accessing the system for more than specified time, the system gets automatically locked.
10	Control Environment	Identifies and analyses significant changes that could impact internal controls	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 10	There exists a periodic review of the user profiles for systems access, to confirm appropriateness.
11	Information & Communication	Selects and develops general controls over technology	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	Requests for creation of new user ids are received by the IT Executive on standardized form, duly signed by the respective HOD.

Sr. No.	Attribute	Activity Description	Identification of Risk of Material Misstatement ("What Could Go Wrong?") Risk Description	Control Ref Number	Control That Addresses Risk of Material Misstatement — Control Name
12	Information & Communication	Selects and develops control activities to mitigate risks	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGG 03	<ol style="list-style-type: none"> 1. User termination, resignation is informed to IT Executive through email by HR. 2. User account is disabled immediately after receiving an email request. Before processing this request, IT archives the mail box of the user. 3. Full & Final Settlement Form is signed by the IT Executive only when the necessary access rights have been disabled in the system.
13	Control Environment	Selects and develops general controls over technology	Absence of regular back-up which may lead to loss of crucial data	ITGG 04	<ol style="list-style-type: none"> 1. Regular back-up strategy defined for server and auto-back up is taken at defined frequency. 2. Retrieval is tested at reasonable frequency
14	Control Environment	Selects and develops general controls over technology	Absence of regular back-up which may lead to loss of crucial data	ITGG 04	Off-site storage of back-up to tackle any unforeseen event at the office premises.
15	Control Environment	Identifies risks to the achievement of objectives and analyses risks to manage them	Servers and end users PCs are infected with virus	ITGG 05	<ol style="list-style-type: none"> 1. Desktops: All the user desktops are installed with anti virus scanner, which scans the new files on an ongoing basis 2. Servers: All servers are installed with anti virus scanner.

Sr. No.	Attribute	Activity Description	Identification of Risk of Material Misstatement (“What Could Go Wrong?”) Risk Description	Control Ref Number	Control That Addresses Risk of Material Misstatement — Control Name
					<p>3. Gateway: Mail server is managed and all the Emails are scanned by threat management gateway.</p> <p>4. The anti virus gets automatically updated with the latest version through process of auto updates</p>
16	Control Environment	Assesses fraud risk to the achievement of objectives	Unauthorized access to the IT systems, applications and data by external parties	ITGC 05	<p>1. Firewalls have been installed.</p> <p>2. The logs are regularly reviewed by IT Executive</p>
17	Control Environment	Selects and develops control activities to mitigate risks	Unauthorized access to IT systems, applications and data results in errors in financial reporting	ITGC 06	Changes in programs can be made only with prior approval of the Board of Directors or the HOD concerned, with the simultaneous involvement and approval of the IT personnel.
18	Control Environment	Selects and develops control activities to mitigate risks	Significant developments and changes to information systems relevant to financial reporting are made, resulting in errors in financial reporting.	ITGC 06	Decisions around significant developments and changes to information systems relevant to financial reporting are made in conjunction with Finance Manager and after approval of BOD
19	Control Environment	Identifies and analyses significant changes that could impact internal controls	Errors in changes made to key applications relevant to financial reporting	ITGC 06	Specific changes are made to key applications relevant to financial reporting only after sign off from the relevant stakeholders
20	Control Environment	Selects and develops general controls over technology	Problems and incidents are not effectively managed.	ITGC 09	An in-house IT personnel resolves issues faced by users as required

Sr. No.	Attribute	Activity Description	Identification of Risk of Material Misstatement ("What Could Go Wrong?") Risk Description	Control Ref Number	Control That Addresses Risk of Material Misstatement — Control Name
21	Control Environment	Selects and develops general controls over technology	Intentional sharing of crucial and confidential data of the company by staff to outsiders (e.g. competitors)	ITGC 07	1. Deactivation of external storage devices on company PCs. 2. Restricting access to all public sites and domain

Note:

The above work-sheet can be enhanced with columns such as department, details with respect to controls (whether key or non-key, whether control exists – yes or no, type of control – manual or automated, nature of control – preventive, detective or both preventive and detective, control frequency – daily, weekly, fortnightly, monthly, half-yearly, annually, event-based, as and when), document/ evidence, deficiencies, remedial plan, reference to document and remarks

4.3 Specimen – Financial Statement Closure Policy and sample checklists (refer paragraph 2.7.3)

ABC Pvt. Ltd. Financial Statements Closure Policy (FSCP)

1. OBJECTIVES:

This policy is prepared to achieve the following broad objectives:

- Provide guidance for the financial closure process leading to preparation of financial statements.
- Ensure adherence to applicable laws, regulations and disclosure requirements relevant to the financial reporting.
- Ensure completion of the financial closure efficiently and in a timely manner.
- Ensure adherence to the approval matrix laid out for the closure process.
- Retain and protect related documents, evidences and approval trails.

2. SCOPE:

This policy covers the following:

- Financial reporting framework applicable to the entity.
- IT application (system), if any, used for financial closure
- Checklist to be used to ensure completeness of financial statements
- Approval matrix related to financial closure activities.
- Document Management Policy, including retention policy for documents related to financial closure.

3. STAGES OF FINANCIAL CLOSURE:

No.	Particulars	Review Responsibility	Approval/ Authorization	Suggested Timeline
1.	<p>Financial Reporting Framework</p> <ul style="list-style-type: none"> ✓ The financial closure process shall be carried out in adherence to the following <ul style="list-style-type: none"> • The Companies Act, 2013 and allied Rules • Applicable accounting standards • Pronouncements of the ICAI applicable to preparation of financial statements and financial reporting ✓ Adequate care shall be taken to incorporate the effects of modifications to existing regulations and pronouncements. ✓ Any new pronouncements impacting the financial accounting, closure process or reporting requirements will be reviewed internally, approved as per Authority matrix and incorporated in the appropriate checklist, SOP or templates. ✓ Knowledge update provided by the statutory auditors or other accounting/ law firms from time to time may be reviewed and where appropriate, to be considered for updating respective checklist. ✓ The CFO is required to hold a formal meeting with the statutory auditors to confirm that all additional reporting requirements for the financial year have been duly identified by the company – if there has been a miss out, the same may be incorporated after review. 	Senior Person of A & F Dept	CFO or equivalent position	By end December/ January

No.	Particulars	Review Responsibility	Approval/ Authorization	Suggested Timeline
2.	<p>System Environment</p> <ul style="list-style-type: none"> ✓ List all the systems from which data will flow into financial statements either directly or indirectly. ✓ Proposed changes/ enhancements to the IT applications which have a bearing on the financial closure process or the financial statements need to be pre-approved by the Finance Department as per authority matrix. ✓ For any changes in the financial reporting requirements, Finance Department to review if the required information is available from the IT system and if not, initiate a request for configuring the IT system to ensure the availability of the requisite information. 	Senior Person of A & F Dept.	CFO or equivalent position	By end December/ January
3.	<p>Pre-planning for Closure & Closure Activity for Operational Areas</p> <p>Activity wise pre-planning checklist to be prepared as per Company's defined SOPs, Policies and Business Requirements. A specimen general format indicating illustrative checkpoints and processes is presented in Annexure – I.</p>	As per Checklist	As per Checklist	For Pre-planning by end December/ January and For Closure at year end date and subsequent month
4.	<p>Process for Preparation of Financial Statements</p> <p>A specimen general format indicating illustrative checkpoints and processes is presented in Annexure – II.</p>	As per Checklist	As per Checklist	As per defined timeline by the management for finalizing audited Financials
5.	<p>Process for Disclosure requirements</p> <p>A specimen general format indicating illustrative checkpoints and processes is presented in Annexure – III.</p>	As per Checklist	As per Checklist	As per defined timeline by management for finalizing audited Financials

No.	Particulars	Review Responsibility	Approval/ Authorization	Suggested Timeline
6.	<p>Approval Matrix for closure process</p> <p>The closure process will follow the approval matrix defined as per the SOP of Accounts & Finance department. If it is not defined then define the same for maker-checker control at various stages and documentation trail</p>	Senior Person of A & F Dept.	CFO or equivalent position	Approval Matrix to be defined as part of SOP of A&F dept. or at the beginning of the year
7.	<p>Retention of Documents</p> <ul style="list-style-type: none"> ✓ All documents related to the financial closure process shall be retained in a safe manner. ✓ Clear naming protocols will be followed to ensure version control on financial statement drafts. ✓ Soft copies of the financial statements need to be stored in a folder, access rights to which have been approved by the Chief Financial Officer. ✓ Documents to be retained at least until the time required to comply with related regulations. 	Senior Person of A & F Dept.	CFO or equivalent position	N.A.
8.	<p>Post Closure Process</p> <ul style="list-style-type: none"> ✓ Take printout of Final Trial balance. ✓ Keep printed copies of audited Financial Statements. ✓ Close the books of account for the Financial Year. ✓ Block the IT system for amendment in that financial year. ✓ Review opening balance in the subsequent period with audited financial statement. 	Senior Person of A & F Dept.	CFO or equivalent position	Within 15 days of completion of Annual Accounts closure

Annexure – I

ABC Pvt. Ltd.

**Sample and Specimen Checklist for Activity wise
Pre-planning & Closure**

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
1	Cash	Circular to be sent to various branches to send cash expenses statement with closing balance as on Year end					
		Co-ordination with the statutory auditors if they want to conduct year end physical verification of cash					
		conduct physical verification on the last working day of the Financial year					
		Document the Physical verification papers with sign of maker and checker					
2	Bank	Bank Reconciliation statements to be called from all branches for all bank accounts					
		BRS to be prepared for all the HO Accounts as per the BRS process defined by the company					
		Un-reconciled items in BRS to be investigated and necessary adjustments to be carried out with proper approvals					
		Cheques pending to be deposited to be presented to bank for clearance					
		Online transfers from customers, kept in suspense / unexplained accounts, to be knocked off from customer balances					
		Print out of Final Copies of BRS to be taken and signed by the maker and checker					
		Balance confirmations to be called from banks to assert bank balances					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
3	Inventory	Circular to be sent to branches to inform them to carry year end stock verifications					
		Factory / Warehouse / Operations of any other inventory holding location to be suspended during the period of verification , if required					
		Necessary co-ordinations to be made with Internal / Statutory auditors in case they are to attend inventory verification					
		Year-end transactions for sales and purchases to be meticulously recorded keeping in mind cut off procedures affecting inventory position					
		Plan for Inventory verification to be decided basis certain methods suitable for Company's inventory such as: 1. ABC analysis 2. Analysis based on fast / slow moving items 3. Critical and non-critical items 4. Form of inventory i.e. size, weight, state of matter etc.					
		Confirmations to be called from third party holding company's inventory (on consignment basis, for job work purposes etc.)					
		Value of inventory as per books to be compared with actual value					
		Adjustments , if required, to be made to inventory value with proper approvals					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
4	Fixed Assets / Capitalization	FA register to be updated, finalized					
		FA register to be compared with books of account					
		Scrutinize the major repairs account to find out if any item of capital nature has been debited					
		Capitalisation of expenses to the point of installations such as transportation, octroi, testing charges, training for operation of FA					
		Review CWIP Account to review completion stage and capitalization if required					
		Physical verification of Fixed Assets with proper internal controls such as verification by independent verifier , maker checker control on verification process, reporting of discrepancy, if any and appropriate accounting of the same					
		Review of sale / scrap of assets, profits / loss on disposal of Assets					
		Depreciation workings based on applicable accounting standards					
5	Investment	Accounting of accrued income based on year end investment					
		Accounting of gains / losses on sale of investments					
		Validation of investment balance with counter party statements					
		Physical verification of investment instruments to ensure ownership of the same					
		Revaluation of investments as per applicable accounting standards					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
6	Income Booking	Circular to be sent to various branches / depots from where sales are effected to send information / data for dispatches made till cut-off date					
		Ensure invoice booking for materials where ownership has been transferred to customers					
		Ensure invoice booking / billing for services where provision of service is completed as per defined terms and conditions					
		Accounting of pending Debit and credit notes (rejections / sales returns / disputed provision of services)					
7	Expense Booking	Circular to be sent to various branches / depots calling for all relevant details of expenses incurred within defined timeline after year end					
		Advances paid for expenses to employees be settled against reimbursable expenses					
		Provision of expenses based nature of expense i.e. time based or otherwise backed by actual supporting documents to be accounted					
		Provision of expenses basis estimation - Company policy for estimation to be reviewed and adhered					
		Review accounting of prepaid expenses					
		Review provisions / prepaid expenses of previous periods / years for its existence and continuity					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
8	Debtors/ Receivables	Debtors balances to be knocked off against money received but accounted in suspense / unexplained accounts					
		Initiate communication for debtors confirmation					
		Prepare reconciliation of differences in debtors balances and post adjustments with appropriate approvals					
		Scrutinize debtors accounts and follow up with the sales/marketing team for status of long standing debtors					
		Provide for doubtful debts / disputed debtors in consultation with marketing / legal dept. / Management					
9	Creditors / Payables	Initiate communication for creditors confirmation					
		Prepare reconciliation of differences in creditors balances and post adjustments with appropriate approvals					
		Scrutinize advance to creditors accounts and follow up with the procurement team for status of long standing advances					
		Write back creditors balances which are not payable in consultation with procurement / legal dept. / Management					
10	Related Party Reconciliation	Obtaining account confirmation from all the related parties					
		Prepare reconciliation of differences in balances and post adjustments with appropriate approvals					

Annexure – II

ABC Pvt. Ltd.

**Sample and Specimen Checklist for
Preparation of Financial Statements**

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
1	Opening balances validation	Validation of opening balances at the time of audit of subsequent year with closing balances of previous year					
2	General Ledger Scrutiny	Allocate responsibility within the accounts team to scrutinize specific accounts					
		All accounts with non-moving balances, intermediary accounts, suspense accounts to be scrutinized thoroughly to ensure genuineness of transactions recorded in these accounts					
		Based on this scrutiny pass appropriate entries with approval of senior personnel in the accounts team ideally the CFO					
3	Review of accounts related to statutory compliance	Allocate responsibility within the accounts team to scrutinize specific accounts					
		Reconcile company's data with the data available on the website of respective regulator (such as 26 AS reconciliation)					
		Review all the assessment orders, refund / demand orders issued by various regulatory authorities during the year					
		Compare all statutory returns filed with the books of account					
		Record all the necessary entries required based on above scrutiny					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
4	Independent Review	Get independent review done by professional retainer, if any, engaged by the company					
5	IT Systems blocking	Blocking of various IT Systems for data entry of transactions posting by respective employees for basic transaction posting such as cash, bank ,petty cash, purchase, sales etc.					
		Rights to pass entries to be granted to only few personnel in the accounts department					
6	Provision for Gratuity & Employee benefits	Provide necessary data/information after validation to the appointed actuary					
		Actuarial valuation report to be referred for estimations provided by the auditee.					
		Workings for provisions to be computed and validated by senior personnel					
		Provisions for employee benefit to be recorded with appropriate approvals					
7	Inventory Valuation	Inventory verification reports to be referred to ascertain inventory figures					
		Inventory as ascertained to be valued adopting suitable methodology and adhering to applicable accounting standards and company policy					
		Necessary adjustment entries to reflect appropriate value of inventory to be recorded with due approvals					
8	Revaluation of Assets & Liabilities in Foreign Currency	Ascertain the balances of foreign assets and liabilities					
		Depending on the class of asset / liability and guidelines laid down in applicable accounting standards, appropriate foreign exchange rate to be selected					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
		The selected rate(s) to be validated by senior authority and applied to closing balance of such classes(s) of assets / liability					
		Appropriate effect of revaluation to be recorded in books of account					
9	Year-end adjustment of Exchange rate difference for trade payables and receivables	Refer to closing balance of debtors/ creditors					
		Revalue debtors and creditors basis closing exchange rate					
10	Income Tax working	Based on profits / losses as computed prepare Income Tax working					
		Co-ordinate with tax consultant for validation of the same					
		Incorporate changes suggested by consultant					
		Record necessary provision for income tax					
11	Deferred Tax Assets/ Liabilities working	Prepare working for deferred tax assets / liabilities					
		Co-ordinate with tax consultant and Statutory Auditors for validation of the same					
		Incorporate changes suggested by consultant					
		Record necessary entries for deferred tax assets / liabilities					
12	Preparation of Financial Statements as per prescribed formats	Extract trial balance from accounting system					
		Save the same with date and time in soft					
		Prepare appropriate groupings					
		Validate all the excel formulas and linkages if financials are prepared in excel					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
		As per prescribed format classify respective assets and liabilities as current , non - current , short term , long term					
		Take print out of financials prepared and revalidate again with base trial balance for accuracy					
		Provide audit trail of revalidation on hard copy of financials					
13	C o - ordination w i t h statutory auditors and get the audit done	Arrange for Stat audit, prepare information as per their prescribed format					
		During Stat audit liaison with their team for smooth conduct of audit					
		Formal meetings for discussion of queries / clarifications					
		Passing of rectification JVs, if required in system					
14	Prepare revised Financial S t a t e - m e n t s	Repeat process given in step 12					
		Maintain version control and modification trail					
15	Grouping a n d regrouping of previous y e a r ' s figures	Detailed review of previous years grouping with current grouping and make necessary changes in the grouping of previous year					
16	Freeze the numbers a f t e r review of Statutory Auditors	Get the revised financials validated from Statutory Auditors					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
17	Present the Provisional Financial statements to Management / Audit committee	To facilitate management to take certain decisions about managerial remuneration, proposed dividend					
18	Calculate Managerial remuneration if it is on % basis of profit/surplus	Prepare workings for managerial remuneration as per applicable rules and regulations and company policy					
19	Prepare Proposed dividend working	Proposed dividend working to be prepared based on the dividend proposed by Board of Directors					
		Workings to validated by senior personnel					
		Entries to record proposed dividend to be passed in books of account					
20	Make necessary changes in the Financial Statements	Necessary changes to be validated by Statutory Auditors					

Annexure – III

ABC Pvt. Ltd.

**Sample and Specimen Checklist for
Disclosure & Notes to Accounts**

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
1	Review of Notes to Accounts of Previous year and evaluate it for necessary changes	Take notes to account of pervious year as a base					
		If there are any changes in the accounting policies adopted by the company during the year incorporate the same in notes to account					
		If there are any regulatory changes which require change in company policy incorporate the same in Notes to account					
2	Prepare Disclosures	As per disclosure checklist provided by Stat auditors prepare disclosures					
		Validate all the numbers given in the disclosures with the financial statements					
		Also ensure disclosure for contingent liability after consultation with various operational dept. HODs and HOD of legal dept.					
3	Get it reviewed by Statutory Auditors	Notes to accounts and disclosures to be sent to Statutory Auditors for review and validation					

No.	Area	Process	Process Owner	Reviewer	Proposed Start Date	Proposed End Date	Status
4	Revise Notes to Accounts & Disclosures after review by Statutory auditors	As per suggestion by Statutory Auditors revise notes to accounts and disclosures					
5	Review entire set of Financial statements & disclosures all together	Take print out of entire set of Financial statements, notes to account and disclosures					
		Revalidate again with base trial balance for accuracy					
		Provide audit trail of revalidation on hard copy of financials					
6	Arrange for Signatures	Arrange for signature on the Financial Statements by the appropriate authority of the Company					
		Arrange for signature on the Financial Statements by the Statutory Auditors					

**** Note: Soft copies of the ‘ready to use drafts and formats’ given in this section are hosted on the website of BCAS www.bcasonline.org.**

