



# Internal Financial Control – Practical Approach

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WIRC of ICAI

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# Why Internal Financial Controls (IFC)?

# Internal Financial Controls (IFC) - Background

A substantial step in making regulations more coherent, Companies Act, 2013 had introduced the concept of Internal Financial Controls (IFC) under section 134. Directors' responsibilities on IFC is laid down under section 134 (3) (c) read with section 134 (5) (e). The Auditor's responsibilities towards IFC reporting was laid down in section 143 (3) (i). The Audit Committee's terms of reference on IFC is laid down under section 177 (4) (vii).

IFCs have been defined under section 134 (5) (e) as following:

***'The policies and procedures adopted by the company to ensure 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 accounting records, and the timely preparation of reliable financial information.'***

*This initiative needs a complete mandate from the Board and should be lead by the CEO/MD. There should be clear sponsorship and the 'tone at the top' which is the whole essence of IFC.*

# Statutory Requirements on IFC – Companies Act, 2013

Considering the overhaul required in the Risk Management function of the Indian industries, the government had introduced few new compliances that every organization needs to follow. Key compliance requirement , as envisaged in the Companies Act, 2013, are as follows:

- **Section 134** – Directors of all listed companies have to report that the laid down IFCs of the company have been followed and that such IFC are adequate and were operating effectively.
- **Section 177** – Every audit committee shall act in accordance with the terms of reference specified in writing by the board which shall, inter alia, include, evaluation of internal financial controls and risk management systems.
- **Section 143** - The auditor's report should also state for all companies except for private limited companies which have been granted exemption as per amended notification No. G.S.R. 463(E), 464(E), 466(E) dated 5th June, 2015 (amended on 13<sup>th</sup> June, 2017, G.S.R 583(E) ) , whether the company has adequate IFC system in place and the operating effectiveness of such controls.
- **Schedule IV** – The independent directors shall satisfy themselves on the integrity of financial information and that financial controls and the system of risk management are robust and defensible.

## **Clause 49 Listing requirement**

- As per part II of clause 49 listing agreement, role of Audit Committee shall include evaluation of internal control and risk management.
- As per part V of clause 49 listing agreement, the CEO / CFO of he company shall certify the effectiveness and adequacy of internal controls over financial reporting.

# Statutory Requirements on IFC – Board Report

## The Companies (Accounts) Rules, 2014

As per Rule 8(4) of the Companies (Accounts) Rules, 2014 : - *“Every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors”*.

As per Rule 8 (5) (viii) of the Companies (Accounts) Rules, 2014 : - In addition to the information and details specified in sub-rule (4), the report of the Board shall also contain –

***“The details in respect of adequacy of internal financial controls with reference to the Financial Statements.”***

## Applicability of IFC

Section	Responsibility	Listed Company	Unlisted Public Company	Private Company
134(3) (c) read with 134 (5) (e)	Directors' Responsibility Statement	Yes	Yes*, Note 1	No, Note 1
177 (4) (vii) and 177 (5)	Audit Committee	Yes	Yes**, Note 2	No**, Note 2
143 (3) (i)	Audit Report*** Note 3	Yes	Yes	Yes Note 4
Section 149 (8) read with Schedule IV	Independent Directors	Yes	Yes**, Note 2	No**, Note 2

\* Note 1 : Whilst the Act specifies on listed companies, Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014 read with Rule 8(4) talks about **listed and unlisted public companies only** with paid up capital of Rs 25 crore or more calculated at the end of the preceding financial year.

\*\* Note 2 : All Public Companies with paid up capital of INR 10 crore or more, Turnover of INR 100 crores or more and Loan, borrowing, debentures and deposits of INR 50 crores or more in aggregate. Private companies may require to adopt the same as well.

\*\*\* Note 3 : Auditor Report comment upon IFC is limited to ICFR as per ICAI guidelines.

\*\*\*\* Note 4 : Chapter X, clause (i) of sub-section (3) of section 143 One person company or Small company or Private Company which has a turnover of less than 50 Crore as per the latest Audited Financial Statements or which has an aggregate borrowing from Banks or FIs or any Body Corporate at any point of time during the financial year less than Rs. 25 Crore have been granted exempted from reporting on adequacy of internal financial controls system and operating effectiveness of such controls provided that the private company has not committed a default in filing its financial statements u/s 137 of the Companies Act 2013 or annual return u/s 92 of the Companies Act 201 with the Registrar.(As per MCA notification G.S.R. 583(E)

## Definitions :-

- Section 2(62) of the Companies Act, 2013 defines “one person company” means a company which has only one person as member.

Only a natural person who is an Indian citizen and resident in India shall be eligible to incorporate a One Person Company shall be a nominee for the sole member of a One Person Company.

- Section 2(85) defines a Small Company as –

“**small company**” means a company, other than a public company,—

- (i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; or
- (ii) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:

Provided that nothing in this Section shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under Section 8; or
- (C) a company or body corporate governed by any special Act



## IFCs' Equivalents Abroad

- Globally, auditor's reporting on internal controls is together with the reporting on the financial statements and such internal controls reported upon relate to only internal controls over financial reporting. *For example, in USA, Section 404 of the Sarbanes Oxley Act of 2002, prescribes that the registered public accounting firm (auditor) of the specified class of issuers (companies) shall, in addition to the attestation of the financial statements, also attest the internal controls over financial reporting.*

# IFCs – Scope for Reporting

## IFCs vs. Internal Controls (CARO)

- The scope for reporting on IFCs is significantly larger and wider than the reporting on internal controls under the Companies (Auditor's Report) Order, 2016 ("CARO").
- Under CARO, the reporting on internal controls **is limited to** the adequacy of controls over purchase of inventory and fixed assets and sale of goods and services.
- CARO **does not require** reporting on all controls relating to financial reporting and also **does not require** reporting on the "adequacy and operating effectiveness" of such controls.

## Reporting on IFCs in Financial Statements not covered under The Act

- Auditor's reporting on IFCs is a requirement specified in the Companies Act, 2013 and therefore will apply **only in case of** reporting on financial statements prepared under the Act and reported under Section 143.
- Accordingly, reporting on IFCs **shall not be applicable** with respect to interim financial statements, such as quarterly or half-yearly financial statements (unless such reporting is required under any other law or regulation).

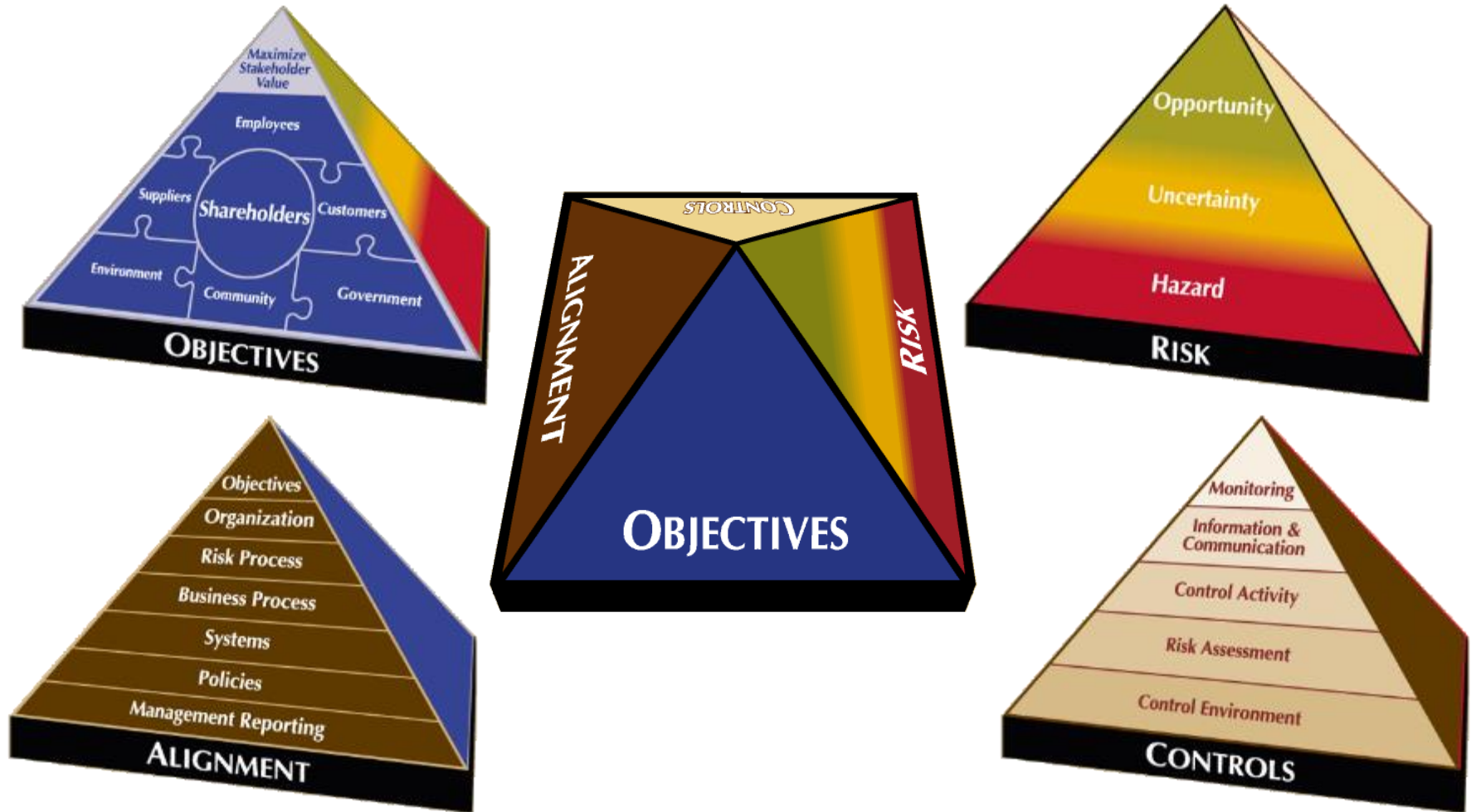
# IFCs – Scope for Reporting (continued)

## Context of Reporting

- The Companies Act, 2013 (The Act) specifies the auditor's reporting on internal financial controls **only in the context of** audit of financial statements.
- The Term 'Internal financial controls' stated in The Act relates to **'internal financial controls over financial reporting'** in accordance with the objectives of an audit stated in SA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing"
- Further, Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014 requires the Board of Directors' report of all the companies to state the details in respect of adequacy of internal financial controls **with reference to the "financial statements" only.**
- In light of the above, the auditor needs to obtain reasonable assurance about the adequacy of the existing IFC system and whether such the system operated effectively in the company in all material respects **with respect to financial reporting only.**

# Requirements of IFC Under Companies Act 2013

IFC is an important tool to augment effective Corporate Governance:



# Applying COSO 2013

# COSO 2013

The COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 Framework should be utilized to design and review an IFC Framework



The COSO 2013 Internal Control: Integrated Framework **consists of 5 components.**

The Components have to be effective across the Entities, Divisions, Operating Units and Functions.

The new framework includes **17 COSO Principles** to be addressed and also includes **77 Points of Focus** to provide helpful guidance to assist management in designing, implementing and operating an effective internal control environment, as well as, in assessing whether relevant principles are present and functioning.

# COSO 2013 – Control Environment

Control Environment			
Principles		Points of Focus	
1	The organization demonstrates a commitment to integrity and ethical values	1	Sets the tone at the top
		2	Establishes standards of conduct
		3	Evaluates adherence to standards of conduct
		4	Addresses deviations in a timely manner
2	The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control	5	Establishes oversight responsibilities
		6	Applies relevant expertise
		7	Operates independently
		8	Provides oversight on Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities
3	Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives	9	Considers all structures of the entity
		10	Establishes reporting lines
		11	Defines, assigns, and limits authorities and responsibilities

## COSO 2013 – Control Environment (continued)

Control Environment (continued)			
Principles		Points of Focus	
4	The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives	12	Establishes policies and practices
		13	Evaluates competence and addresses shortcomings
		14	Attracts, develops and retains individuals
		15	Plans and prepares for succession
5	The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives	16	Enforces accountability through structures, authorities and responsibilities
		17	Establishes performance measures, incentives and rewards
		18	Evaluates performance measures, incentives and rewards for ongoing relevance
		19	Considers excessive pressures
		20	Evaluates performance and rewards or disciplines individuals



# COSO 2013 – Risk Assessment

		Risk Assessment		
Principles		Points of Focus		
6	The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives:			
		– Operations Objectives	21a	Reflects management's choices
			22a	Considers tolerances for risk
			23	Includes operations and financial performance goals
			24	Forms a basis for committing of resources
		– External Financial Reporting Objectives	21b	Complies with applicable accounting standards
			22b	Considers materiality
			25	Reflects entity activities
		– External Non-Financial Reporting Objectives	21c	Complies with externally established standards and frameworks
			22c	Considers the required level of precision

## COSO 2013 – Risk Assessment (continued)

		Risk Assessment	
Principles		Points of Focus	
– Internal Reporting Objectives		21a	Reflects management’s choices
		22c	Considers the required level of precision
		25	Reflects entity activities
– Compliance Objectives		21d	Reflects external laws and regulations
		22a	Considers tolerances for risk
7	The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed	26	Includes entity, subsidiary, division, operating unit, and functional levels
		27	Analyzes internal and external factors
		28	Involves appropriate levels of management
		29	Estimates significance of risks identified
		30	Determines how to respond to risks
8	The organization considers the potential for fraud in assessing risks to the achievement of objectives	31	Considers various types of fraud
		32	Assesses incentives and pressures
		33	Assesses opportunities
		34	Assesses attitudes and rationalizations

# COSO 2013 – Risk Assessment (continued)

Risk Assessment			
Principles		Points of Focus	
9	The organization identifies and assesses changes that could significantly impact the system of internal control	35	Assesses changes in the external environment
		36	Assesses changes in the business model
		37	Assesses changes in leadership

# COSO 2013 – Control Activities

		Control Activities	
Principles		Points of Focus	
<b>10</b>	The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels	38	Integrates with risk assessment
		39	Considers entity-specific factors
		40	Determines relevant business processes
		41	Evaluates a mix of control activity types
		42	Considers at what level activities are applied
		43	Addresses segregation of duties
<b>11</b>	The organization selects and develops general control activities over technology to support the achievement of objectives	44	Determines dependency between the use of technology in business processes and technology general controls
		45	Establishes relevant technology infrastructure control activities
		46	Establishes relevant security management process control activities
		47	Establishes relevant technology acquisition, development, and maintenance process control activities

## COSO 2013 – Control Activities (continued)

		Control Activities	
Principles		Points of Focus	
12	The organization deploys control activities through policies that establish what is expected and procedures that put policies into action	48	Establishes policies and procedures to support deployment of management’s directives
		49	Establishes responsibility and accountability for executing policies and procedures
		50	Performs in a timely manner
		51	Takes corrective action
		52	Performs using competent personnel
		53	Reassesses policies and procedures

# COSO 2013 – Information and Communication

Information and Communication			
Principles		Points of Focus	
13	The organization obtains or generates and uses relevant, quality information to support the functioning of other components of internal control	54	Identifies information requirements
		55	Captures internal and external sources of data
		56	Processes relevant data into information
		57	Maintains quality throughout processing
		58	Considers costs and benefits
14	The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components of internal control	59	Communicates internal control information
		60	Communicates with the board of directors
		61	Provides separate communication lines
		62	Selects relevant method of communication
15	The organization communicates with external parties regarding matters affecting the functioning of other components of internal control	63	Communicates to external parties
		64	Enables inbound communications
		65	Communicates with the board of directors
		66	Provides separate communication lines
		67	Selects relevant method of communication

# COSO 2013 – Monitoring Activities

Monitoring Activities			
Principles		Points of Focus	
<b>16</b>	The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning	<b>68</b>	Considers a mix of ongoing and separate evaluations
		<b>69</b>	Considers rate of change
		<b>70</b>	Establishes baseline understanding
		<b>71</b>	Uses knowledgeable personnel
		<b>72</b>	Integrates with business processes
		<b>73</b>	Adjusts scope and frequency
		<b>74</b>	Objectively evaluates
<b>17</b>	The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate	<b>75</b>	Assesses results
		<b>76</b>	Communicates deficiencies to parties responsible for corrective action and to senior management and the board of directors
		<b>77</b>	Monitors corrective actions

# Control Environment & Risk Assessment

## Principles relating to the Control Environment component include:

- The organization demonstrates a commitment to integrity and ethical values
- The board of directors demonstrates independence from management and exercises oversight for the development and performance of internal control
- Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
- The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with the objectives
- The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives

## Principles relating to the Risk Assessment component include:

- The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed
- The organization considers the potential for fraud in assessing risks to the achievement of objectives
- The organization identifies and assesses changes that could significantly impact the system of internal control



# Control Activities, Information Communication & Monitoring

## **Principles relating to the Control Activities component include:**

- The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- The organization selects and develops general control activities over technology to support the achievement of objectives
- The organization deploys control activities through policies that establish what is expected and in procedures that put policies into action

## **Principles relating to the Information & Communication component include:**

- The organization obtains or generates and uses relevant, quality information to support the functioning of internal control
- The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- The organization communicates with external parties regarding matters affecting the functioning of internal control

## **Principles relating to the Monitoring Activities component include:**

- The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning
- The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors as appropriate

# Few Relevant Things

# What is covered in understanding business environment?

## Environment

- What factors lead to dramatic change?
- What global economic events affect the company?
- How is the political, ecological, demographic factors affect the business?

## Owners

- What is the ownership structure and culture of the organization?
- Any information on the promoters or management in terms of their pedigrees, management styles, etc?

## Regulation

- What is the effect of non –compliance to regulations i.e. change to regulation, notification, and standard set by national, local or industry regulatory?
- What is the legal framework set up in the organization?

## Customers

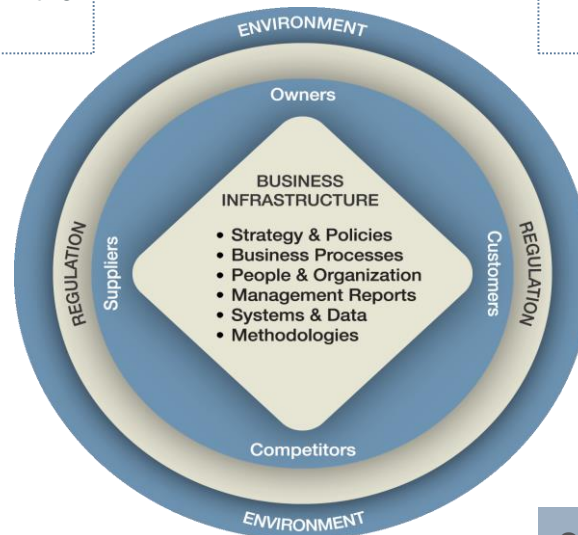
- What is the overall customer base and growth rates for the company and the industry?
- Classification of major customer segments and their preferences?

## Suppliers

- Which are the broad group of suppliers for the client by product type or region, etc.?
- What is the nature of suppliers (fragmented and small, large and monopolistic, etc.)?

## Competitors

- Who are the major players in the market and their market share?
- What are the Strengths and weaknesses of the competitors vis-à-vis the company?



# Processes Listing

Sr. No.	Process Name	Name of the Process and Sub-process
	<b><u>Section 1</u></b>	<b><u>Customer Management</u></b>
	<b><u>Section 1.1</u></b>	<b><u>Marketing</u></b>
1	CM.01.01.01	Capture Customer Insights and Develop Marketing Strategies
2	CM.01.01.02	Manage Brand, Advertising, and Sponsorship Agreements
3	CM.01.01.03	Manage Subsidies/Upgrades and Promotions
4	CM.01.01.04	Manage Customer Loyalty and Churn Prevention
	<b><u>Section 1.2</u></b>	<b><u>Customer Relations Management</u></b>
5	CM.01.02.01	Vet Credit and Accept Customers
6	CM.01.02.02	Provision Services and process Customer Orders
7	CM.01.02.03	Implement and Update Customer Master Data including Customer Privacy
8	CM.01.02.04	Adjustments and Issue Credits
9	CM.01.02.05	Customer Complaint Management
	<b><u>Section 1.3</u></b>	<b><u>Sales Management</u></b>
10	CM.01.03.01	Manage Individual Customer Contracts and Conditions
11	CM.01.03.02	Manage Distributors and Other Channels
12	CM.01.03.03	Manage Retail Outlets including Sales
13	CM.01.03.04	Manage Enterprise Sales
14	CM.01.03.05	Commission and Incentive
	<b><u>Section 2</u></b>	<b><u>Supply Chain Management</u></b>
15	SC.02.01	Procurement - Planning, Demand Management and Sourcing
16	SC.02.02	Supplier Management
17	SC.02.03	Inventory, Warehousing and Logistics
	<b><u>Section 3</u></b>	<b><u>Product Management</u></b>
18	PM.03.01	New Product Development, Product Portfolio and Product Life Cycle
19	PM.03.02	Manage Tariff Information
20	<b><u>Section 4</u></b>	<b><u>Human Resource Management</u></b>

## Processes Listing (continued)

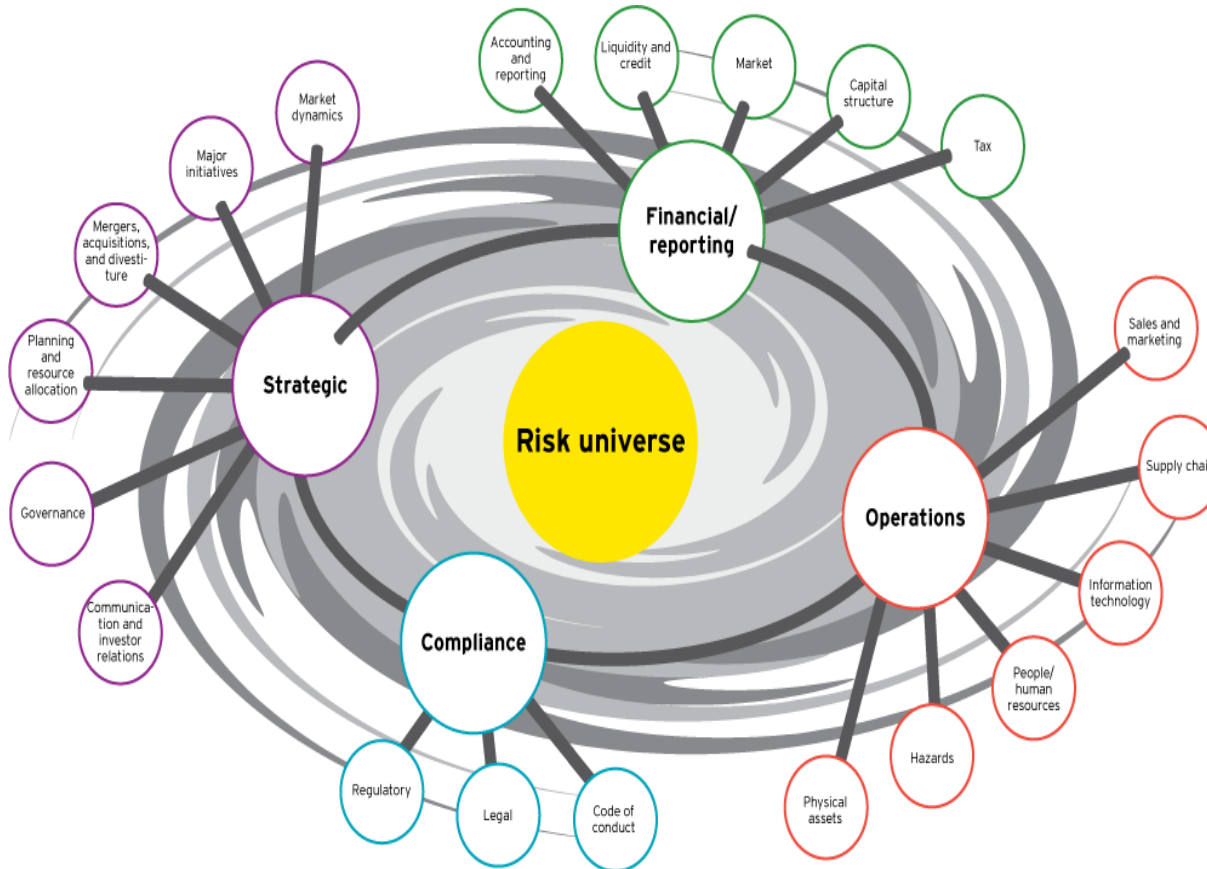
Sr. No.	Process Name	Name of the Process and Sub-process
	<b>Section 5</b>	<b>Technology Management</b>
	<b>Section 5.1</b>	<b>Change Technology</b>
21	TM.05.01.01	Manage System Development
22	TM.05.01.02	Manage Technology Change
	<b>Section 5.2</b>	<b>Optimize Technology</b>
23	TM.05.02.01	Network Capacity and Availability Management
24	TM.05.02.02	Operations and Maintenance
25	TM.05.02.03	IT Capacity and Availability Management
26	TM.05.02.04	Manage Software Assets
27	TM.05.02.05	Network Implementation
28	TM.05.02.06	IT Strategic Planning
29	TM.05.02.07	IT Project Management
	<b>Section 5.3</b>	<b>Operate and Support Technology</b>
30	TM.05.03.01	Problem & Incident Management
31	TM.05.03.02	Manage Logical Security
32	TM.05.03.03	Manage Physical Security
33	TM.05.03.04	Manage Data Back-up
34	TM.05.03.05	Manage System Jobs
35	TM.05.03.06	ERP Review
36	TM.05.03.07	System Integration
	<b>Section 6</b>	<b>Corporate Governance</b>
	<b>Section 6.1</b>	<b>Risk, Assurance and Compliance</b>
37	CG.06.01.01	Prevent and Manage Non-revenue Fraud
38	CG.06.01.02	Manage Insurance
39	CG.06.01.03	Revenue Assurance & Fraud Management
	<b>Section 6.2</b>	<b>Business Continuity Management</b>
40	CG.06.02.01	Business Continuity Management

## Processes Listing (continued)

Sr. No.	Process Name	Name of the Process and Sub-process
	<b><u>Section 7</u></b>	<b><u>Process Service Transactions and Billing</u></b>
41	PT.07.01	Process Post-paid Service Transactions and Retail Billing
42	PT.07.02	Process Pre-paid Service Transactions and Top-Ups
43	PT.07.03	Process & Bill Other Revenues
44	PT.07.04	Share Content Service Transactions
45	PT.07.05	Share & Bill Interconnection Revenue & Charges
46	PT.07.06	Share & Bill Wholesale Revenue & Charges
47	PT.07.07	Share & Bill Roaming Revenue & Charges
48	PT.07.08	Prevent & Manage 3rd Party Fraud
49	PT.07.09	Mediation & Billing
50	PT.07.10	Bill Print and Dispatch
	<b><u>Section 8</u></b>	<b><u>Financial Management</u></b>
51	FM.08.01	Receivables Management
52	FM.08.02	Collections Management
53	FM.08.03	Purchase to Pay including Payment Security
54	FM.08.04	Expense Review
55	FM.08.05	Project and Asset Accounting
56	FM.08.06	Treasury and Cash Management
57	FM.08.07	Budgeting & MIS
58	FM.08.08	General Accounting (including Financial Statements review)
	<b><u>Section 9</u></b>	<b><u>Legal, Tax and Property Management</u></b>
59	LT.09.01	Legal and Regulatory Compliance

ILLUSTRATIVE

# What are the Risks?



**Strategic risk**  
 “Doing the wrong thing”

**Operations risk**  
 “Doing the right thing wrongly”

**Compliance risk**  
 “Not doing what should be done”

**Financial risk**  
 “Doing it in a way that loses money or incurs unnecessary liabilities”

# Examples of Risks

Financial Risk	Strategic Risk	Compliance Risk	Operational Risk
<ul style="list-style-type: none"> <li>▪ Accounting and reporting (e.g., accounting, reporting, internal controls)</li> <li>▪ Market (e.g., interest rate, currency)</li> <li>▪ Liquidity and credit (e.g., cash management, hedging)</li> <li>▪ Tax (e.g., tax strategy and planning, indirect taxes, transfer pricing)</li> <li>▪ Capital structure (e.g., debt, equity, options)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Planning and resource allocation (e.g., organization structure, strategy, budgeting)</li> <li>▪ Communications and investor relations (e.g., media, investor and employee communications)</li> <li>▪ Major initiatives and capital programs (e.g., vision, planning, execution, monitoring)</li> <li>▪ Competitive market dynamics (e.g., competitive pricing)</li> <li>▪ Mergers, acquisitions and divestitures (e.g., valuation, due diligence, integration)</li> <li>▪ Macro-market dynamics (e.g., economic, social, political)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Governance (e.g., board, tone at the top)</li> <li>▪ Regulatory (e.g., labor, safety, trade/customs)</li> <li>▪ Legal (e.g., contracts, intellectual property)</li> <li>▪ Code of conduct (e.g., ethics, fraud)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information technology (e.g., IT management, security, availability)</li> <li>▪ Physical assets (e.g., real estate; property, plant and equipment)</li> <li>▪ Sales and marketing (e.g., advertising, pricing, customer support)</li> <li>▪ People (e.g., recruiting, retention, development)</li> <li>▪ Research and development (e.g., market research, product design and development, product testing)</li> <li>▪ Supply chain (e.g., planning, inventory, distribution)</li> <li>▪ Hazards (e.g., natural events, terrorist acts)</li> </ul>





To counter the risks there are controls...

## So what are controls?

*The steps which we put in place to address risks are known as controls*

A control is defined as any action taken by management, the board and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved

*Source: COSO*

*Lets look at a few examples...*

Approval of engineering drawings by competent authority as per quality plan

Automatic serial numbering of purchase orders

Periodic site inspection by project manager

Signing contracts with customers

**Controls need to be put in place for each root cause to effectively mitigate a risk**

# Nature of Control

## *Preventive*

Definition	Examples
Controls we perform PRIOR TO processing transactions, implementing systems, or recording data to AVOID risks in our operating process.	<ul style="list-style-type: none"><li>• Authorization</li><li>• Segregation of duties</li></ul>

## *Detective*

Definition	Examples
Controls performed AFTER processing transactions, implementing systems or recording data to determine if any error or irregularities HAVE occurred.	<ul style="list-style-type: none"><li>• Reconciliations</li><li>• Edit reports</li><li>• Security violation reports</li></ul>

# Types of Control

## *Manual*

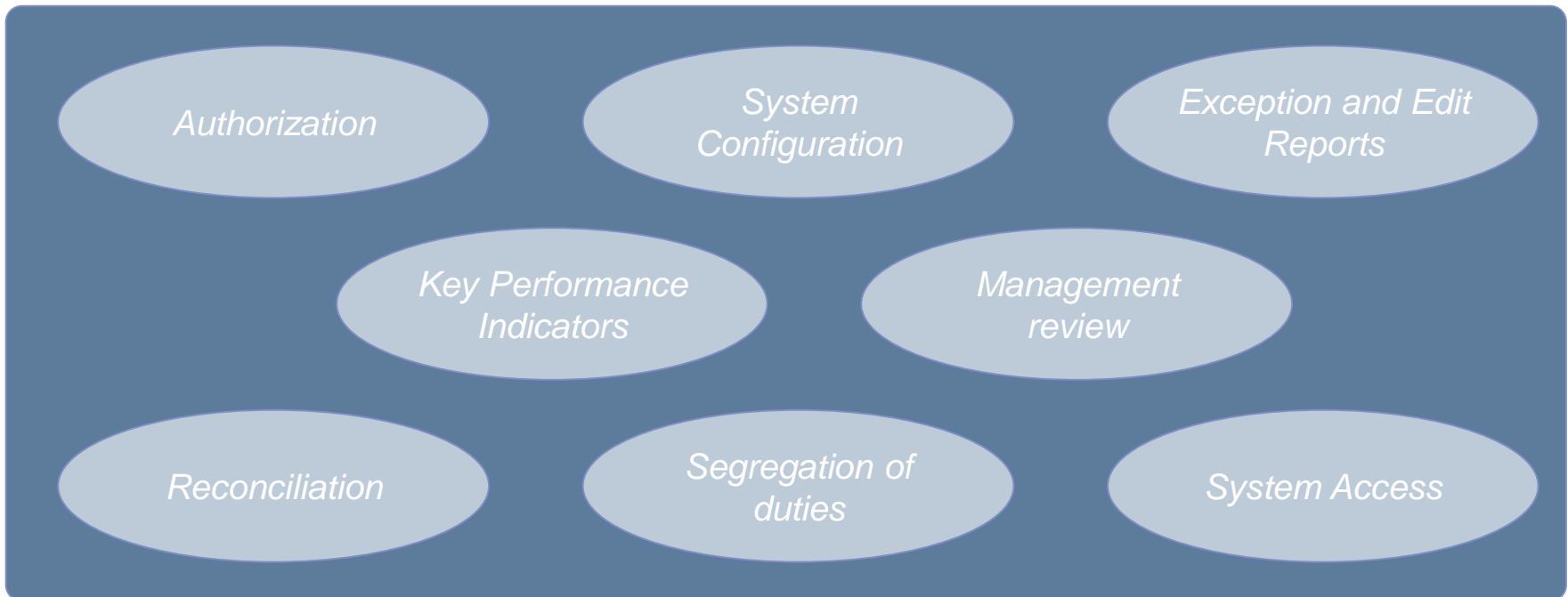
Definition	Examples
Controls that require human intervention	<ul style="list-style-type: none"><li>• Management review</li><li>• Account reconciliations</li><li>• Reviewing exception reports</li></ul>

## *Automated*

Definition	Examples
Controls automated through the IT System	<ul style="list-style-type: none"><li>• Segregation of duties</li><li>• Authorization matrices</li><li>• Back-up and recovery controls</li></ul>

## Categories of Controls

Typically, companies try to categorize the controls identified into different categories in order to have a better balance of the types of controls. A suggested list of such control categories is discussed below:



# Controls Classification - ICAI

As determined by ICAI, consider the following while drafting controls in RCM – appropriateness of the purpose of the controls and its correlation to risk, nature and significance of risk, competence and authority of the person performing the control, frequency & consistency, level of aggregation & predictability, criteria for investigation & follow up and dependency on other controls. Some of these have been explained below:

## Nature of Control

### Preventive

Controls to be performed **PRIOR TO** processing transactions, implementing systems, or recording data to **AVOID** risks in operating process.

- Authorization
- Segregation of duties

### Detective

Controls performed **AFTER** processing transactions, implementing systems or recording data to determine if any error or irregularities **HAVE** occurred.

- Reconciliations
- Edit reports
- Security violation reports

## Type of Control

### Manual

Controls that require human intervention

- Management review
- Account reconciliations
- Reviewing exception reports

### Automated

Controls automated through the IT System

- Segregation of duties
- Authorization matrices
- Back-up and recovery controls

## Sampling – Test of Controls (TOC)

The following are some factors which the internal auditor shall consider when determining the sample size required for tests of controls (TOC). These factors need to be considered together assuming the internal auditor does not modify the nature or timing of TOC or otherwise modify the approach to substantive procedures in response to assessed risks.

Factors to be considered by an Internal Auditor	Effect on Sample Size
An increase in the extent to which the risk of material misstatement is reduced by the operating effectiveness of controls	Increase
An increase in the rate of deviation from the prescribed control activity that the internal auditor is willing to accept	Decrease
An increase in the rate of deviation from the prescribed control activity that the internal auditor expects to find in the population	Increase
An increase in the internal auditor's required confidence level	Increase
An increase in the number of sampling units in the population	Negligible effect

**Note:**

1. Other things being equal, the more the internal auditor relies on the operating effectiveness of controls in risk assessment, the greater is the extent of the internal auditor's tests of controls, and hence the sample size is increased.
2. The lower the rate of deviation that the internal auditor is willing to accept, the larger the sample size needs to be.

# Frequency of Control Activity and Sample Size

The following guidance related to the frequency of the performance of control may be considered when planning the extent of tests of operating effectiveness of manual controls for which control deviations are not expected to be found. The internal auditor may determine the appropriate number of control occurrences to test based on the following minimum sample size for the frequency of the control activity dependant on whether assessment has been made on a lower or higher risk of failure of the control.

Factors to be considered by an Internal Auditor	Minimum Sample Size	
	Risk of Failure	
	Lower	Higher
Annual	1	1
Quarterly (including period-end, i.e. +1)	1+1	1+1
Monthly	2	3
Weekly	5	8
Daily	15	25
Recurring manual control	25	40

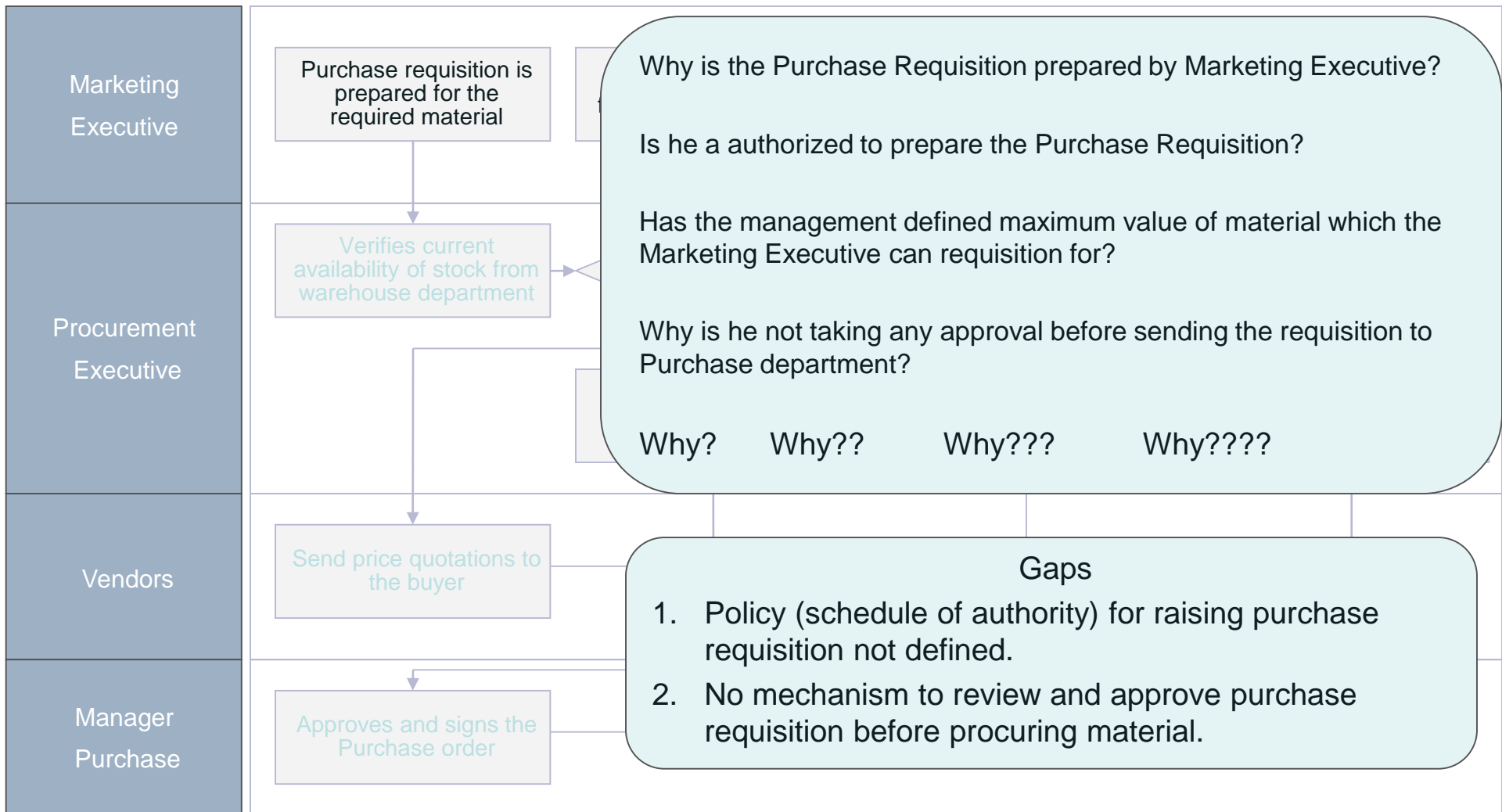
**Note:** Although +1 is used to indicate that the period–end control is tested, this does not mean that for more frequent control operations the year-end operation cannot be tested.



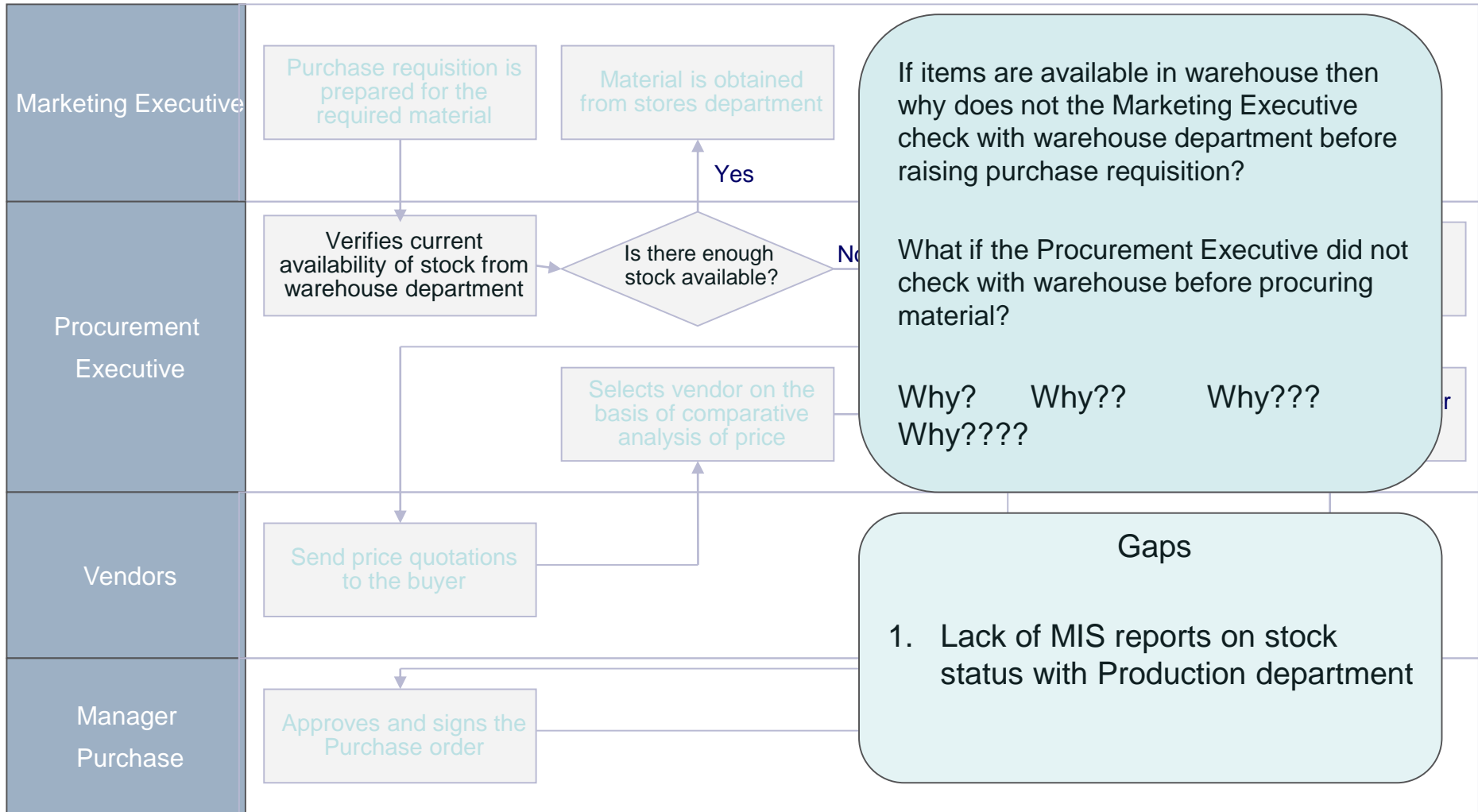


Each business process has a number of associated risks...

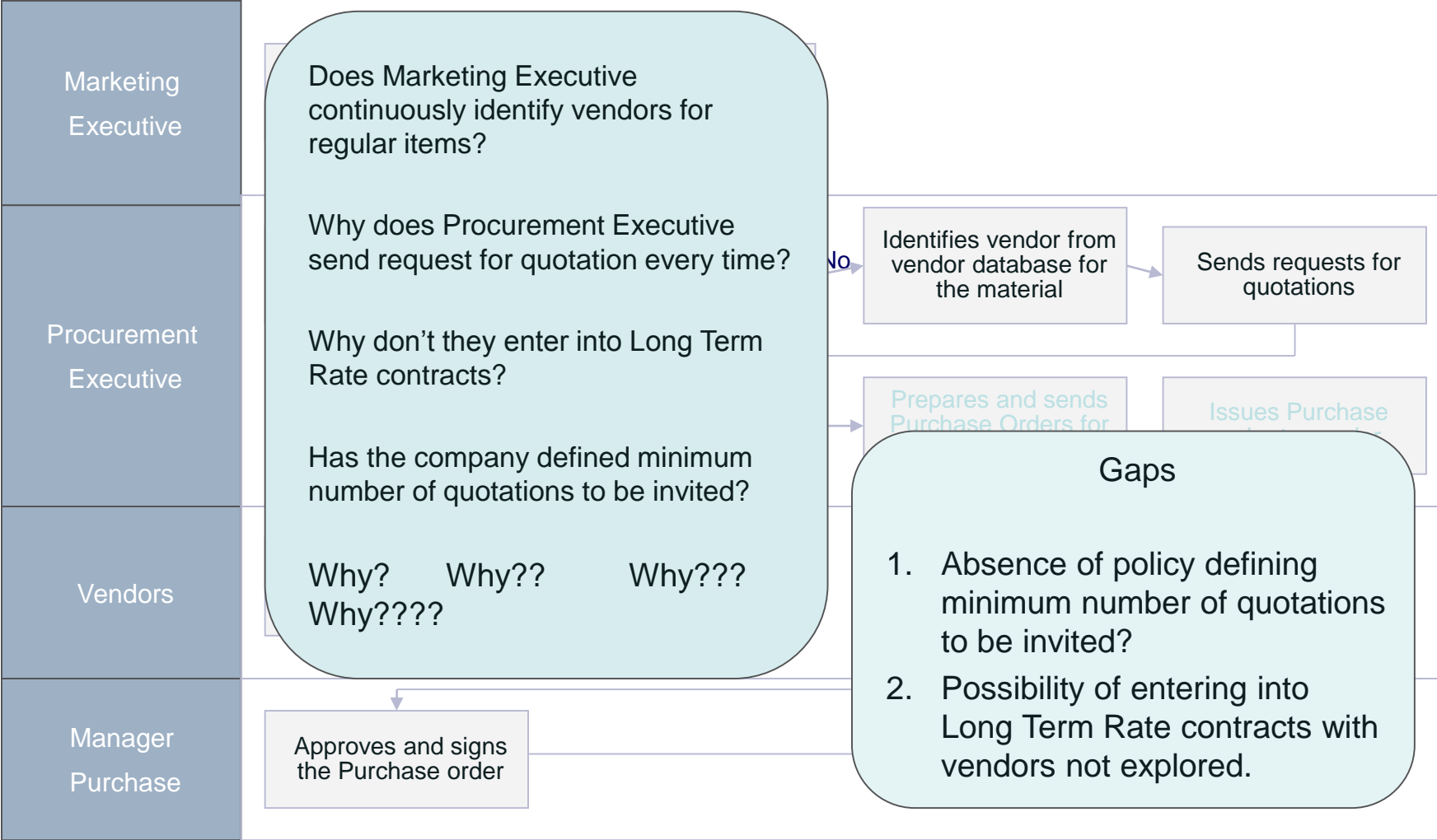
# Identifying risks in a process – Challenging every activity



# Identifying risks in a process – Challenging every activity



# Identifying risks in a process – Challenging every activity



# Case Study 1: What Are the Risks Around these Revenue Processes?

	Revenue Processes	Primary Revenue Risks
Product & Offer Management	<ul style="list-style-type: none"> <li>Management of the existing product portfolio</li> <li>Development of new products and services</li> <li>Offer management</li> </ul>	<ul style="list-style-type: none"> <li>Unprofitable product launched</li> <li>Product launched without sufficient processes to completely bill for all services</li> </ul>
Order Entry & Provisioning	<ul style="list-style-type: none"> <li>Order capture</li> <li>Order provisioning</li> <li>Disconnections</li> <li>Order variations</li> </ul>	<ul style="list-style-type: none"> <li>Customer details not captured correctly/fraudulent details given</li> <li>Service provisioned but not set to bill</li> <li>Disconnections not processed correctly</li> </ul>
Network & Usage	<ul style="list-style-type: none"> <li>Network data build</li> <li>Event recording</li> <li>Mediation</li> <li>Usage management</li> </ul>	<ul style="list-style-type: none"> <li>Call records not being generated on network</li> <li>CDRs filtered incorrectly by mediation</li> <li>Call records not being processed to correct billing system</li> <li>Prepay billing system downtime</li> </ul>

# Case Study 1: What Are the Risks Around these Revenue Processes?

	Revenue Processes	Primary Revenue Risks
Rating & Billing	<ul style="list-style-type: none"> <li>Reference data setup</li> <li>Event record processing</li> <li>Rating process</li> <li>Bill calculation</li> <li>Bill production</li> </ul>	<ul style="list-style-type: none"> <li>Call records not rated correctly</li> <li>Discounts/bundle allowance not applied correctly</li> <li>Bills not calculated correctly</li> <li>Bills not sent to customers</li> </ul>
Receivables Management	<ul style="list-style-type: none"> <li>Customer acquisition</li> <li>Usage management</li> <li>Billing</li> <li>Debt path management</li> <li>Dispute management</li> <li>Bad debt management</li> </ul>	<ul style="list-style-type: none"> <li>Bad debt write-offs</li> <li>Overpayment of credits</li> <li>Cash is tied up in disputes for too long with a consequent adverse impact on working capital</li> </ul>
Finance & Accounting	<ul style="list-style-type: none"> <li>Provisions</li> <li>Unbilled and deferred revenue</li> <li>Revenue recognition and policies</li> <li>Revenue reporting and KPIs</li> <li>Reconciliations</li> </ul>	<ul style="list-style-type: none"> <li>Revenue not booked completely and accurately in G/L</li> <li>Bad debt provision required is high</li> </ul>

# Case Study 1: What Are the Risks Around these Revenue Processes?

	Revenue Processes	Primary Revenue Risks
Customer Management	<ul style="list-style-type: none"> <li>Care credits</li> <li>Loyalty and discount schemes</li> <li>Top-up of pre-pay accounts</li> <li>Churn management</li> <li>Query resolution</li> </ul>	<ul style="list-style-type: none"> <li>Prepay top-ups not applied to accounts</li> <li>Loyalty discounts are applied to a customer account without an end date</li> </ul>
Partner Management	<ul style="list-style-type: none"> <li>Settlement of interconnect and roaming inter-company payments</li> <li>Management of channel partners</li> <li>Settlement of content and revenue share payments</li> <li>Wholesale management</li> </ul>	<ul style="list-style-type: none"> <li>Overpayment of costs to roaming partner</li> <li>TAP files not sent and received</li> <li>Overpayment of interconnect costs</li> <li>Overpayment of commissions</li> <li>Overpayment of revenue share to content partner</li> </ul>

# Sample Risk & Controls

Process	Sub Process	Sr. No.	Inherent Risks	Desired Controls	Risk Area	Type of Control	Control Category	Control Frequency	Classification as per COSO framework				
									Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring
Roaming Agreement	Roaming Agreement with Operators	1.1.1	The roaming agreements are not available with the company.	Get the physical agreements from the roaming partner through mail.	Compliance	Manual	Authorization	Qtr	Y				
		1.1.2	There is no agreement for the roaming replicators.	Create a documented roaming replicator agreement for the Roaming team.	Compliance	Manual	Authorization	Qtr	Y				
		1.1.3	Roaming agreements have not been signed by authorized signatories.	Create a documented authority matrix.	Compliance	Manual	Authorization	Qtr		Y	Y		
		1.1.4	Agreements are not as per standard permanent reference document provided by GSMA and standard clauses are not adhered to.	All agreements version number has not been changed however major amendments have been incorporated in the agreements.	Compliance	Detective	Report	Qtr	Y				
		1.1.5	Interest clause is not present in the agreements.	Standard agreement interest clause is not included in the agreements however if roaming partner insists, a reciprocal interest rate is agreed.	Compliance	Detective	Report	Mnth	Y				
		1.1.6	Deviations from agreement not vetted by the Legal Department.	Ensure roaming agreement cannot be finalized with any roaming partner, unless it is validated by the legal department.	Compliance	Preventive	Report	Mnth		Y	Y		
		1.1.7	Amendments to roaming agreements are not properly communicated to roaming partners.	All the amendments relating to any clause in AA12,13, 14 etc. are communicated to the roaming partners.	Operations	Preventive	Authorization	Mnth			Y	Y	
		1.1.8	Amendments made by the roaming partners are not properly updated in the company records.	All communications related to change in other operator agreements are updated in company's records and also communicated to the concerned departments.	Operations	Manual	Authorization	Mnth			Y	Y	
		1.1.9	GSM association is not communicated with the new roaming agreements.	Details of new roaming partners are regularly updated on the GSM site.	Operations	Preventive	Report	Qtr			Y	Y	
		1.1.10	All permanent reference documents are not properly filed and kept in safe custody.	All the agreements are filed and kept in cabinets in Roaming Department.	Operations	Preventive	Authorization	Qtr	Y		Y		
	Roaming agreements with clearing house	1.2.1	There is no documented agreement with data clearing house.	A written agreement is entered with data clearing house for all the services.	Compliance	Manual	Authorization	Mnth			Y	Y	
		1.2.2	DCH is not communicated with the new roaming agreements and with the changes in the agreements.	All new agreements/changes in the agreement are communicated to DCH on timely basis.	Operations	Detective	Authorization	Mnth			Y	Y	



# Scope and Coverage under IFC

# Engagement Scope

Develop Internal Financial Controls (IFC) framework in accordance with the guidelines issued by ICAI to identify gaps and provide recommendation:

## Phase 1

### ❑ Walkthrough:

- ✓ Meeting and walkthrough with the senior management, process owners and various stakeholders;
- ✓ Gaining an understanding on the business and alignment to various business processes;
- ✓ Develop the scoping document considering the significant account balances/classes of transactions and its mapping with business processes;
- ✓ Identify the key controls in all the processes and document in RCM
- ✓ Document Narratives & RCM (Risk Control Matrix) for business processes, ITGC (Information Technology General Controls) and RCM for ELCs (Entity Level Controls).

### ❑ Gap Remediation and Mitigation plan/controls:

- ✓ Identify the design gaps in business process controls, ITGC and Entity Level Controls during the course of walkthrough;
- ✓ Discussed gaps with the process/control owners and suggested remediation/recommendation;
- ✓ Suggest Mitigation Plan/Control for the identified gaps.

## Phase 2

### ❑ Management Testing

- ✓ Conduct Test of Operating Effectiveness (ToE) of the key controls (25% of the total controls) identified across all the processes
- ✓ Identification, assessment and evaluation of gaps

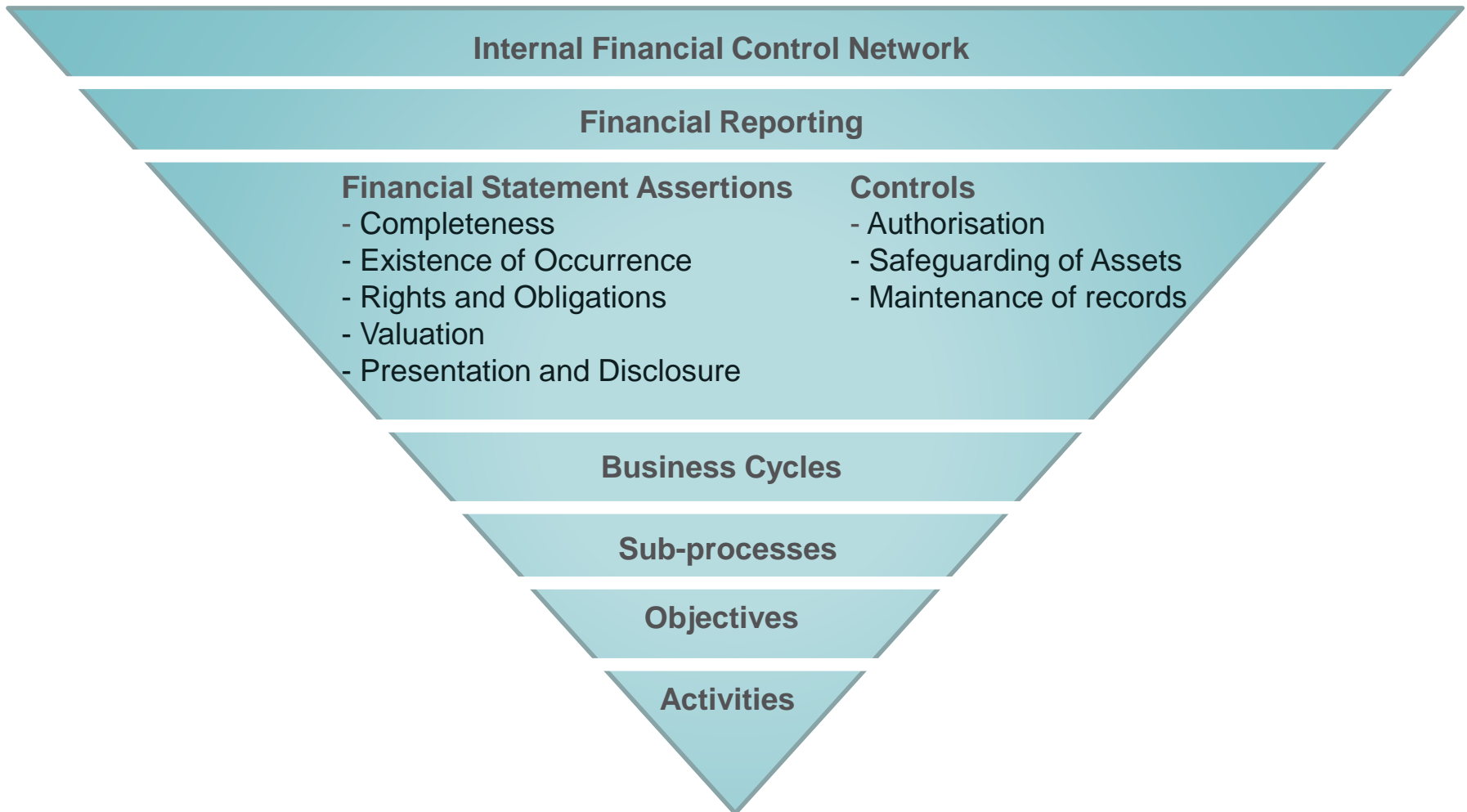
# Key Indicative Business Processes Under IFC Scope (continued)

Procurement	Inventory Management	Revenue	Information Technology
<ul style="list-style-type: none"> <li>• Procurement Planning</li> <li>• Identification of vendors</li> <li>• Raising of purchase orders</li> <li>• Material In warding</li> <li>• Supplier Management</li> <li>• Purchase Requisition (PR)</li> <li>• Purchase Ordering (PO)</li> <li>• Transportation</li> <li>• Contract management</li> <li>• Inventory Management</li> <li>• Assessment of Vendor Performance</li> <li>• Quality management</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Stock Requirements</li> <li>• Recording of Material Inwards</li> <li>• Recording of Material inwards in Books</li> <li>• Minimum Level Stock maintenance</li> <li>• Control over issue of Material</li> <li>• Storage of Material</li> <li>• Physical Count Process</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue recognition</li> <li>• Accounting policy review</li> <li>• Control over manual journal entries</li> <li>• Financial reporting</li> <li>• Billing process</li> <li>• Collection process</li> <li>• Accurate provisioning of long pending debts</li> </ul>	<ul style="list-style-type: none"> <li>• IT Organization</li> <li>• Change management</li> <li>• IT policies and procedure</li> <li>• IT Security</li> <li>• Business Continuity Planning &amp; Disaster Recovery</li> <li>• Access Controls</li> </ul>
	<b>ILLUSTRATIVE</b>		
Finance & Account	Human Resources	Fixed Assets	Taxation
<ul style="list-style-type: none"> <li>• Financial statement closing</li> <li>• Cash and Bank</li> <li>• Annual Budgeting</li> <li>• Account Payables / receivables</li> <li>• Treasury management</li> <li>• Journal entries</li> <li>• Ledger Accounts</li> <li>• Adjusting entries</li> </ul>	<ul style="list-style-type: none"> <li>• Master Management (Employee)</li> <li>• Hiring Process</li> <li>• Compensation Management / Payroll Processing</li> <li>• Performance Management System</li> <li>• Separation and Retirement Benefits</li> <li>• Full &amp; Final Settlement</li> <li>• Statutory Compliances – Gratuity, PF etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Proper tagging of all Fixed Assets</li> <li>• Recording of Fixed Assets in FAR</li> <li>• Physical count process of Fixed Assets</li> <li>• Assets are safeguarded through Insurance Policy</li> <li>• Adherence with accounting policies in recording</li> <li>• Disposal of Fixed Assets</li> </ul>	<ul style="list-style-type: none"> <li>• Applicable Taxes &amp; Duties</li> <li>• Service Tax</li> <li>• VAT etc.</li> </ul>

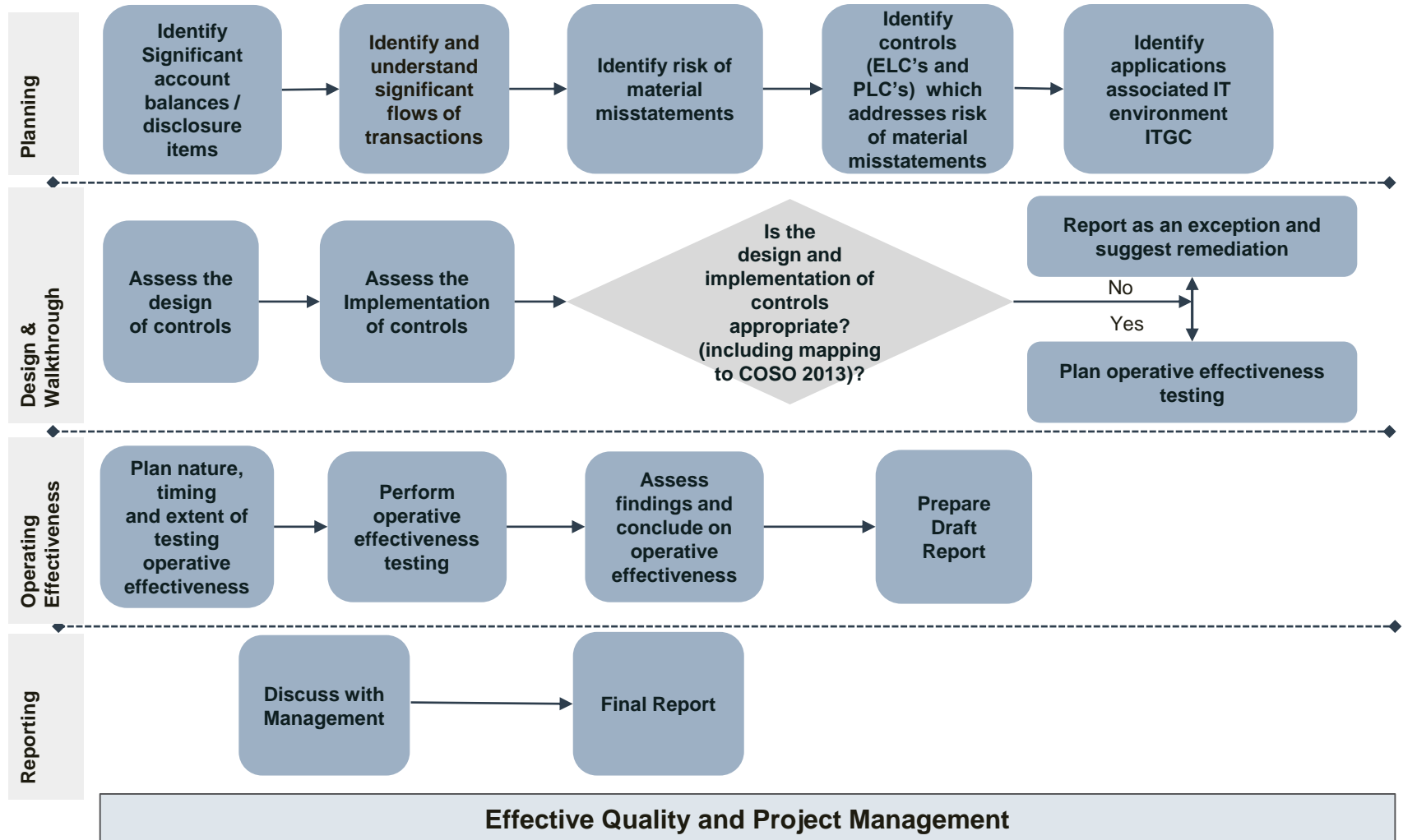
# Approach & Methodology under IFC

# IFCs Project Approach – Top-Down Risk Based Scoping

A top down approach (suggested by ICAI) while developing / reviewing internal financial controls over financial reporting framework for the company is graphically represented below:



# IFCs Project Approach – Graphical Representation



# Project Plan for Implementation of IFC (As per ICAI Guidelines)

Identify Processes	Document Processes	Risk Assessment	Identify key controls and KCI	Test of Design	Test of Effectiveness
<ul style="list-style-type: none"> <li>▪ Identification of business processes that may impact reporting</li> <li>▪ Identification of sub-process and activities that need to be covered under the scope of review</li> <li>▪ Identify changes to processes / sub-process that may be already documented</li> <li>▪ Obtain sign off from management on scope of coverage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Documentation of processes in accordance with agreed guidelines</li> <li>▪ Conduct a change management exercise for existing processes</li> <li>▪ Validate the control activities by conducting a walkthrough</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determine relevant population of processes / sub-process</li> <li>▪ Revalidate / Identify inherent risks which may result in material mis-statement</li> <li>▪ Map inherent risks to the respective risk category</li> <li>▪ Undertake impact &amp; probability analysis</li> <li>▪ Obtain sign off from management on the risk universe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Documentation of all risks and controls in RCM for each of the identified processes</li> <li>▪ Identify potential KCIs for business controls documented</li> <li>▪ Identify KEY management controls under each process</li> <li>▪ Identify redundant controls based on the above assessments for consolidation</li> <li>▪ Identify the interdependency of controls across process</li> <li>▪ Document test plans for key controls</li> </ul>	<ul style="list-style-type: none"> <li>▪ Evaluate the design of key controls</li> <li>▪ Conduct test of design of Key controls</li> <li>▪ Identify and document design deficiencies and TOD failures</li> <li>▪ Identify and document compensating controls for TOD failures</li> <li>▪ Develop remediation plans to address the key control deficiency in case controls do not operate as expected</li> <li>▪ Obtain management sign off on the identified deficiencies and remediation plans</li> <li>▪ Obtain materiality impact for deficient controls from management</li> <li>▪ Populate walkthrough template</li> </ul>	<ul style="list-style-type: none"> <li>▪ Obtain concurrence on sample size and sample period for testing of effectiveness</li> <li>▪ Validation of controls for appropriateness and effective operation</li> <li>▪ Validate the remediated controls for effectiveness</li> <li>▪ Identify and document Test of Effectiveness failures</li> <li>▪ Populate TOE results for all Key Controls in proposed template</li> <li>▪ Obtain management sign off on the identified deficiencies</li> </ul>

# Identification of Significant Account Balance and Underlying Process

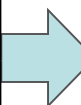
- Identify significant accounts and disclosures at the financial statement and at the account level
- The quantitative and qualitative factors to be considered in deciding significance of accounts include:
  - Account size and composition
  - Susceptibility of loss due to errors or fraud
  - Volume of transactions
  - Nature of the account; accounting and reporting complexities
  - Changes from the prior period in account characteristics
  - Existence of related party transactions

<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share Capital	1	79,000,700	
Reserves and Surplus	2	35,597,752,168	
		35,676,752,868	
<b>Loan Funds</b>			
Secured Loans	3	121,301,244	100%
Unsecured Loans	4	-	
		121,301,244	100%
<b>Total</b>		<b>35,798,054,112</b>	
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Goodwill		85,542,168	1%
Gross Block	5	11,054,111,974	
Less - Depreciation		5,605,692,134	
Net Block		5,448,419,840	78%
Capital work-in-progress		1,505,126,347	22%
		6,953,546,187	100%
<b>Investments</b>	6	1,426,945,820	
<b>Current assets, loans and advances</b>			
Inventories	7	-	
Sundry debtors	8	7,491,484,511	57%
Cash and bank balances	9	1,062,412,397	8%
Loans and advances	10	4,621,537,245	35%
		13,175,434,154	100%
<b>Less : Current liabilities and Provisions</b>			
Liabilities	11	5,327,949,670	90%
Provisions	12	603,214,468	10%
		5,931,164,138	100%
<b>Net Current Assets</b>		<b>7,244,270,013</b>	
Inter - B U Balances		(29,578,191)	
Inter - Current Balances		20,117,328,116	
<b>Total</b>		<b>35,798,054,112</b>	



# Scoping of Significant Account Balances and Processes

Scoping of account balances for IFC Implementation						
Type	Expense /Income	FSLI	Mapping of Significant Account Balances	Process	Total	% Total
BS	Liability	Share Capital	Share Capital	Financial Reporting	(1749,55,074)	1.7%
BS	Liability	RESERVES & SURPLUS	Reserve & Surplus	Financial Reporting	(60719,45,652)	58.5%
BS	Liability	Net Of long term Borrowing and Maturities	Long Term Borrowing	Treasury	(25174,86,070)	24.3%
BS	Liability	DEFERRED TAX LIABILITY	Income Tax	Financial Reporting	(317,10,657)	0.3%
BS	Liability	SHORT TERM BORROWINGS	Unsecured Loans	Treasury	(3189,05,047)	3.1%
BS	Liability	Long term provisions	Provisions	Financial Reporting	(3810,03,703)	3.7%
BS	Liability	Other Long Term Liabilities	Long Term Borrowing	Financial Reporting	(440,14,099)	0.4%
BS	Liability	TRADE PAYABLES	Trade payable	Accounts Payable/ COD Ma	(4087,43,723)	3.9%
BS	Liability	OTHER CURRENT LIABILITIES - OTHERS	Total Current Liability	Accounts Payable/ COD Ma	(2983,71,442)	2.9%
BS	Liability	SHORT TERM Provisions	Provisions	Accounts Payable/ COD Ma	(1242,14,750)	1.2%
<b>Liability Total</b>					<b>(103713,50,217)</b>	<b>100.0%</b>
BS	Assets	Fixed Assets	Fixed Asserts	Fixed Assets Management	1289917963	12.4%
BS	Assets	LONG TERM LOANS AND ADVANCES	Long Term Borrowing	Financial Reporting	311247912	3.0%
BS	Assets	TRADE RECEIVABLES	Sundry Receivables	Accounts Receivable	703211447.3	6.8%
BS	Assets	CASH AND BANK BALANCES	Cash at Bank	Treasury	226610820	2.2%
BS	Assets	Interest Accrued	Interest	Financial Reporting	188900404.1	1.8%
BS	Assets	Inventories	Invetory	Fuel Station Operations	10263629	0.1%
BS	Assets	Cenvat Credit	Taxation	Compliance	12354376.95	0.1%
BS	Assets	Advance to employees	Advance to employees	Payroll & HR	633446.71	0.0%
BS	Assets	Loans & Advances to Subsidiaries	Inter Company Balances	Financial Reporting	30002734.34	0.3%
BS	Assets	Loans & Advances to an Associate	Inter Company Balances	Financial Reporting	13236146	0.1%
BS	Assets	Loans & Advances to Other Parties	Inter Company Balances	Financial Reporting	568214225.2	5.5%
BS	Assets	Other Non current assets	Total Non Current assets	Financial Reporting/Payroll	9639578	0.1%
BS	Assets	Non Current Investments	Investments	Financial Reporting	6583195302	63.5%
BS	Assets	Tax Deducted at Source	Taxation	Compliance	346679573	3.3%
BS	Assets	Prepaid Expenses	Prepaid Expenses	Financial Reporting	7962232.51	0.1%
BS	Assets	OTHER CHARGES RECEIVABLE	Total charges receivable	Revenue Assurance/ Interna	69280428.69	0.7%
<b>Assets Total</b>					<b>103713,50,218</b>	<b>100.0%</b>

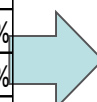


Sr. No.	Name of Process
1	Accounts Payable
2	Accounts Receivable
3	Treasury
4	Financial Reporting
5	Fixed Assets Management
6	Payroll & HR
7	Fuel Station Operations
8	Revenue Assurance
9	Compliance
10	Ecom Operations
11	COD Management
12	International - Freight Forwarding
13	Admin Procurement
14	ELCs
15	Customer Taxation

# Scoping of Significant Account Balances and Processes

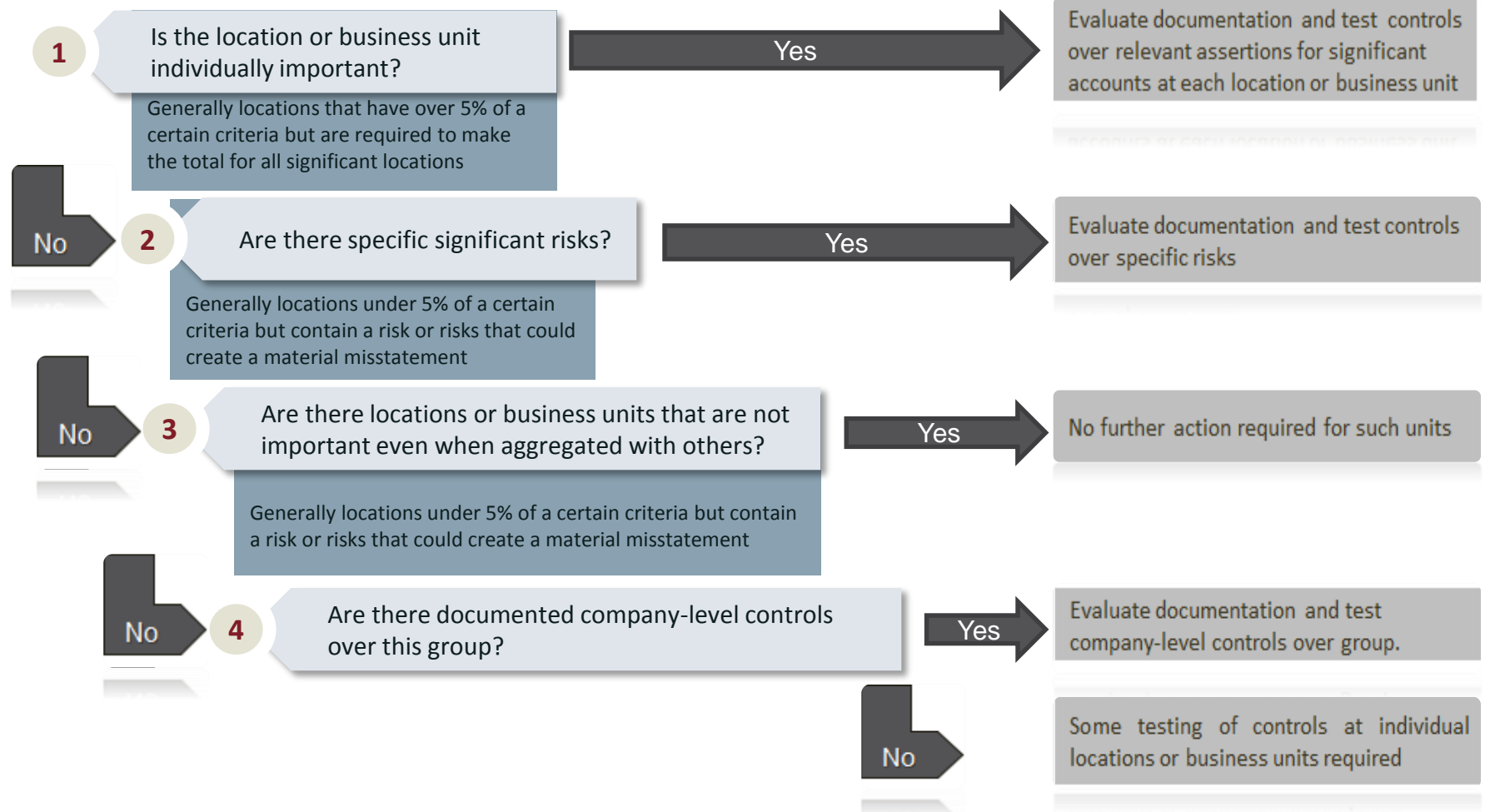
Scoping of account balances for IFC Implementation						
Type	Expense /Income	FSLI	Mapping of Significant Account Balances	Process	Total	% Total
IS	Income	Freight, Demurrage and Miscellaneous charges	Revenue From Operations	Revenue Assurance/ International	(20501,48,957)	55.9%
IS	Income	Other Operating Income	Revenue From Operations	Revenue Assurance/ International	(1089,74,869)	3.0%
IS	Income	Sale of Diesel, Petrol and Lubricants	Revenue From Operations	Fuel Station Operations	(14184,47,269)	38.7%
IS	Income	Liabilities no longer required written back	Other Income	Financial Reporting	(35,26,362)	0.1%
IS	Income	Rent Received	Other Income	Revenue Assurance/ International	(241,84,554)	0.7%
IS	Income	Profit On Sale Of Fixed Assets	Other Income	Fixed Assets Management	(56,49,148)	0.2%
IS	Income	Interest	Other Income	Financial Reporting	(551,07,672)	1.5%
<b>Income Total</b>					<b>(36660,38,831)</b>	<b>100.0%</b>
IS	Expenses	Operating Expenses	Operating Expenses	E Com Operations/ Admin P	14972,25,664	42.6%
IS	Expenses	Purchase of Stock-in-trade	Inventory	Fuel Station Operations	13823,34,978	39.4%
IS	Expenses	Changes in Inventories of Stock-in-Trade	Inventory	Fuel Station Operations	(12,11,119)	0.0%
IS	Expenses	Other Operating Expenses	Operating Expenses	Accounts Payable/ COD Ma	1232,37,866	3.5%
IS	Expenses	Employee Benefit expenses	Employee Expenses	Payroll & HR	2563,60,313	7.3%
IS	Expenses	Interest Expenses	Total Interest expenses	Treasury	1324,47,527	3.8%
IS	Expenses	Depreciation Expenses	Depreciation & Ammortization	Fixed Assets Management	1212,00,593	3.5%
<b>Expense Total</b>					<b>35115,95,822</b>	<b>100.0%</b>

Sr. No.	Name of Process
1	Accounts Payable
2	Accounts Receivable
3	Treasury
4	Financial Reporting
5	Fixed Assets Management
6	Payroll & HR
7	Fuel Station Operations
8	Revenue Assurance
9	Compliance
10	Ecom Operations
11	COD Management
12	International - Freight Forwarding
13	Admin Procurement
14	ELCs
15	Customer Taxation



# Identification of Significant Business Units / Locations

Determine the relevance of business units/locations for scoping and evaluated factors such as the relative financial significance of the business unit/location and the risk of material mis-statement arising from the business unit/location



# Identification of Key Transactions

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## *Identify* **SCOT**

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- **Significant class of transaction (SCOT)** is any transaction that has a significant impact on the financial statement. Some examples of SCOTs are:
  - Sales rendered through different channels viz. direct, internet etc.
  - Fixed assets and depreciation
  - Cash receipts
  - Major expenses such as administration, vendor vehicle, business partner etc.
  - Provision for/payment of income taxes
  - Salaries and employee benefits (e.g. payroll)
  - Application of new accounting pronouncements
  - Period end financial reporting
- SCOTs can be classified into routine (sale, purchase), non-routine (physical verification, depreciation) and estimation (provision, reserves) based on the transactions and type of operation

## Identification of Key Controls

- Controls which are most likely to prevent and detect errors/fraud in a process e.g., bank reconciliation, three-way match of GRN, PO and Invoice, etc..
- Controls including general controls (e.g. information technology) on which other significant controls are dependent.
- Controls over significant non-routine and non-systematic transactions (such as accounts involving judgements and estimates).
- Controls over the period end financial closing process, including controls over procedures used to enter transaction totals into the general ledger; to initiate, process and record journal entries in the general ledger; and to record recurring and non-recurring adjustments to the financial statements.
- Controls with a high likelihood that its failure would result in a material financial misstatement.

---

### **Remember!**

*All controls are **not** key controls. Operationalizing and Testing  
controls **cost** the Company*

---

# Process Understanding & Documentation

As defined in ICAI guidelines, some of the key considerations that have to be taken into account prior to documentation are:

- **End objective** from the documentation – compliance or business driver
- **Uniformity in format and content** of control documentation
- Scope and detail of **process level workflow** and documentation of ICOFR (including IT systems and processing facilities)
- Level of **existing documentation** (processes, policies, procedures, roles etc.)
- Specific requirements of **external auditors** for documentation
- Subject Matter Experts (**SMEs**) or specialists for all key processes
- Process for capturing information in a manner that can be **maintained on an ongoing basis**

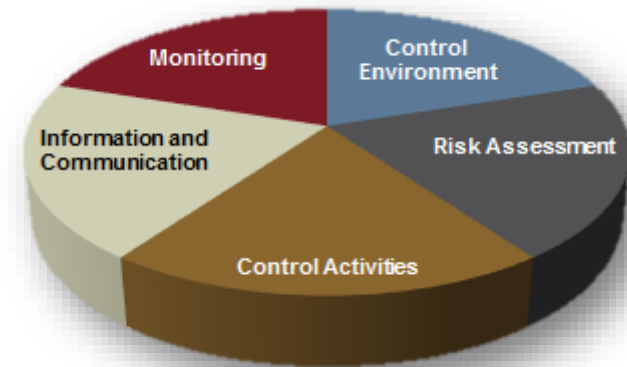
## Process Understanding & Documentation (continued)

Key activities for process understanding entails the following:

- Identify the relevant **process owners and SPOC** for each relevant and scoped sub-process.
- Conduct **discussion meetings and focused-group discussions** with the process coordinators.
- Document the **As-is processes**.
- Identify the **existing controls** in the processes.
- Clearly understand and document the **Control parameters** *viz.*
  - **Control Owner:** Individual who is responsible for the efficiency of the control. This may be different than the processor/ executor. E.g. Invoices processed by the Accounts Executive after verifying the supporting documents may not be a control; however, **validation checks** of the processed invoices by the Deputy Manager is a control. Hence, Deputy Manager becomes the Control Owner.
  - **Control Frequency:** The frequency at which the control activity is performed. Control activities are based on the propensity of the activity happening. Generally, they can be transactional, daily, weekly, monthly, semi-annual and/or annual in nature. It is crucial to note, since the **testing and sampling methodology** will depend on the control frequency.
  - **Nature of Control:** Controls can be either Preventive or Detective. (Explained in subsequent slide)
  - **Type of Control:** Controls can be Manual or Automated. (Explained in the subsequent slide)
- Discuss and identify the **gaps in processes**

# Identification of Entity Level Controls

Control Environment	
●	Integrity and Ethical Values
●	Commitment to Competence
●	Attention and Direction of Board of Directors and Audit Committee
●	Management's Philosophy and Operating Style
●	Organizational Structure
●	Assignment of Authority and Responsibility
●	Human Resources Policies and Procedures
Risk Assessment	
●	Company-wide Objectives
●	Process-level Objectives
●	Risk Identification and Analysis
●	Managing Change
Control Activities	
●	Policies and Procedures
●	Information System Controls
●	Regulatory Monitoring
Information and Communication	
●	Quality of Information
●	Effectiveness of Communication
Monitoring	
●	On-going Monitoring
●	Separate Evaluations
●	Reporting Deficiencies



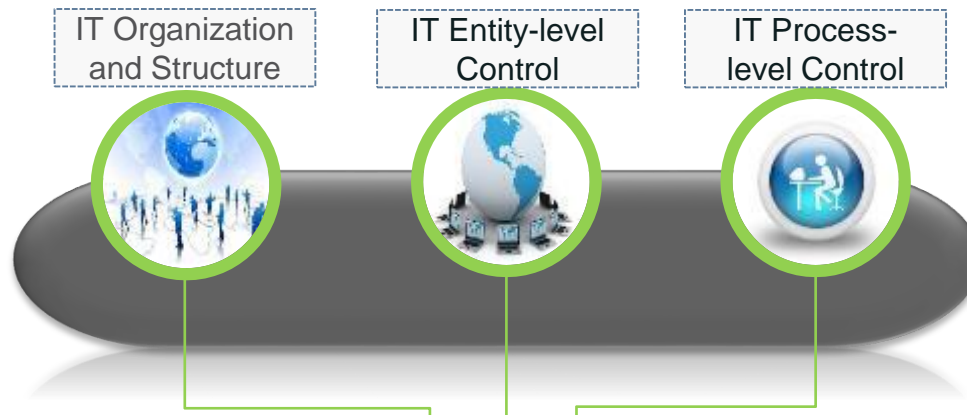
The procedures used to evaluate a Company's effectiveness of internal controls at the entity level are as follows:

- Conduct an entity-level **survey of top management** to assess their views on the entity-level controls
- **Review documentation** of entity-level controls as they exist (for instance, review the current code of conduct, WB mechanism, audit committee charter, and similar documentation for each component),
- Review entity-level **information technology controls**
- **Assess control effectiveness at the entity level** and make recommendations for improvement as appropriate
- Consider the **impact** on process-level controls

Each of these Entity Level Component has been explained in ICAI guidelines which are reproduced subsequent slides



# Identification of IT General Controls (ITGC)



## Critical IT processes

- Program Development
- Program Change
- Computer Operations
- Access to Program and Data
- Interface Controls

## Critical application and data owner process evaluations

- Segregation of incompatible duties (SOD)
- Limit access to transactions and data
- Data validation/error checking routines
- Complex calculations

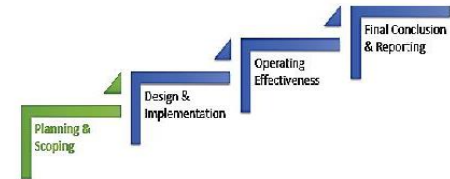
## Critical OS/DB control (End User Computing)

- Access to Operating System (OS) / Database (DB)
- Change management
- Data backup
- Data protection
- Input control, etc.

# Identify Significant Flow of Transactions through IPE Controls

Though the auditing standards do not provide a specific definition of Information Produced by Entity (IPE). IPE is in the form of a report which is either system generated, manually prepared or a combination of both. IPE evaluation by Protiviti is represented as below:

## Identify and understand significant flows of transactions



### Identifying Relevant Controls over IPE

1. Identify the relevant controls that address the relevant risks of material misstatements
2. Determine if the relevant control uses IPE
3. Understand the IPE and determine which aspects (e.g., the specific data) of the IPE are important to the effectiveness of the relevant control
4. Determine whether the control (user) sufficiently addresses (“validates”) the accuracy and completeness of the IPE, or whether the control (user) is dependent upon other controls over the accuracy and completeness of the IPE

Validates

Our evaluation of the design and evidence of operating effectiveness of the relevant control that uses the IPE supports why the precision of the control is sufficient to validate the IPE.  
No need to identify additional controls to address the accuracy and completeness of the IPE.

Dependent

Identify and test other controls that address the accuracy and completeness of the IPE

Consider:

- The source data
- The report logic (extraction & calculations)
- User-entered parameters

# Key Outputs / Deliverables

# IFC Review and Implementation – Key Deliverables

The following are the key deliverables:

Steps	Key Deliverables
1. Process understanding	<ul style="list-style-type: none"><li>▪ Process narratives and Flowcharts</li></ul>
2. Developing Risk Control Matrix for key controls / risks	<ul style="list-style-type: none"><li>▪ Risk Control Matrices for all areas under scope (Business Processes, ELCs)</li></ul>
3. Design Effectiveness Testing	<ul style="list-style-type: none"><li>▪ Testing templates</li><li>▪ Gap Analysis Report</li></ul>

# Entity Levels Control Assessment

Component	Principle	Point Of Focus	Control
Control Environment	Principle 1 – Demonstrates a commitment to Integrity and Ethical values	POF 1 – Sets the tone at the top.	None

While mapping and assessing the Entity Level Controls, one may come across different kinds of deficiencies such as;

- Principle Gap – No documented control has been identified to cover the principle.
- POF Gap – No documented control has been identified to cover the point of focus (POF).
- POF Recommendation – Control required rewording / additional details to cover the POF.

Component	Principle	Point of Focus	Severity	Deficiency Description	Recommendation- Control Examples to Consider
Risk Assessment	Principle 1 – Demonstrate a commitment to Integrity and Ethical values	POF 1 – Sets the tone at the top.	ILLUSTRATIVE Principle Gap	There is no documented control on how the Company sets the tone at the top.	The Company has designed and implemented Mission and values statements, policies and practices, employee brochure / handbook covering at least: <ol style="list-style-type: none"> <li>1. Mission and Values statements</li> <li>2. Code of Conduct and Business Ethics</li> <li>3. Discrimination</li> <li>4. Harassment</li> <li>5. Health and Safety</li> <li>6. Whistle-blower</li> </ol>

# Process Risk Control Matrix

Using the process understanding documented in the process narrative, we shall then document the Risk Control Matrix (RCM) clearly identifying differently elements of the controls like type of control (automated or manual), nature of control (preventive or detective), frequency (Annual, Quarterly, Monthly, etc.) shall be documented.

Process / Control Objective	Risks	Control Activity	P6 – Risk Assessment	P10 – Selects and develops control activities	P12 – Deploys through policies and procedures	P13 – Uses relevant information
Sales – Revenue			POF – Is the objective clearly articulated?	POF – is the control responsive to risk? Is it performed at appropriate level? Are the duties adequately segregated?	POF – is the control performed on a timely basis? Does the control include follow-up corrective action?	POF – Is all information captured? Is control dependent on IPE and is it complete and accurate?
Revenue is recognized as per the IGAAP	Revenue recognized is not as per the Accounting Standards resulting in material misstatement of Revenue	In case of Construction Projects, % Completion is used for recognition of revenue, the calculations and journal entry recorded are recorded and approved by Manager Finance	Y	X	Y	Y

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The controls will be documented in a way to ensure that the relevant Principles and POFs pertaining to the respective COSO Components are addressed. I.e. Controls shall be documented in way to ensure that objective is suitably articulated, risk is addressed, segregation of controls is maintained, etc. Deficiencies shall be recorded in the gap log shown in the subsequent slide.

# Process Controls Mapping and Gap Log

Process	Sub-Process	Control Objective	Assertions					Risks	Control Activity	Gap description	Principle and POF violated.
			E	V	C	P	R				
Sales	Revenue Recognition	Revenue is recognized as per the IGAAP			X			Revenue recognized is not as per the Accounting Standards resulting in material misstatement of Revenue	In case of Construction Projects, % Completion is used for recognition of revenue, the calculations and journal entry recorded for accounting is approved by Manager Finance.	The duties of review and approval are not adequately segregated.	Principle 10- Selects and develops Control Activities POF 43 – Addresses segregation of duties

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# Status of Internal Control Effectiveness

#	Process/ Sub Process	Total Controls	Controls Tested	Controls passed	Controls failed	Remediation
<b>1</b>	<b>ELC Controls</b>					
<b>2</b>	<b>Process level controls</b>					
	Project Budgeting, Planning, Execution and Forecasting					
	Contractor Management					
	Bidding and Estimation					
	Site development and Improvement					
	Construction Monitoring					
	Built to Suit Process					
	Fixed Assets					
	Project Accounting					
<b>3</b>	<b>IT General Controls</b>					

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# Risk Control Matrix (RCM) and Gap Mapping

S r. N o.	Sub-Process	Process Owner	Control Objective	Risk Identified	Control description	Existence	Occurrence	Valuation	Completeness	Rights & Obligations	Presentation & Disclosure	Gap description	Nature of Control (Preventive or Detective)	Type of Control (Manual or Automated or dependent on system generated reports)	Frequency of Control (As needed, daily, fortnightly, monthly, semi-annually, annually)	Fraud Control/ Key control	Recommendation	Next step	Management Comment	Date for implementation
1	Centralised payment process	HO Finance	To ensure vendor payments are processed to correct accounts	Vendor payments are processed to incorrect bank account Disruption of services by vendor due to non receipt of payment	Finance executive generates the vendor payment run report from CRM which is reviewed by another Finance executive for correctness of bank account number, IFSC code and master code of the vendor (from vendor master file).		a		a			Absence of documentary review evidence by another finance executive regarding accuracy of bank account number, IFSC code and master code of the vendor	Preventive	Manual	As needed	Y				
2	Centralised payment process	HO Finance	To ensure vendor payments are processed to correct accounts	Vendor payments are processed to incorrect bank account Disruption of services by vendor due to non receipt of payment	Vendor payment run report is further reviewed and approved for payment by Sr. Manager Finance and Manager Finance.		a		a		a		Detective	Manual	As needed	Y				
3	Centralised payment process	HO Finance	To ensure payments are authorised and paid to the correct vendor	Payments released for unauthorised vendor invoices	DGM Finance/Manager Finance have to enter their ID and password on bank site to authorize vendor payment file for making payments to the vendors		a		a		a	ID and passwords are not linked with the IP address of the system and can be used to authorise payment from another system.	Preventive	Manual	As needed	Y				
4	Payment process through BAZ	GDW/EDC/ Zonal/ HO BAC team User department, HO accounts payables team	Claim form and invoice is approved and validated by user department and accounts payable team Payments are made for approved invoices	Invoices processed for services not received. Claims not approved/approved by incompetent authorities Incorrect accounting of invoices Payments made for services not received/ partly received/ disputed.	Claim form (system generated) and invoice (scan copy) are directed to user department head by accountant for review and approval. Without approval of claim form, invoice will not be processed. User Department Head approves claim form in the system. Post approval from user department, the treasurer scans the barcode of the approved claim form basis which liability is automatically accounted in the books.		a	a	a		a	NA	Preventive	Manual / Automated	As Needed	Y				

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# Enterprise Level Controls (ELCs) Matrix

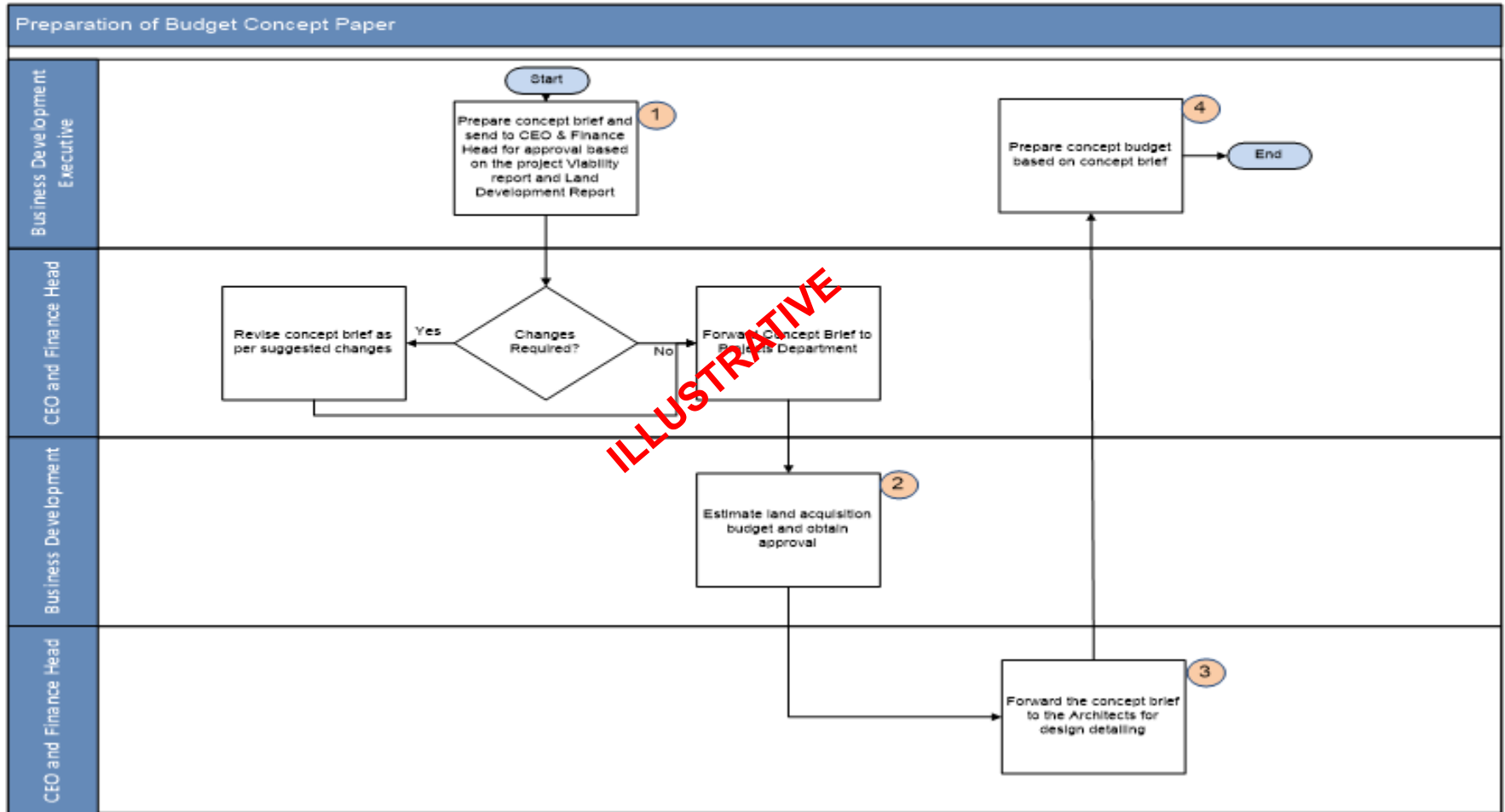
Sr.No	COSO 2013 Component	COSO 2013 Principle Number	COSO 2013 Principle	COSO 2013 Focus Point Number	COSO 2013 Focus Point	Control Description	Responsible Function	Existing Evidence Documentation
1	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:1	Sets the Tone at the Top	The Company has Code of Conduct which is required to be followed in every aspect. Company has a whistle blower policy in place which is displayed on the website of the Company.	HR	Code of Conduct Policy Whistle blower policy, Print screen where policy is displayed
2	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:1	Sets the Tone at the Top	Communication Channels (as per Whistle Blowers Policy) are set up to facilitate individuals and external parties to report departures from policy and significant internal control issues.	HR	Whistle blower policy
3	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:1	Sets the Tone at the Top	Investigation process has been documented as part of the Whistle Blower Policy. Decisions relating to ethics violations / whistle-blower alerts are taken by CGC of Executives and reviewed / noted by Audit Committee on quarterly basis.	Vigilance Team	Investigation process document, Ethics & Audit committee(AC) minutes
4	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:1	Sets the Tone at the Top	Actionable provided by Audit Committee or Board are tracked through Action Taken Report by Senior Management for implementation.	Company secretary	Action taken Report(ATR) presentations, AC minutes
5	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:1	Sets the Tone at the Top	Code of conduct policy is signed by new employees at the time of joining. Online module for training is available and to be undertaken at the time of new employee joining	HR	Code of conduct signed by employees and online training results for employees
6	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:2	Establishes Standards of Conduct	Communication Channels (as per Whistle Blowers Policy) are set up to facilitate individuals and external parties to report departures from policy and significant internal control issues.	HR	Whistle blower policy
7	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:2	Establishes Standards of Conduct	Code of conduct policy is signed by new employees at the time of joining. Online module for training is available and to be undertaken at the time of new employee joining	HR	Code of conduct signed by employees and online training results for employees
8	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF:2	Establishes Standards of Conduct	Vigilance teams have been formed for easy and convenient accessibility for employees and associates to report violation of policy or any potential violation as well.	Vigilance Team	Ethics counsellor communicated to all employees via mail to report violations/ ethics journal
9	Control Environment	Principle : 1	Demonstrates commitment to integrity and ethical values	POF: 3	Evaluates adherence to Standards of Conduct	Communication Channels (as per Whistle Blowers Policy) are set up to facilitate individuals and external parties to report departures from policy and significant internal control issues.	HR	Whistle blower policy

# Illustrative Work Papers

# Work Paper – Process Flowchart

## 8 Preparation of “Budget Concept Paper”

### 8.1 Process Flow



# Work Paper – Process Narrative

S. No.	Process	Procedures	Input	Responsibility	Timeline	Instruction/Template	Output
1.	Prepare concept brief and send to CEO & Finance Head for approval	<p><b>Preparation of concept brief and obtaining approvals</b></p> <ul style="list-style-type: none"> <li>Concept brief shall be prepared based on the latest project viability report, land development report and <b>obtain approval</b>. In case changes are required revise the Concept budget or else forward it to the Projects department. <b>C3 MRC , C5 MEC</b></li> </ul>	Land acquisition and development report, Market research report, Site Visit Report.	<p><b>Prepared by:</b> BD Executive</p> <p><b>Reviewed by:</b> BD Head, CEO and Finance Head</p> <p><b>Approved by:</b> Board</p>	For every project	-	Concept brief
2.	Estimate land acquisition budget and obtain approval	<p><b>Preparation of land acquisition budget and obtaining approval</b></p> <ul style="list-style-type: none"> <li>Land acquisition budget shall be estimated and approvals shall be obtained.</li> <li>In case Land acquisition budget is in excess of project viability then approval shall also be taken from the <b>Board. C6 MEC</b></li> </ul>	-	<p><b>Prepared by:</b> CEO &amp; CFO</p> <p><b>Reviewed by:</b> Planning &amp; Budgeting Head</p> <p><b>Approved by:</b> CEO</p>	For every project	-	-
3.	Forward the concept brief to the Architects for design detailing	<p><b>Designing of concept by the Architects</b></p> <ul style="list-style-type: none"> <li>Concept brief shall be forwarded to the Architects for design detailing.</li> </ul>	-	Head Design & CEO / CFO	-	-	-
4.	Prepare concept budget based on concept brief	<p><b>Preparation of concept budget</b></p> <ul style="list-style-type: none"> <li>Prepare the <b>Concept Budget</b> from the <b>concept brief</b>.</li> <li>Depending upon the availability of current project feasibility long range plan shall be prepared to incorporate inputs of all major projects.</li> <li>Amendment to the Concept Budget shall follow the same approval cycle as required for approval of Concept Budget. <b>C7 MRC</b></li> </ul>	Concept brief	<p><b>Prepared by:</b> BD Executive</p> <p><b>Reviewed by:</b> BD Head</p> <p><b>Approved by:</b> Finance Head</p>	For every project	-	Concept budget

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# Work Paper - Test of Design Effectiveness Template

Control Summary	
Control ID	
Control Activity Summary Description	
Control Description - Detailed Description of How the Control Is Expected to Be Performed	
Risk(s) of Material Misstatement Addressed	
Account Balance and Assertion(s) Addressed	Account balance:- Assertions:-
Frequency of Control Operation	
Test and Evaluation of Control Design	
Procedures Performed to Test the Design of the Control	
<b>Design Factor 1:</b> Document considerations of the appropriateness of the purpose of the control and correlation to the risk/assertion identified in the ROMM	<b>Appropriateness of the Purpose of the Control and Its Correlation to the Risk/Assertion</b>
<b>Design Factor 2:</b> Document considerations of the appropriateness of the control given the nature and significance of the risk	<b>Appropriateness of the Control Considering the Nature and Significance of the Risk</b>
<b>Design Factor 3:</b> Control Owner(s)	<b>Competence and Authority of the Person(s) Performing the Control</b>
Document considerations of the appropriateness of authority and competence of the process owner(s) to perform the control	
<b>Design Factor 4:</b> Document considerations of how the frequency and consistency of operation of the control are appropriate	<b>Frequency and Consistency with Which the Control Is Performed</b>
Is the effectiveness of the control dependent upon information produced by the entity (IPE)?	<input type="text"/>
Identify the controls that address the accuracy and completeness of the IPE, where the IPE is tested and the conclusion reached as a result of that testing.	
<b>Conclusion</b> Design Effectiveness Conclusion	<b>Effective</b>

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# Work Paper - Project Schedule Status with reasons for variance, if any.

## Status update as on Dec 30, 2014

#	Process/ Sub Process	TOD						TOE * (Assuming no failures and additions)			
		Total Controls	Planned days	Days Lapsed	Walkthrough expected to be done	Walkthrough done	Variance	Total controls for TOE	TOE expected till date	TOE done	Variance*
1	<b>ELC Controls</b>	85	14	7	42	50	8		Not applicable		
2	<b>Process level controls</b>										
	Project Budgeting, Forecasting, Planning and Execution	67	9	27	67	67	-	45	45	0	
	Contractor Selection and Execution	61	8	27	61	61	-	30	30	0	
	Bidding and Estimation	36	6	27	36	36	-	21	21	0	
	Site Development and Improvement	26	4	21	26	26	-	22	22	0	
	Construction Monitoring	51	7	22	51	51	-				
	Project Accounting	61	8	23	61	30	-31				
	Built-to-Suit (BTS) Process	23	4	20	23	23	0				
	Fixed Assets	4	1	19	4	0	-4				

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#	Process/ Sub Process	Backlog	Reasons (The past week's reasons are stated in italics)
2	<b>Process level controls</b>		
	Project Accounting	-31	<ul style="list-style-type: none"> <li>3 Automated controls pertaining to access rights can be done after SAP ID is provided.</li> <li>Process owner for 25 controls has just resumed and hence testing will be done now.</li> <li>Data to be received in some cases for walkthrough performed of manual controls</li> </ul>
	Fixed Asset	-4	<ul style="list-style-type: none"> <li>Process owner has not yet been identified for 3 controls</li> <li>1 Automated controls are pending to be tested</li> </ul>



# Work Paper - Overall Assessment of System of Internal Control over Financial Reporting

Overall Assessment of a System of Internal Control over Financial Reporting			
Entity or part of organization structure subject to the assessment (entity, division, operating unit, function)			
Objective(s) being considered for the scope of internal control being assessed		Considerations regarding management's acceptable level of risk	
Operations			
Reporting			
Compliance			
		Present? (Y/N)	Functioning? (Y/N)
			Explanation/Conclusion
Control Environment			
Risk Assessment			
Control Activities			
Information and Communication			
Monitoring Activities			
<b>Are all components operating together in an integrated manner?</b>			
Evaluate if a combination of internal control deficiencies, when aggregated across components, represent a major deficiency* <Update Summary of Deficiency Template as needed>			
Is the overall system of internal control effective? <Y/N>*			
Basis for conclusion			

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\*For major deficiency, management must conclude that the system of internal control is not effective

# Status Reporting



## Status of Entity Level Controls

# Status of Entity Level Controls

Based on walkthrough and review of certain documents, following is the list of gaps identified

Principle and Point to be addressed	Gaps Identified	Current Practice	Way Forward	Entities
<p><b>Principle: 1,15</b>  <b>POF: 1,2,63</b>                      (The board of directors and management at all levels demonstrate the importance of integrity and ethical values)</p>	Code of conduct has been adopted but not reviewed regularly for its completeness. Further it is not displayed at various prominent places within company premises	Company has a code of conduct which is displayed on the company's website		
<p><b>Principle: 1</b>  <b>POF: 1,2</b>                      (Established Standards of Conduct)</p>	Code of Conduct is not signed by employees and key management persons and all the directors every year.	Code of conduct is signed by the employees at the time of joining only.		
<p><b>Principle: 1</b>  <b>POF: 1,2</b>                      (Established Standards of Conduct)</p>	Code of conduct reference is not documented in contracts and agreements with all the vendors dealing with company.			

***Basis review of all the documents and relative controls prevailing, the status of ELCs including changes in gaps (either D, SD or MW) to be updated to the management later***



## Status of Process Level Controls

## Summary of Process Level Controls

Process		Total Controls	Automated	Manual	Key Controls	Process Gaps
<i>Warehousing</i>		12	3	11	11	8
<i>Regulatory</i>		11	4	10	8	-
<i>Customer taxation</i>		6	1	6	5	-
<i>Business partner management</i>		14	7	11	14	3
<i>E commerce</i>		19	8	15	14	3
<b>Total</b>		-	-	-	-	-

***We have started the test of operating effectiveness (TOE) for 25% of the total controls. TOE is pending due to non-availability of data / information. Individual control wise pending list has already been shared with the concerned. The status of pending controls including changes in gaps will be updated upon completion of testing these controls.***

***In subsequent slides we have presented the key gaps***

# Summary of Key Gaps

*Following is the summary of key gaps identified*

Key Gaps				
Process	Sub Process	Control Gap	Mitigating Controls (if any)	Management Action Plan
Payroll & HR	Master Creation	Absence of independent review and approval within HR for employee creation. Details entered in employee master are not reviewed/verified by an appropriate authority with supporting documents	NA	<ul style="list-style-type: none"> <li>Not required, checks at the time of payment of salary</li> </ul>
Payroll & HR	Master Creation	System accepts duplicate PAN and Bank details at the time of creation of staff code.  No documented policy for signing the appointment letters.	NA	<ul style="list-style-type: none"> <li>Duplicate PAN, Bank details check have been started.</li> </ul>
Payroll & HR	Master Updation	Changes in employee master made by Executive HR are not reviewed and approved in system.	NA	<ul style="list-style-type: none"> <li>Will discuss and identify the details which needs parking and posting and have the mechanism in new system.</li> </ul>



## Status of IT General Controls



# Summary of Key Gaps

*Following is the summary of key gaps identified*

Key Gaps				
Process	Sub Process	Control Gap	Mitigating Controls (if any)	Management Action Plan
1. CRM - Application Security controls	Direct Data Update	<p>Direct data update from the backend is possible in CRM Application. There is no controls in place to ensure backend data update is completely restricted.</p> <p>It was noted that the DBA users have access to modify Business data directly at the tables of the database level using SQL command.</p> <p>The backend database Oracle does not capture log of all backend entries hence a log review is not possible.</p> <p>There is no formal periodic detective review of history of SQL query updates captured to recertify the backend data updates</p>	NA	
2. Oracle Apps- Application Security controls	Generic Ids	There are around 27 generic user Ids in the Oracle Apps and most of these user Ids are shared between multiple users	NA	

*Thank You*

***Murtuza Onali Kachwala***

*Managing Director*

**9833015334**

**[murtuza.kachwala1@protivitiglobal.in](mailto:murtuza.kachwala1@protivitiglobal.in)**