

Helping you decipher Internal Financial Controls (IFC)

What is Internal Financial Control (IFC) ? (Sec 134)



Sales realization is correctly recorded in the Financials

Discount on sale is offered as per DOA and adherence to DOA is monitored

Unauthorised change in price master (access controls)

Example

Definition -IFC

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

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



APPLICABILITY

1. Public listed companies
2. Public unlisted companies
3. Private companies
 (Criteria as in the first table)

Criteria for Private Companies

Type of Reporting for Private Companies	Turnover (INR)	Borrowings (INR)
IFCs Reporting Required	≥50 Cr	≥25Cr
IFCs Reporting Required	≤50Cr	≥25Cr
IFCs Reporting Required	≥50 Cr	≤25Cr
IFCs Reporting not required	≤50Cr	≤25Cr
IFCs Reporting not required	One Person Company	
IFCs Reporting not required	Small Company	

Various Reporting Requirements		
Act	Section	Who and Where IFC's adequacy to be reported?
Companies Act, 2013	IFC Section 134(5)(e)	Director's Responsibility Statement
Companies Act, 2013	ICFR - Section 143 (3) (i)	Statutory Auditor Report
Companies Act, 2013	ICFR Section 177	Audit Committee
Companies Act, 2013	ICFR Schedule IV	Independent Directors



Key work-steps/ considerations for Gap remediation:

- Prioritize financial gaps into Material/ non-material
- Prioritize operational/ reputational gaps (if any) into H/M/L impact
- Codevelop remediation plan with owners & implementation timelines
- Periodic monitoring of remediation plans
- Enhance/ optimize IT Controls
- Standardized/ centralize processes (wherever possible)
- Enhance SOP/ MIS/ DOA etc.
- Interim testing to confirm remediated gap

Why Astral?

Astral's internal controls specialists have provided internal financial controls and Internal Controls over Financial Reporting (ICFR) related services for leading companies.

Our internal control specialists have experience as auditors of Sarbanes Oxley compliance programs – we understand what auditors expectations are for such programs. We also have considerable experience as controls testing providers and are well versed in internal financial control related requirements, tools, and technologies.

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