

Mastering ICFR and SOX Compliance in 2024: Financial Reporting Controls for Organizational Excellence

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Poll 1

Do you have an OCEG All Access Pass (a paid membership), that will enable you to receive CPE credit for this event?

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2. No, I do not have an All Access Pass, so I understand I will not receive CPE credit for this event

Speakers



Kristina Demollari, CPA

Associate GRC Product Manager, Resolver

Kristina is an experienced Internal Audit and Controls professional, having worked for Brookfield Assets, EY and other renowned global organizations. She is now bringing her first-hand expertise to Resolver's platform, greatly impacting and improving our solution.



Pooja Azhalavan, MBA

Product Marketing Manager, GRC, Resolver

Pooja is a skilled Product Marketer and Strategist for Resolver's GRC solutions, including Enterprise Risk, Compliance, Internal Audit, and Third-Party Risk. She has a deep understanding of the needs and pain points of GRC leaders, informed by user research, market insights, and strong product understanding.

Learning Objectives

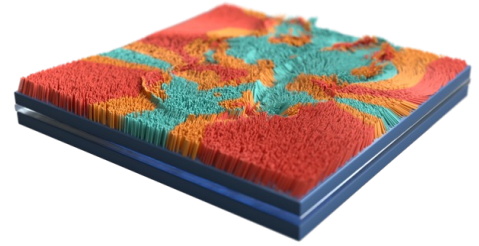
- Unravel the fundamental principles of Internal Controls over Financial Reporting and its pivotal role in safeguarding the integrity of financial data.
- Gain a comprehensive understanding of the Sarbanes-Oxley Act and its impact on corporate governance and financial disclosures.
- Explore practical strategies for designing and implementing robust internal controls that meet regulatory requirements and enhance overall organizational efficiency.
- Identify challenges organizations face in maintaining ICFR and SOX compliance, and proactive approaches to mitigate issues.
- Discover how technology and automation can be leveraged to enhance the effectiveness of internal controls and streamline compliance.

What is ICFR?

Internal controls over financial reporting (ICFR) is a process consisting of policies and procedures to assess financial statement risk and provide reasonable assurance that a company prepares reliable financial statements



ICFR Expectations for Internal Stakeholders



Board/Audit Committees

The financial statements prepared by management is based on effective ICFR Framework

Senior Management — CEO/CFO

Receive required budget approvals from Board/AC and authority to implement effective ICFR practices

Process Owners

Obtain guidance from the Senior Management and IA team in understanding financial reporting controls and their role in managing them

Internal Audit

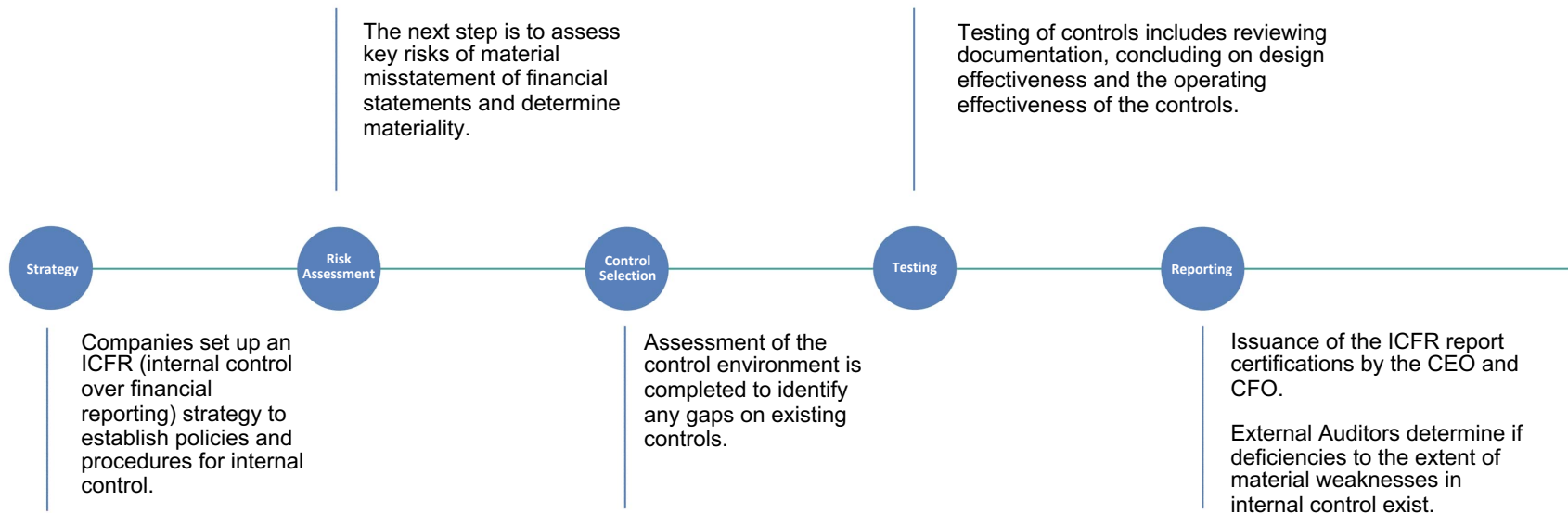
Involve in discussion with the Finance team where any specific input is required on critical controls

WHY DO ICFR TEAMS EXIST?

The ICFR Core Team lead the ICFR mandate in the organization to ensure financial controls are adequately designed and operating effectively.

Best practices indicate that the ICFR team should be a separate team, in between Finance and Risk Management, to help with communication between teams and organize the documentation of each process.

ICFR Workflow



Maturity Levels of ICFR Program

Maturity Level 1: Regulatory Compliance

Organizations consider ICFR as a regulatory burden and mainly focus on compliance with regulatory requirements.

Maturity Level 2: Process Efficiencies

Organizations take ICFR as an opportunity to bring process efficiencies through control optimization, elimination of redundant or duplicate controls, and extend control automation.

Maturity Level 3: Value Enhancement

Organizations are able to focus more on controls issues related to new projects/ventures, as existing controls get monitored through continuous monitoring tools.

Poll 2

What is the Maturity Level of ICFR Program for your organization?

1. Non-Existent
2. Maturity Level 1: Regulatory Compliance
3. Maturity Level 2: Process Efficiencies
4. Maturity Level 3: Value Enhancement

Background - SOX Compliance

- The Sarbanes-Oxley Act (or SOX Act) is a U.S. federal law that aims to protect investors by making corporate disclosures more reliable and accurate.
- The main difference between ICFR and SOX (Sarbanes-Oxley Act) is that **ICFR (internal control over financial reporting) is required for SOX compliance by public companies** to detect material errors and fraud in financial statements filed with the SEC.



COSO Framework Includes:

1. Control environment
2. Risk assessment
3. Control activities
4. Information & communication
5. Monitoring activities

What is the Canadian equivalent of SOX?

- The Canadian equivalent is Bill 198, also known as Canadian SOX, C-SOX, or National Instrument 52-109 due to its similarities to U.S. SOX and focus on financial practices and corporate governance.

How about UK Regulations?

- UK SOX and/or UK Corporate Governance Code is the unofficial name given to new corporate governance reforms.
- Post-BREXIT, the UK's Financial Reporting Council (FRC) had initially proposed a "SOX-lite" regime via the Corporate Governance Code. However, it is now planning to publish a significantly revised code in January 2024, moving away from the more rigorous internal controls seen in the US.



Corporate Governance Impact

- **Board Independence:** SOX encourages a majority of independent directors on corporate boards.
- **Audit Committee:** Enhances the role and responsibilities of audit committees.
- **Whistleblower Protection:** Provides protection for employees reporting corporate misconduct.

Financial Disclosures Impact

- **Transparency:** Requires companies to provide timely and accurate financial information.
- **Internal Controls:** Emphasizes the importance of effective internal control systems.
- **CEO/CFO Certification:** Holds top executives accountable for financial reporting accuracy.

Common ICFR/SOX Challenges

Resource Constraints

Documentation Management

Scope and Complexity

IT Security Risks

Training and Awareness

Regulatory Changes

Vendor and Third-Party Risks

Communication Gaps

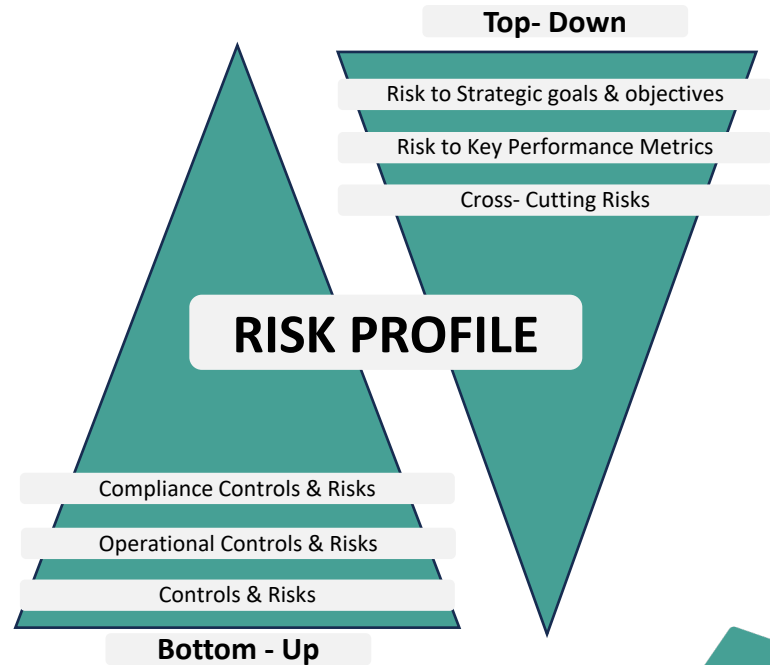
Practical Strategies for Internal Controls

1. **Risk Assessment:** Identify and prioritize risks by impact and likelihood
2. **Control Environment:** "Tone at the Top" and Code of Conduct
3. **Segregation of Duties:** Segregate key functions and authorization controls
4. **Information and Communication:** Communication channels and training programs
5. **Documentation of Failures and Remediation**



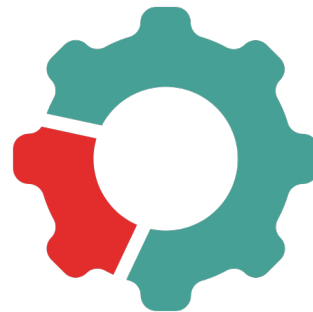
Enhance the Relationship: Enterprise Risk and ICFR

An integrated ERM and internal control program provides awareness of an agency's full risk portfolio by aligning the top-down and bottom-up perspectives on risk



Technology and Automation

- Automated Workflow Management
- Access Controls and Identity Management
- Cloud-Based Solutions
- Dashboard and Reporting Tools



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Internal Controls Management



Scoping

Walkthrough

Testing

Issues & Actions

Certifications

Audit Committee Dashboard

Management Dashboard

Manage Assessments

Technology helps with creating Document Management Systems and enhances communication with Control Owners through workflow automation

Document Requests

Create and prepare document requests to send to the audit client. E-mail notifications will be sent automatically when requests are sent.

Document Request

Unique ID	Name	Due Date	Documentation Attachments / URL	Workflow State
No data to display				
Q ADD EXISTING DOCUMENT REQUEST			+ CREATE NEW	

Poll 3

Which of the following automation advantages do you consider the most impactful to enhance ICFR initiatives?

1. Cloud-Based Solutions
2. Dashboard and Reporting Tools
3. Having a Document Management Systems
4. Automated Workflow Management

Thanks for Coming!

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