DOWNLOAD PDF FINANCIAL REPORTING AND CONTROL

Chapter 1 : Examples of Internal Control Over Financial Reporting | calendrierdelascience.com

Financial Reporting and Control Accounting (FR&C) The Financial Reporting and Control Accounting Division (FR&C) maintains the county's books and records in accordance with Generally Accepted Accounting Principles, ensures compliance with the Single Audit Act of as amended, and facilitates the annual audit of the County's books and records as required by Â§ of the Code of Virginia.

Many factors go into the robust confidence that investors consistently show in U. One of those factors is internal control over financial reporting ICFR. Investors depend on reliable financial information, and effective ICFR helps reduce the risk that financial statements will contain material errors or misstatements. As with any system, maintaining sound ICFR requires continual effort and dialogue among stakeholders on how to address challenges. The Anti-Fraud Collaboration, a coalition of leading organizations representing key constituents of the financial reporting supply chain, explored ICFR challenges and solutions at a pair of workshops in New York and San Francisco. The eventsâ€”which brought together audit committee members, financial executives, internal auditors, external auditors, and regulatorsâ€”generated a wealth of insights. Many of these insights were captured in a recent Anti-Fraud Collaboration report that should be of interest to boards of directors and others involved with financial reporting. Foremost among them is the idea that for all members of the financial reporting supply chain, the importance of tone at the top cannot be overstated. Management, together with the board of directors, sets this tone by 1 communicating effectively, 2 visibly adhering to clear ethical principles and codes of conduct, and 3 providing necessary support and resources for robust fraud risk management programs and internal controls. Watch for Warning Signs On the flip side, what are potential warning signs that tone at the top could be improved? At the workshops, participants identified several: CEOs tend to have commanding personalities, but it is a problem if a CEO is so intimidating that opposing views are not welcomed or adequately considered. A culture of perfection that inhibits open and transparent communication. Pressure to meet key metrics. Several key themes emerged: Audit committees should be proactive in broaching other topics when necessary. The audit committee needs to take greater ownership of accounting issues and ask more open-ended questions about them. For audit committees in industries with highly specialized accounting, the audit committee may benefit from external industry specialists. The role of the audit committee should include challenging senior management on the accounting for complex transactions and estimates. Having expert advice promotes the ability to have a robust dialogue on these issues. When audit committee members and management have both served long terms, there can be a tendency for problems to go unnoticed and questions left unasked. Turnover on boards can provide fresh eyes and a new spirit for engaging in accounting issues. Some participants said the external auditor and audit committees should address the topic of company staffing. Formal and informal interaction are necessary between and among external auditors, the financial reporting team, internal auditors, and the audit committee. Through these interactions, relationships are strengthened and more candid communication can occur. The full Anti-Fraud Collaboration report is not only an invaluable resource for board members, but it is available free of charge. In addition to providing perspective and tips on ICFR, the report sheds light on crafting sound accounting policies and addressing staffing challenges around financial reporting. A securities lawyer, Cindy Fornelli has served as the Executive Director of the Center for Audit Quality since its establishment in Fornelli also co-chairs the Anti-Fraud Collaboration. More Resources for Audit Committees On our Audit Committee resource page, we cover everything from audit chair succession and enterprise risk management ERM to the new revenue recognition standard. Browse our Episodes, Insights, and Events.

Chapter 2 : Auditing Standard No. 5

Financial Reporting and Control (FRC) is a course about how leaders can design and use performance measurement systems to build more effective organizations.

If you sell shares to the public, internal controls have been mandatory for decades. Segregation of Duties Dividing up responsibility for internal controls is essential. Even if the cashier is honest, two sets of eyes have a better chance of catching mistakes. Another example of divided responsibility is to require two people to make purchases: Prevent and Detect Some internal controls make it harder for anyone to commit fraud. Controlling access to your accounting software and digital records is one way to do this. Other controls focus on catching errors, for example, by comparing two independent sets of records for one set of transactions. The classic example is balancing your checkbook: Matching delivery receipts to vendor payments is another method. Monitoring performance can also be a way to detect errors. If the cash flow for the quarter is way off from what you had budgeted, the reason could be unexpected expenses or income. It could also be that someone made a major error in entering the quarterly data. You need to go the extra mile to determine if these internal controls work. Periodic internal audits and monitoring should look at whether employees comply with internal controls or whether they find ways to get around them. If exceptions and problems crop up, do employees report these problems? If you have staff turnover, are the new employees properly briefed as to your control requirements? These are among the problems you need to prepare for. If you have even one serious weakness in internal controls, that invalidates the entire control system. Suppose that your internal controls have a requirement, which is that when different departments transfer inventory, they must reconcile monthly accounts. You do not, however, have a procedure in place which guarantees that this will happen. Even if your accounts are accurate, the potential for undetected error or fraud is too high.

Chapter 3 : Internal control - Wikipedia

Recognizing that accounting is the primary channel for communicating information about the economics of a business, this course provides a broad view of how accounting contributes to an organization. Students will gain: An understanding of the concepts and language of accounting so it can be used as.

Under the framework developed in the early s by the Committee on Sponsoring Organizations COSO [1] , there are three types of internal controls: This component is known as the Control Environment. For example, a process that is highly susceptible to fraud would be considered to be a high-risk area. The way in which controls are actually designed and implemented within the company, so as to address the identified risks. This component is known as Control Activities. The way in which information within the company is gathered and shared, both to people within the company responsible for financial reporting, and to external users of financial reports. This component is known as Information and Communication. The way in which the effectiveness of these controls are monitored by company management. Such a misstatement may occur on an annual basis either before or after an audit [see question below] , or through interim financial reporting e. Examples may include inadequate segregation of duties e. In evaluating the severity of a flaw in ICFR, both auditors and companies look at two factors: Thus, this process is, in essence, an exercise of risk analysis. Like the generally accepted accounting principles GAAP that govern the preparation of financial statements, there are no clear bright-line tests based solely on quantitative measures; qualitative measures must also be considered, and professional judgment is required. But, neither the auditor nor the company is required to disclose whether the audit process itself revealed financial statement errors that were corrected before the statements were filed with the SEC. The degree to which the auditor is involved in requiring management to correct financial statements prior to their public filing is an indication of whether the company â€" using only its own personnel either employees or third party consultants â€" will produce financial information that is materially accurate. The ability of a company to accurately describe its own financial condition is particularly relevant when the company discloses un-audited financial information, as in quarterly reports filed with the SEC. The Sarbanes-Oxley Act of enhanced this responsibility in two ways. The comparable compliance dates for non-US accelerated filers is July 15, , and for all smaller companies is July 15, Auditors, too, have been familiar with the concept of internal controls for years. This requirement of public disclosure, by both the company and the auditor, now creates a strong incentive for company self-correction. With integrated audits, the tests that the auditor performs may serve two purposes. When performing such a walk-through, the auditor gains first-hand knowledge of the points in this process at which material misstatements could occur. This understanding also allows the auditor to design a more effective strategy for auditing the financial statements than if no walk-throughs had been performed. Were auditors too granular in their review of ICFR? Were auditors pushing company management to take a minute, rather than material approach? Now, as the second year of AS2 implementation for most US large companies nears an end, it is appropriate to step back and again ask questions: Are auditors doing the work required of them? Perhaps even more fundamentally, are the auditor requirements achieving the desired end-result of greater transparency around the state of company controls? As a related matter, in December the SEC established an Advisory Committee on Smaller Public Companies and charged it with examining, from a cost-benefit perspective, the impact of federal securities laws on smaller companies. The table on the next page summarizes these recommendations: When a new activity or responsibility requires an initial investment in new audit programs and training, then any increase in fees is likely to be larger during this period, before ultimately reaching a stable state. Moreover, when the learning period is necessarily condensed due to external reasons such as legal deadlines the audit resources required to fulfill the new obligation also generally increase to reflect the expedited nature of the undertaking. Lastly, when companies are also required to undertake parallel new activity during this same time period, and both auditors and their clients are learning simultaneously, the overall start-up costs of the new activity will be larger still. Three points, however, are relatively undisputed: Year 1 costs disproportionately affected as a percentage of revenue smaller accelerated filers. Whether, and if so how, the same degree of impact will occur for small companies that have not yet implemented ICFR requirements remains unknown, although it is a matter of considerable debate see pages , above. What is the value of increasing the reliability of the financial numbers upon which the markets move, and individual investment decisions are made? When enacting the Act, Congress made a determination that increased reliability has an inherent value â€" not only to investors, but also to company employees, the community, and the national economy. A number of factors, some of which are subject to quantitative analysis and others that are not, are relevant; e. What do those within a company who are closest to ICFR and have gone through the process think? The reactions are mixed. In an April survey by Oversight Systems, Inc. Has increased regulation arising from the Act impacted the ability of private equity to access the public markets? In March of , SME Capital Markets published a report demonstrating that in the number of small companies filing with the SEC to be public reached a record Filings were in , and in In a soon-to-be published study, the researchers conclude that the median increase in the cost of equity that occurs when a company is judged not to have had reliable audits is almost 50 basis points. Do Benefits Exceed Costs? Synopsis of work in progress, May 19, Many of the studies identified above, as well as those expected in the future, all seek to identify benefits or harm to shareholders. In the end, however, it is really only those shareholders who can decide whether the advantages of the ICFR requirements outweigh the costs. This will take you to an electronic comment box. Or, send written submissions in triplicate to:

Chapter 4 : calendrierdelascience.com | Financial Reporting Manual

The Guide to Internal Control Over Financial Reporting (ICFR) describes the process used by U.S. public companies to enhance the reliability of their financial statements by reducing the risk of material errors or misstatements.

In Hellenistic Egypt there was a dual administration, with one set of bureaucrats charged with collecting taxes and another with supervising them. Definitions[edit] There are many definitions of internal control, as it affects the various constituencies stakeholders of an organization in various ways and at different levels of aggregation. COSO defines internal control as having five components: Control Environment-sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed Information and Communication-systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities Control Activities-the policies and procedures that help ensure management directives are carried out. Monitoring-processes used to assess the quality of internal control performance over time. The COSO definition relates to the aggregate control system of the organization, which is composed of many individual control procedures. Discrete control procedures, or controls are defined by the SEC as: A control may exist within a designated function or activity in a process. Controls have unique characteristics â€" for example, they can be: Controls within a process may consist of financial reporting controls and operational controls that is, those designed to achieve operational objectives. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components â€" such as social environment effecting behavior of employees, information necessary in control, and policies and procedures. Internal control structure is a plan determining how internal control consists of these elements. Internal controls help ensure that processes operate as designed and that risk responses risk treatments in risk management are carried out COSO II. In addition, there needs to be in place circumstances ensuring that the aforementioned procedures will be performed as intended: Roles and responsibilities in internal control[edit] According to the COSO Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. Also, all personnel should be responsible for communicating upward problems in operations, non-compliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play: Management[edit] The Chief Executive Officer the top manager of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the " tone at the top " that affects integrity and ethics and other factors of a positive control environment. In a smaller entity, the influence of the chief executive, often an owner-manager, is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise. Board of directors[edit] Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem. Auditors[edit] The internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information technology controls , which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions. Audit committee[edit] The role and the responsibilities of the audit committee, in general terms, are to: Review significant findings or unsatisfactory internal audit reports, or audit problems or difficulties encountered by the external independent auditor. Personnel benefits committee[edit] The role and the responsibilities of the personnel benefits, in general terms, are to: They also ensure that benefit-related performance measures are properly used by the management of the organization. Operating staff[edit] All staff members should be responsible for reporting problems of operations, monitoring and improving their performance, and monitoring non-compliance with the corporate policies and various professional codes, or violations of policies, standards, practices and procedures. Their particular responsibilities should be documented in their individual personnel files. In performance management activities they take part in all compliance and performance data collection and processing activities as they are part of various organizational units and may also be responsible for various compliance and operational-related activities of the organization. Staff and junior managers may be involved in evaluating the controls within their own organizational unit using a control self-assessment. Limitations[edit] Internal control can provide reasonable, not absolute, assurance that the objectives of an organization will be met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures. Effective internal control implies the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it. However, whether an organization achieves operational and strategic objectives may depend on factors outside the enterprise, such as competition or technological innovation. These factors are outside the scope of internal control; therefore, effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives, but cannot guarantee their achievement. Describing internal controls[edit] Internal controls may be described in terms of: Objective or assertions categorization[edit] Assertions are representations by the management embodied in the financial statements. Further such fixed assets must be disclosed and represented correctly in the financial statement according to the financial reporting framework applicable to the company. Controls may be defined against the particular financial statement assertion to which they relate. Accounts and disclosures are properly described in the financial statements of the organization. Only valid or authorized transactions are processed. Assets are the rights of the organization and the liabilities are its obligations as of a given date. All transactions are processed that should be. Transactions are valued accurately using the proper methodology, such as a specified means of computation or formula. For example, a validity control objective might be: Activity categorization[edit] Control activities may also be explained by the type or nature of activity. These include but are not limited to: Segregation of duties â€” separating authorization, custody, and record keeping roles to prevent fraud or error by one person. Authorization of transactions â€” review of particular transactions by an appropriate person. Retention of records â€” maintaining documentation to substantiate transactions. Supervision or monitoring of operations â€" observation or review of ongoing operational activity. Physical safeguards â€" usage of cameras, locks, physical barriers, etc. Top-level reviews â€" analysis of actual results versus organizational goals or plans, periodic and regular operational reviews, metrics, and other key performance indicators KPIs. IT general controls â€" Controls related to: IT application controls â€" Controls over information processing enforced by IT applications, such as edit checks to validate data entry, accounting for transactions in numerical sequences, and comparing file totals with control accounts. Control precision[edit] Control precision describes the alignment or correlation between a particular control procedure and a given control objective or risk. A control with direct impact on the achievement of an objective or mitigation of a risk is said to be more precise than one with indirect impact on the objective or risk. Precision is distinct from sufficiency; that is, multiple controls with varying degrees of precision may be involved in achieving a control objective or mitigating a risk. Precision is an important factor in performing a SOX top-down risk assessment. After identifying specific financial reporting material misstatement risks, management and the external auditors are required to identify and test controls that mitigate the risks. This involves making judgments regarding both precision and sufficiency of controls required to mitigate the risks. Entity-level controls are identified to address entity-level risks. However, a combination of entity-level and assertion-level controls are typically identified to address assertion-level risks. This typically involves identifying scenarios in which theft or loss could occur and determining if existing control procedures effectively manage the risk to an acceptable level. For example, automating controls that are manual in nature can save costs and improve transaction processing. If the internal control system is thought of by executives as only a means of preventing fraud and complying with laws and regulations, an important opportunity may be missed. Internal controls can also be used to systematically improve businesses, particularly in regard to effectiveness and efficiency. Continuous controls monitoring[edit] Advances in technology and data analysis have led to the development of numerous tools which can automatically evaluate the effectiveness of internal controls. Used in conjunction with continuous auditing , continuous controls monitoring provides assurance on financial information flowing through the business processes.

Chapter 5 : Financial Reporting and Control Accounting

of internal control over financial reporting can substantially reduce the risk of such misstatements and inaccuracies in a company's financial statements. Over time, effective internal control over financial reporting has become a.

Chapter 6 : Financial and non-financial reporting

(b) Internal Control Evaluation and Reporting.â€"With respect to the internal control assessment required by subsection (a), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer.

Chapter 7 : A Laypersonâ€™s Guide to Internal Control Over Financial Reporting (ICFR)

(from Reliable Financial Reporting and Internal Control). Reliable financial reporting as well as efficiency and effectiveness in operations are not simply regulatory issues. They are also the best lens through which companies can look into the future, helping top management identify inadequate procedures before it is too late.

Chapter 8 : Internal Control over Financial Reporting (ICFR) Series | Deloitte US

Oracle offers fully automated solutions to support the complete Financial Control & Reporting process - from creating and managing transactions to consolidating and reporting results. Built-in best practices provide strong internal controls, save time and money, and deliver more reliable, accurate.

Chapter 9 : Financial Reporting and Control - Teaching Interest - Harvard Business School

Here is the best resource for homework help with FISV Financial Reporting & Control at Johnson And Wales University. Find FISV study guides, notes.