When managing risk, do you need more or better controls?

Find out how you can build confidence in your internal controls.
Globally, investors, management and other stakeholders are seeking higher standards around internal controls, risk management programs and communication. Internal controls are a fundamental element of managing risks effectively. In today’s business climate, companies need a strong internal control environment providing:

- A solid foundation to facilitate growth
- Improvement in the efficiency and effectiveness of operations and reporting
- Security for company assets
- Protection from fraud
- Compliance with laws and regulations

Businesses with strong internal controls tend to be far more adept at identifying and mitigating risks that can undermine achieving their business goals.

To help build confidence in your internal controls, EY teams offer an internal controls effectiveness review, specifically focused on private businesses.

The EY Internal Controls Effectiveness (ICE) service is designed to assess financial statement controls and certain operational controls in five key processes (i.e., order-to-cash, purchase-to-pay, payroll, inventory and property, and plant and equipment). The ICE service provides an overview of the effectiveness of these controls that includes:

- Identifying controls that are not designed effectively
- Gaps in the existing control framework
- Recommendations to improve existing controls

With this understanding, your business gets in-depth insights that can help enhance the efficiency and effectiveness of your internal controls, and meet the growing needs of your stakeholders. With the help of the ICE assessment, you can build the confidence you need in your internal controls.

Are your internal controls designed effectively?

Having a proper internal controls environment in place can be an important element of your risk management strategy. But, how do you know that your controls are effectively designed? Are they fit for purpose for your business today and in the future? Are you confident that your internal controls environment can both prevent and detect a financial statement error and fraud? And, crucially, is this environment ready for your growth?

You can consider the EY ICE service if you are observing one or more of the following challenges:

- Ineffective controls are being identified
- Key risk areas not specifically covered by appropriate controls
- Identification of important or monetarily significant adjustments, at the last minute
- Management information inconsistent with data from the accounting records
- Time-constrained finance department (because of the amount of focus on inefficient controls)
- Too many manual workarounds
- Internal control not fit for purpose as the company grows
- Increasing finance administration costs
- Inconsistent data from business units or subsidiaries
- Account reconciliations performed offline, with Excel
How the EY ICE service can support you

EY teams use a combination of techniques to help you evaluate your internal controls environment. They conduct a four-step assessment and report back their findings and recommendations to you.

**Step 1:**
**Help determine maturity of existing controls framework**

The EY teams use a proprietary tool to assess the current maturity of your overall controls framework and help determine a desired future state. The tool aligns with the 17 principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model (2013 Framework). It also provides you with the latest progressive thinking on the overall controls environment a business should have. For example, the tool can help you determine the maturity of your:

- Controls environment
- Risk assessment
- Controls activities

A potential result of step one could look as follows:

**Step 2:**
**Walkthrough and documentation of current-state process, and existing controls and risks**

The EY teams then work with you to map your current-state processes, and existing controls and risks.

During that walkthrough, they aim to:

- Understand your transaction flows and key points of risk — both financial and operational
- Identify existing controls, considering your financial statement controls and certain operational ones

The result is a more detailed picture of your existing controls that helps uncover potential weaknesses, which may impact your business’s ability to operate efficiently and effectively.

**Step 3:**
**Comparison of existing controls to leading practice**

In the next step, your existing controls for each process will be mapped to a library of leading practice controls that has been built upon years of experience working with similar organizations. This comparison aims to detect the strengths and weaknesses of your existing controls and can lead to potential improvement recommendations.

This step provides you with a better understanding of the effectiveness of your controls. It also gives insights into the potential differences and business consequences of your existing controls when matched against your peers. Also, it can help uncover duplications, missing controls and other anomalies.

For example, one outcome of the comparison could look like the following:

**Step 4:**
**Findings and recommendations report**

As a last step, all the results of the assessment are compiled and reported back to you. The report includes findings and a list of recommendations that you can use to build a more effective and stronger internal controls environment.
The value of an integrated team

As an EY audit client, the EY ICE service can be conducted by the EY audit teams you are already familiar with. This is advantageous for you, as the EY teams:

- Understand your business processes and the internal controls environment that surrounds them
- Know your teams, constraints, operating structure and the key risks identified through the annual audit
- Provide insights and effectiveness through leveraging relationships, knowledge of your IT and accounting system, and financial and operational reporting and tools
- Know your industry, key stakeholders, processes and practices learned during the external audit

While performing the internal controls effectiveness review, your EY audit teams can work with other EY professionals, when needed, reducing the time impact on you and your staff. These EY professionals bring a breadth of knowledge and practical experience with complex processes. They are multidisciplinary and work across geographies, combining experiences in assurance, tax, strategy, transaction and consulting services.

About EY Private

As advisors to the Ambitious™, EY Private professionals possess the experience and passion to support private businesses and their owners in unlocking the full potential of their ambitions. EY Private teams offer distinct insights born from the long EY history of working with business owners and entrepreneurs. These teams support the full spectrum of private enterprises including private capital managers and investors and the portfolio businesses they fund, business owners, family businesses, family offices and entrepreneurs.

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