

Internal controls effectiveness

Building confidence in your internal controls

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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 control environment providing:

- ▶ A solid foundation to enable growth
- ▶ Improvement to the efficiency and effectiveness of operations and reporting
- ▶ Safeguard of company assets
- ▶ Protection from fraud
- ▶ Compliance with laws and regulations

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

Internal controls and confidence

How good are your internal controls? Are they fit for purpose for your company today and in the future? Are you confident that your internal controls environment both prevents and detects financial statement error and fraud? And crucially, that it is ready for your growth?

EY's internal controls effectiveness review

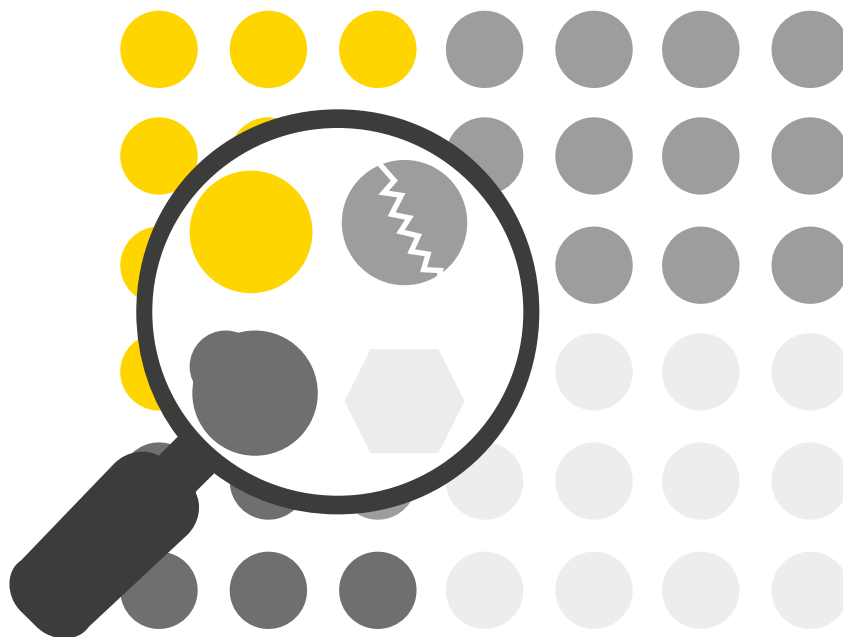
To help you build your confidence with your internal controls, EY offers an effectiveness review of your internal controls specifically focused on private companies. EY's internal controls effectiveness review is designed to assess financial statement controls and certain operational controls in five key processes (order-to-cash, purchase-to-pay, payroll, inventory and property, plant and equipment). We provide an overview of the effectiveness of these controls that includes:

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

The internal controls effectiveness review starts by analyzing the maturity of your overall control framework before reviewing the detailed processes.

We map your risks with the existing suite of controls in your organization and then compare those controls against our library of leading practices. We use our knowledge of your business and our vast experience from similar organizations to offer a list of recommendations, providing a report that highlights the key areas of improvement to your control processes.

Controls environment



EY's internal controls effectiveness review uncovers controls that are not designed effectively, exposes gaps in the framework and provides improvement recommendations.

How to know if you can benefit from EY's internal controls effectiveness

To identify whether you might want to have a conversation with your external audit team about our internal controls effectiveness, consider some key questions:

Controls confidence indicator	Yes	No	Not sure
Ineffective controls have been identified			
Key risk areas not covered specifically by appropriate controls			
Important or monetarily significant adjustments identified at the last minute			
Management information is inconsistent with data from the accounting records			
Time-constrained finance department (because of the amount of focus on inefficient controls)			
Too many manual work arounds			
Internal controls not fit for purpose as the company grows			
Increasing finance administration costs			
Inconsistent data from business units/subsidiaries			
Account reconciliations performed offline, with Excel			

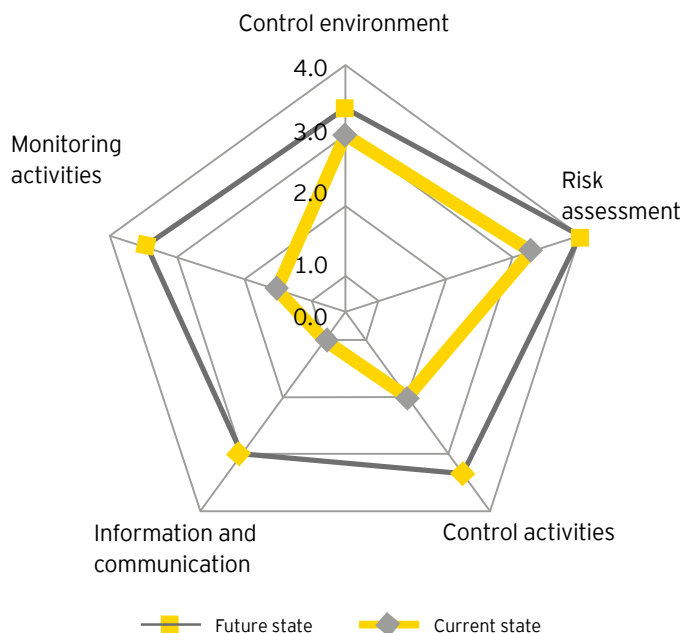
If you answer "Yes" or "Not sure" to two or more of these indicators, now is the time to have a closer look with your external audit team. We'll be happy to share insights and ideas based on EY's vast experience of helping clients monitor and improve the effectiveness of their internal controls.

How internal controls effectiveness works

Your EY team uses a combination of techniques to evaluate your internal controls environment. We conduct a four-step assessment and report back to you our findings and recommendations.

Step 1 Determine maturity of existing control framework

A maturity model is used to review the maturity of the overall control framework. Our maturity assessment tool allows you to assess the current maturity of the overall control framework as it aligns with the 17 principles of the 2013 the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model.

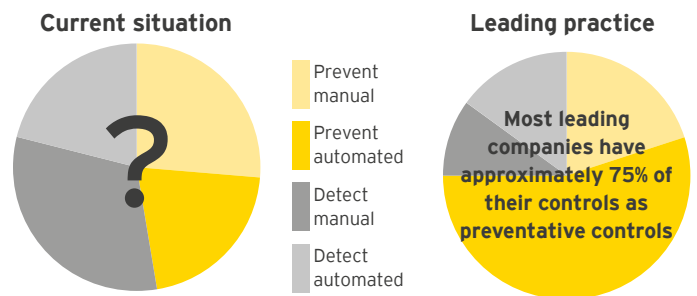


Step 2 Walkthrough and documentation of current state process and existing controls and risks

A walkthrough is performed to map your current state process and existing controls and risks. We document our findings using an internal controls identification tool specifically designed for each process.

Step 3 Comparison of existing controls to leading practice

Your existing controls are mapped to our library of leading practice controls. Then improvement recommendations are drawn from this comparison.



Step 4 Findings and recommendations report

All results of the assessment are reported back to you. The report includes findings and recommendations to help you build a more effective internal controls environment.

Why use your external auditor?

We understand your business processes and the internal controls environment that surrounds them. We know your teams, your constraints, your operating structure and the key risks identified through the annual audit.

Your EY audit team provides insights and effectiveness through leveraging relationships, knowledge of the IT system, accounting system and your financial and operational reporting and tools. We know your industry, key stakeholders and processes and practices learned during the external audit.

The value of an integrated team

While performing EY's internal controls effectiveness review, your audit team works with other EY professionals, when needed, reducing the time impact on you and your team. These teams bring a breadth of knowledge and practical experience with complex processes. They are high-impact, senior-level professionals with multiple-year track records of achieving significant results for our clients.

How confident are you in your internal controls?

EY's internal controls effectiveness review provides clarity and insights into the overall framework of your internal controls. With this understanding, we can help you with insights that will enhance the efficiency and effectiveness of your internal controls and meet the needs of the business. With the help of our assessment, you can build the confidence you need in your internal controls.

Our commitment to you as your external auditor is that we will continue to build on our understanding of your organization and your business and reinforce the trust you have placed in us. We are ready to provide you with insights and leading practices that will help you build a unique leading practice internal controls environment that provides a proactive approach to managing risks.

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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