

WORD VERSION OF ICOFR TEMPLATES

[These templates are a word version of the templates included in the Internal Control over Financial Reporting Guidelines Appendices 1 to 8 and 11. Issuers may download and adopt these templates to prepare the required returns]

**APPENDIX 1: SAMPLE ANNUAL CERTIFICATIONS**

**[ON COMPANY LETTER HEAD]**

**[ANNUAL CERTIFICATION BY CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER OR OTHER PERSON OR OFFICER ON THE ANNUAL REPORT AND OTHER SUBMISSIONS REQUIRED UNDER THE SECURITIES (INTERNAL CONTROLS OVER FINANCIAL REPORTING) GUIDELINES]**

I, [***identify the certifying individual***], certify that—

1. I have reviewed the Annual Report as defined in Section 14 of the Securities (Internal Controls Over Financial Reporting) Guidelines of [***identify the company***,] as of [insert year end].
2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact. Nor does it omit to state a material fact which would make the statement misleading in light of the circumstance under which it was made.
3. Based on my knowledge, the financial statements and other financial information included in this annual report, fairly presents, in all material respects, the financial condition and results of operations of the company as of, and for, the periods presented in this annual report;
4. The other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as by the Securities (Internal Controls Over Financial Reporting) Guidelines the Company and we have
	1. designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that material information relating to the company and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual report is being prepared;
	2. designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that information required to be disclosed under the Securities Exchange Act of 2016 (as amended) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, including without limitation that information required to be disclosed in the SEC filings is accumulated and communicated to management, including the Chief Executive Officer (CEO), and Chief Financial Officer (CFO), as appropriate, to allow for timely decisions regarding required disclosure.
	3. designed or caused to be designed under our supervision such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
	4. evaluated the effectiveness of the company’s disclosure controls and procedures and internal control over financial reporting within the ninety (90) days prior to this annual report (the "Evaluation Date");
	5. Disclosed in this report any change in the Company’s internal control over financial reporting and disclosure controls and procedures that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting
	6. presented in this annual report, our conclusions about the effectiveness of the disclosure controls and procedures and internal control over financial reporting based on our evaluation as of the Evaluation Date.
5. the company’s other certifying officers and I have disclosed, based on our most recent evaluation, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing similar functions)—
	1. all significant deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weaknesses in internal controls; and
	2. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls; and
6. The company’s other certifying officer (s) and I have evaluated the effectiveness of the company’s disclosure controls and procedures, and Internal Controls Over Financial Reporting as required under Securities (Internal Controls Over Financial Reporting) Guidelines. Based on this evaluation we have concluded that as of XXXXX (date) the company’s disclosure controls and procedures and Internal Controls of Financial Reporting are effective.

Date: ...............

[Signature] [Title]

***Provide a separate certification for the company’s chief executive officer and chief financial officer or officers or persons performing similar functions. The certification must be in the form set forth above***

**APPENDIX 2: SAMPLE CERTIFICATIONS BY SIGNING OFFICERS TO AUDITORS**

**[ON COMPANY LETTERHEAD]**

[address of the [Auditors]

## Disclosure to Auditors

The other certifying officer(s) and I hereby disclose, based on our most recent evaluation of the company’s disclosure controls and procedures and internal control over financial reporting , to the company's auditors that—

1. all significant deficiencies in the design or operation of the Company’s disclosure controls and procedures and internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial information and thereby identify any material weakness in disclosure controls and procedures and internal control over financial reporting; and
2. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's disclosure controls and procedures and internal control over financial reporting.

Further, the other certifying officer(s) and I have not become aware of any significant changes in disclosure controls and procedures and internal control over financial reporting or other factors that could significantly affect disclosure controls and procedures and internal control over financial reporting subsequent to the date of our evaluation.

**[Note: If the certifying officers have become aware of any significant changes in disclosure controls and procedures and internal control over financial reporting, this paragraph must be modified and full details of the matters disclosed including any corrective actions taken with regard to significant deficiencies and material weaknesses]**

**Signature:**

**Name:**

**Position:**

**APPENDIX 3: SAMPLE CERTIFICATIONS BY SIGNING OFFICERS TO THE AUDIT COMMITTEE**

**[ON COMPANY LETTERHEAD]**

[address of the [Audit Committee]/ [Board of Directors]/ [or body performing functions similar to an Audit Committee]

## Disclosure to the Audit Committee

The other certifying officer(s) and I hereby disclose, based on our most recent evaluation of the company’s disclosure controls and procedures and internal control over financial reporting, to the company's auditors that—

1. all significant deficiencies in the design or operation of the Company’s disclosure controls and procedures and internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial information and thereby identify any material weakness in disclosure controls and procedures and internal control over financial reporting; and
2. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's disclosure controls and procedures and internal control over financial reporting.

Further, the other certifying officer(s) and I have not become aware of any significant changes in disclosure controls and procedures and internal control over financial reporting or other factors that could significantly affect disclosure controls and procedures and internal control over financial reporting subsequent to the date of our evaluation.

**[Note: If the certifying officers have become aware of any significant changes in disclosure controls and procedures and internal control over financial reporting, this paragraph must be modified, and full details of the matters disclosed including any corrective actions taken with regard to significant deficiencies and material weaknesses]**

**Signature:**

**Name:**

**Position:**

**APPENDIX 4: SAMPLE UNQUALIFIED ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

***The following is an example of an unmodified audit report for an audit of internal controls over financial reporting in the case of standalone financial statements. This report is for illustrative purposes only and is intended only to be a guide that may be used in conjunction with the considerations outlined guidance to auditors in the ISAs and other relevant regulations. It is also not an exhaustive report which includes all aspects of reporting by the auditor under the Securities Act, Companies Act or any other relevant laws and regulations. Auditors will need to customize it according to individual requirements and circumstances.***

**ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (UNMODIFIED OPINION)**

## To the shareholders of [Insert Company name]

We have audited [***state company name***]'s internal controls over financial reporting as of 31 December 20XX, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## Our Opinion

In our opinion, [***state company name***] maintained, in all material respects, effective internal controls over financial reporting as of 31 December 20XX, based the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited the financial statements of [insert name of Company] which comprise of the Statement of Financial Position as of 31 December, 20XX, the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cashflows for the year then ended of the Company and our report dated [*date of report, which should be the same as the date of the report ]* expressed [ *include nature of opinion*].

**Auditor’s Responsibilities for the Audit of the Internal Control over financial reporting** [*State Company name*]'s management is responsible for maintaining effective internal controls and for its assessment of the effectiveness of internal controls included in the accompanying [***Management Report on Internal Controls Over Financial Reporting***]. Our responsibility is to express an opinion on the company's internal controls over financial reporting based on our audit. In this regard, our firm applies International Standards of Quality Control in the firm’s administration and performance of our audit.

Our firm complies with the independence and other ethical requirements of the International Ethics Standards Board for Accountants Code and the Securities and Exchange Commission in Zambia.

## Basis for Opinion

We conducted our audits in accordance with the standards of the International Standards for Assurance Engagements 3000. Those standards require that we plan and perform the

audit to obtain reasonable assurance that effective internal controls were maintained in all material respects. Our conclusion may not be suitable for another purpose.

Our audit of the company’s internal controls included obtaining an understanding of internal controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal controls over financial reporting based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provided a reasonable basis for our opinion.

## Definition and Limitations of Internal Control Over Financial Reporting

A company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal controls over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

|  |  |
| --- | --- |
| ***(include Partner’s signature)*** |  |
| ***(Include Partner’s name)*** | ***Include date*** |
| ***Partner -* Practicing certificate number:****AUD/…….** | ***Include location*** |

|  |
| --- |
| ***Include firm’s name*** |
| ***Chartered Accountants*** |

**APPENDIX 5: SAMPLE MODIFIED ASSURANCE OPINIONS ON ICOFR NOT IMPACTING STANDALONE FINANCIAL STATEMENTS**

***This appendix provides examples of a modified (Except for / adverse) audit reports for an audit of internal controls over financial reporting and not impacting the audit opinion on the standalone financial statements of the company. These reports are for illustrative purposes only and are intended only to be a guide that may be used in conjunction with the considerations outlined in guidance to auditors in the ISAs and other relevant regulations. They are also not exhaustive reports and auditors should take care to include all aspects of reporting required of them under the Securities Act, Companies Act or any other relevant laws and regulations. Auditors will need to customize these reports according to individual requirements and circumstances.***

***The extracts sample opinions cover five scenarios as follows:***

1. Except for Qualified opinion – where materials weaknesses indicate that the company did not maintain adequate ICOFRs over an aspect of its ICOFRs.
2. Adverse Qualified opinion – where material weaknesses are indicative that the Company did not maintain adequate ICOFRs.
3. Qualified Opinion on operating effectiveness of Internal Financial Controls Over Financial Reporting and unmodified opinion on adequacy of such controls
4. Adverse Opinion on operating effectiveness of Internal Financial Controls Over Financial Reporting and unmodified opinion on adequacy of such controls
5. Adverse Opinion on Internal Financial Controls Over Financial Reporting – essential components of internal controls not adequately considered in the internal financial controls established by the company

**Scenario 1 – Except for Opinion – an aspect of ICOFR not adequately maintained**

## Except for Qualified opinion [EXTRACT]

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as of 31 December 20XX:

* 1. The Company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.
	2. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weakness/es described above, [***state company name***] maintained, in all material respects, effective internal controls over financial reporting as of 31 December 20XX, based the criteria

established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX standalone financial statements of the Company, and the / these material weakness/es does not / do not affect our opinion on the standalone financial statements of the Company.

# Scenario 2 - Adverse Opinion – ICOFRs not maintained adequately

## Adverse opinion [extract]

According to the information and explanations given to us and based on our audit, the following material weakness/es has / have been identified as of 31 December 20XX:

1. The Company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.
2. The Company did not have an appropriate internal control system for inventory with regard to receipts, issue for production and physical verification. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate. These could potentially result in material misstatements in the Company’s trade payables, consumption, inventory and expense account balances.
3. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effects/possible effects of the material weakness/es described above, [***state company name***] did not maintain, in all material respects, effective internal controls over financial reporting as of 31 December 20XX, based the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX standalone financial statements of the Company, and the / these material weakness/es does not / do not affect our opinion on the financial statements of the Company.

**Scenario 3 - Qualified Opinion on operating effectiveness of Internal Controls Over Financial Reporting and unmodified opinion on adequacy of such controls**

## Qualified opinion [extract]

According to the information and explanations given to us and based on our audit, the following material weakness/es has / have been identified in the operating effectiveness of the Company’s internal financial controls over financial reporting as of 31 December 20XX:

1. The Company’s internal financial controls over customer acceptance, credit evaluation and establishing customer credit limits for sales, were not operating effectively which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.
2. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal controls over financial reporting as of 31 December 20XX, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), except for the effects/possible effects of the material weakness/es described above.

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX financial statements of the Company, and the / these material weakness/es does not / do not affect our opinion on the standalone financial statements of the Company.

**Scenario 4 - Adverse Opinion on operating effectiveness of Internal Controls Over Financial Reporting and unmodified opinion on adequacy of such controls**

## Adverse opinion [extract]

According to the information and explanations given to us and based on our audit, the following material weakness/es has / have been identified in the operating effectiveness of the Company’s internal financial controls over financial reporting as of 31 December 20XX:

1. The Company’s internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, were not operating effectively which could potentially result in the Company recognizing revenue without

establishing reasonable certainty of ultimate collection.

1. The Company’s internal control system for inventory with regard to receipts, issue for production and physical verification were not operating effectively. Further, the internal control system for identification and allocation of overheads to inventory was also not operating effectively. These could potentially result in material misstatements in the Company’s trade payables, consumption, inventory and expense account balances.
2. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of 31 December 20XX, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and because of the effects/possible effects of the material weakness/es described above on the achievement of the objectives of the control criteria, the Company’s internal financial controls over financial reporting were not operating effectively as of 31 December 20XX.

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX standalone financial statements of the Company, and the / these material weakness/es does not / do not affect our opinion on the financial statements of the Company.

**Scenario 5 - Adverse Opinion on Internal Financial Controls Over Financial Reporting – essential components of internal controls not adequately considered in the internal financial controls established by the company**

## Adverse opinion [extract]

According to the information and explanations given to us and based on our audit, the following material weakness/es has / have been identified as of 31 December 20XX:

1. The Company did not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment,
2. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material

misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effects/possible effects of the material weakness/es described above on the achievement of the objectives of the control criteria, the Company has not maintained internal controls over financial reporting as of 31 December 20XX, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX standalone financial statements of the Company, and the / these material weakness/es does not / do not affect our opinion on the standalone financial statements of the Company.

**APPENDIX 6: MODIFIED (DISCLAIMER) ASSURANCE REPORT ON ICOFR WITH/ WITHOUT AN IMPACT STANDALONE FINANCIAL STATEMENTS**

***The following is an example of a modified (qualified / adverse) audit report for an audit of internal controls over financial reporting and impacting/not impacting the audit opinion on the standalone financial statements of the company. This report is for illustrative purposes only and is intended only to be a guide that may be used in conjunction with the considerations outlined guidance to auditors in the ISAs and other relevant regulations. It is also not an exhaustive report which includes all aspects of reporting by the auditor under the Securities Act, Companies Act or any other relevant laws and regulations. Auditors will need to customize it according to individual requirements and circumstances.***

The extracts sample opinions cover five scenarios as follows:

* 1. Framework for internal control over financial reporting not established but does not impact the audit opinion on financial statements
	2. Auditor unable to obtain sufficient appropriate audit evidence on internal financial controls over financial reporting but does not impact audit opinion on the financial statements
	3. Auditor unable to obtain sufficient appropriate audit evidence on internal financial controls over financial reporting and impacting audit opinion on the financial statements

**Scenario 1 – Framework for internal control over financial reporting not established but does not impact the audit opinion on financial statements**

## Disclaimer of Opinion

According to the information and explanation given to us, the Company has not established its internal controls over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of this reason, we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal controls over financial reporting and whether such internal financial controls were operating effectively as of 31 December 20XX.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer does not affect our opinion on the standalone financial statements of the Company.

**Scenario 2 – Auditor unable to obtain sufficient appropriate audit evidence on internal financial controls over financial reporting but does not impact audit opinion on the financial statements**

## Disclaimer of Opinion

The system of internal financial controls over financial reporting with regard to one of the significant branches of the Company at Lusaka were not made available to us to enable us to determine if the Company has established adequate internal control over financial reporting at the aforesaid branch based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of this reason, we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal controls over financial reporting and whether such internal financial controls were operating effectively as of 31 December 20XX.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the financial statements of the Company.

**Scenario 3 – Auditor unable to obtain sufficient appropriate audit evidence on internal financial controls over financial reporting and impacting audit opinion on the financial statements**

## Disclaimer of audit opinion

The system of internal financial controls over financial reporting with regard to the Company were not made available to us to enable us to determine if the Company has established adequate internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and whether such internal financial controls were operating effectively as of 31 December 20XX. Because of this reason, we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal controls over financial reporting and whether such internal financial controls were operating effectively as of 31 December 20XX.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer has affected our opinion on the financial statements of the standalone Company, and we have issued a qualified (/ adverse / disclaimer of) opinion on the financial statements.

**APPENDIX 7: QUALIFIED (ADVERSE) ASSURANCE REPORT ON ICOFR WITH/ WITHOUT AN IMPACT STANDALONE FINANCIAL STATEMENTS**

***The following is an example of a modified (qualified / adverse) audit report for an audit of internal controls over financial reporting causing a modified report on the standalone financial statements. This report is for illustrative purposes only and is intended only to be a guide that may be used in conjunction with the considerations outlined guidance to auditors in the ISAs and other relevant regulations. It is also not an exhaustive report which includes all aspects of reporting by the auditor under the Securities Act, Companies Act or any other relevant laws and regulations. Auditors will need to customize it according to individual requirements and circumstances.***

## Adverse Opinion [EXTRACT]

According to the information and explanations given to us and based on our audit, the following material weakness/es has / have been identified as of 31 December 20XX:

1. The Company did not have appropriate internal controls for reconciliation of physical inventory with the inventory records, which has resulted in misstatement of inventory values in the books of account.
2. [list other deficiencies identified]

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effect of the material weakness/es described above on the achievement of the objectives of the control criteria, the Company has not maintained internal controls over financial reporting as of 31 December 20XX, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 December 20XX standalone financial statements of the Company, and the / these material weakness/eses has / have affected our opinion on the standalone financial statements of the Company and we have issued a qualified (/ adverse / disclaimer of) opinion on the standalone financial statements.

**APPENDIX 8: SAMPLE MANAGEMENT REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

## Management’s Internal Control over Financial Reporting:

**Management Responsibility**

Management of [***State Company name***] is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and our Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company’s financial statements for external reporting purposes in accordance with International Financial Reporting Standards. Internal control over financial reporting includes our disclosure controls and procedures designed to prevent misstatements.

## Risks in Financial Reporting

The main risks in financial reporting are that it is possible that either financial statements do not present a true and fair view due to inadvertent or intentional errors (fraud), or that the publication of financial statements is not done on a timely basis. These risks may reduce investor confidence or cause reputational damage and may have legal consequences including banking regulatory interventions. A lack of fair presentation arises when one or more financial statements or disclosures contain misstatements or omissions that are material. Misstatements or omissions are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the financial statements.

## Internal Controls Evaluation Framework

To confine the risks of financial reporting, management of the company has established internal controls over financial reporting with the aim of providing reasonable, but not absolute, assurance against material misstatements or omissions and has conducted an assessment of the effectiveness of the company’s internal controls over financial reporting based on the framework established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). COSO recommends the establishment of specific objectives to facilitate the design, and evaluate the adequacy, of a control system. As a result, in establishing internal controls over financial reporting, management has adopted the following financial statement objectives:

* Existence - assets and liabilities exist and transactions have occurred.
* Completeness - all transactions are recorded, and account balances are included, in the financial statements.
* Valuation - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
* Rights and Obligations of ownership - rights and obligations are appropriately recorded as assets.
* Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate; and
* Safeguarding of assets - unauthorized acquisition, use or disposition of assets is prevented or detected in a timely manner.

However, any internal control system, including internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for internal control over financial reporting may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

## Organization of the System of Internal Controls over Financial Reporting

Controls within the system of internal controls over financial reporting are performed by all business functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of internal controls over financial reporting involves staff in the following departments: [*state the departments involved, i.e.: Finance, Chief Operating Officer and Risk*].

The **[Finance or appropriate department]** is responsible for the periodic preparation of financial statements and operates independently from the company’s businesses. Within **[Finance or appropriate department]**, different functions have control responsibilities which contribute to the overall preparation process:

* **[Finance or appropriate department]** specialists are responsible for reviewing the quality of financial data by performing validation and control. They are in close contact with business, infrastructure and legal entity management and employ their specific knowledge to address financial reporting issues arising on products and transactions, as well as validating, reserving and other adjustments based on judgment.
* **[Finance or appropriate department]** is also responsible for company-wide activities which include the preparation of the company financial and management information, forecasting and planning and risk reporting. Finance sets the reporting timetables, performs the consolidation and aggregation processes, effects the elimination entries for internal and intercompany activities, controls the period end and adjustment processes, compiles the financial statements, and considers and incorporates comments as to content and presentation made by senior and external advisors.
* **[Finance or appropriate department]** is also responsible for developing the company’s interpretation of International Financial Reporting Standards and their consistent application within the company and is responsible for the timely resolution of corporate and transaction-specific accounting issues.

Tax is responsible for producing income tax related financial data in conjunction with Finance, covering the assessment and planning of current and deferred income taxes and the collection of tax related information. Tax monitors the income tax position and controls the provisioning for tax risks.

The operation of internal control over financial reporting is also importantly supported by the **[Chief Operating Officer and Risk]**. Although these functions are not directly involved in the financial preparation process, they contribute significantly to the production of financial information:

* [*Chief Operating Officer (“COO”)]* is responsible for confirming transactions with counterparties and performing reconciliations, both internally and externally, of financial information between systems, depots and exchanges. The COO also undertakes all transaction settlement activity on behalf of the company and performs reconciliations of account balances.
* [*Risk*] is responsible for developing policies and standards for managing credit, market, legal, liquidity, operational and vendor risks. Risk identifies and assesses the adequacy of credit, legal and operational provisions.

## Controls to Minimize the Risk of Financial Reporting Misstatement

The system of internal control over financial reporting consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

* are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties.
* operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process.
* are preventative or detective in nature.
* have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include Information Technology general controls such as system access and deployment controls. An example of a control with direct impact would be a reconciliation which directly supports a balance sheet line item.
* feature automated or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.
* the combination of individual controls encompasses each of the following aspects of the system of internal control over financial reporting:
* accounting policy design and implementation. Controls to promote the consistent recording and reporting of the company’s business activities in accordance with authorized accounting policies.
* reference data. Controls over reference data in relation to the general ledger and on- and off-balance sheet transactions including product reference data.
* new product and transaction approval, capture and confirmation. Controls are intended to ensure the completeness and accuracy of recorded transactions as well as appropriate authorization. Such controls include transaction confirmations which are sent to and received from counterparties to help ensure that trade details are corroborated.
* reconciliation controls, both external and internal. Inter-system reconciliations are performed between relevant systems for all trades, transactions, positions or relevant parameters. External reconciliations include bank account, depot and exchange reconciliations.
* business aligned valuation specialists focus on valuation approaches and methodologies for various asset classes and perform IPV for complex derivatives and structured products.
* taxation. Controls are designed to ensure that tax calculations are performed properly and that tax balances are appropriately recorded in the financial statements.
* reserving and adjustments based on judgment. Controls are designed to ensure that reserving and other adjustments based on judgment are authorized and reported in accordance with the approved accounting policies.
* balance Sheet substantiation. Controls relating to the substantiation of balance sheet accounts to promote the integrity of general ledger account balances based on supporting evidence.
* consolidation and other period end reporting controls. At period end, all businesses submit their financial data to the company head office for consolidation. Controls over consolidation include the validation of accounting entries required to eliminate the effect of inter- and intra- company activities. Period end reporting controls include general ledger month end close processes and the review of late adjustments; and
* financial statement disclosure and presentation. Controls over compilation of the financial statements themselves including preparation of disclosure checklists and compliance with the requirements thereof, and review and sign-off of the financial statements by senior Finance management. The financial statements are also subject to approval by Management, and the Board and its Audit Committee.

## Measuring Effectiveness of Internal Control

Each year, the management of the company undertakes a formal evaluation of the adequacy and effectiveness of the system of internal control over financial reporting. This evaluation incorporates an assessment of the effectiveness of the control environment as well as individual controls which make up the system of internal control over financial reporting taking into account—

* the financial misstatement risk of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement; and
* The susceptibility of identified controls to failure considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature and extent of evidence that management requires in order to be able to assess whether or not the operation of the system of internal control over financial reporting is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the internal control over financial reporting evaluation. Information from other sources also forms an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include—

* reports on audits carried out by or on behalf of regulatory authorities.
* external auditor reports; and,
* reports commissioned to evaluate the effectiveness of outsourced processes to third parties.

In addition, the company’s Audit evaluates the design and operating effectiveness of internal control over financial reporting by performing periodic and ad-hoc risk-based audits. Reports are produced summarizing the results from each audit performed which are distributed to the responsible managers for the activities concerned. These reports also provide evidence to support the annual evaluation by management of the overall operating effectiveness of the internal control over financial reporting.

As a result of the evaluation, management has concluded that internal control over financial reporting is appropriately designed and operating effectively as of [State fiscal yearend].

The external auditor that audited the financial statements has issued an external auditor’s report on our assessment of the company’s internal controls over financial reporting and it is filed on page ………of this annual report.

**Signed by**

**Chief Executive Officer Chief Financial Officer**

**[Or other Senior Management Officials as appropriate]**

**APPENDIX 11: FORMAT OF THE GAP ANALYSIS REPORT**

**This format is for illustrative purposes only and Issuers should customise the report to make it fit for purpose as a tool for monitoring and evaluation of the Company’s ICOFR project.**

* 1. **Introduction & Executive summary**

**[Provide brief introduction and overall status of the Company’s ICOFR Framework]**

* 1. **Governance/ Housekeeping matters**

**[Highlight the governance structure for the ICOFR Project, including the body responsible for providing strategic oversight to the Team charged with**

**development of the Company’s ICOFR.]**

* 1. **Progress of implementation of the ICF**

Summarise progress made, challenges etc. against the minimum requirements set under the guidelines and/ or against requirements specified by the governance

structures above. Discuss at the minimum.

* + - Mapping of financial statements Key Business Processes (**KBPs**)
		- Risk Assessment – to assess risks over financial reporting and disclosures
		- Documentation of the **Activities** in the each KBP
		- Identification of **Control Activities** (“controls”) in each KBP.
		- Identification of **Key Control Activities** (“key controls”) in each KBP
		- Evaluation of the design effectiveness of Key controls
		- Results from the testing of operational effectiveness of key controls
		- Control weaknesses/ failures and mitigating measures

***[Note: Issuers to include the status of ICOFR (Appendix XX) and Mapping of ICOFR to Financial Statements (Appendix XX) as attachments to their GAR.***

## Reporting on the ICOFR to Board, Senior Management & others

[Summarize details of reports to the Board, Senior Management & progress on recommendations/ directives issued with regard to ICOFR]

## Reporting to SEC and other stakeholders

[Summarize status of communications with SEC including recommendations/ directives issued with regard to ICOFR]

## 7) Mitigation plan

[provide a detailed plan, including timelines for when the Company anticipates having established a fully functional ICOFR Framework. For revisions to set

timelines, explanations should be provided for deviations from the plan]