

Strengthening Internal Controls over Financial Reporting in Risk & Audit Planning

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The end of Internal Controls over Financial Reporting (ICFR)?



Notice of Proposed Rule Making on Adjusting and Indexing Certain Regulatory Thresholds

12 CFR Part 303 — Filing Procedures

12 CFR Part 335 — Securities of Nonmember Banks and State Savings Associations

12 CFR Part 340 — Restrictions on Sale of Assets of a Failed Institution by the Federal Deposit Insurance Corporation

12 CFR Part 347 — International Banking

12 CFR Part 363 — Annual Independent Audits and Reporting Requirements

12 CFR Part 380 — Orderly Liquidation Authority

Current Requirements

	Total Assets less than \$500 million	Total Assets greater than \$500 million and less than \$1 billion	Total Assets greater than \$1 billion	Total Assets greater than \$3 billion
Audited Comparative Financial Statements		✓	✓	✓
Independent public accountant's report on those financial statements		✓	✓	✓
Management Report (responsibility to establish & maintain ICFR structure)		✓	✓	✓
Management Assessment of the effectiveness of ICFR			✓	✓
Independent public accountant's attestation report on ICFR			✓	✓
Independent Audit Committee			✓	✓
Audit Committee Members with Financial Expertise and Independent Counsel				✓

Proposed Requirements

	Total Assets less than \$1 billion	Total Assets greater than \$1 billion and less than \$5 billion	Total Assets greater than \$5 billion
Audited Comparative Financial Statements		✓	✓
Independent public accountant's report on those financial statements		✓	✓
Management Report (responsibility to establish & maintain ICFR structure)		✓	✓
Management Assessment of the effectiveness of ICFR			✓
Independent public accountant's attestation report on ICFR			✓
Independent Audit Committee			✓
Audit Committee Members with Financial Expertise and Independent Counsel			✓

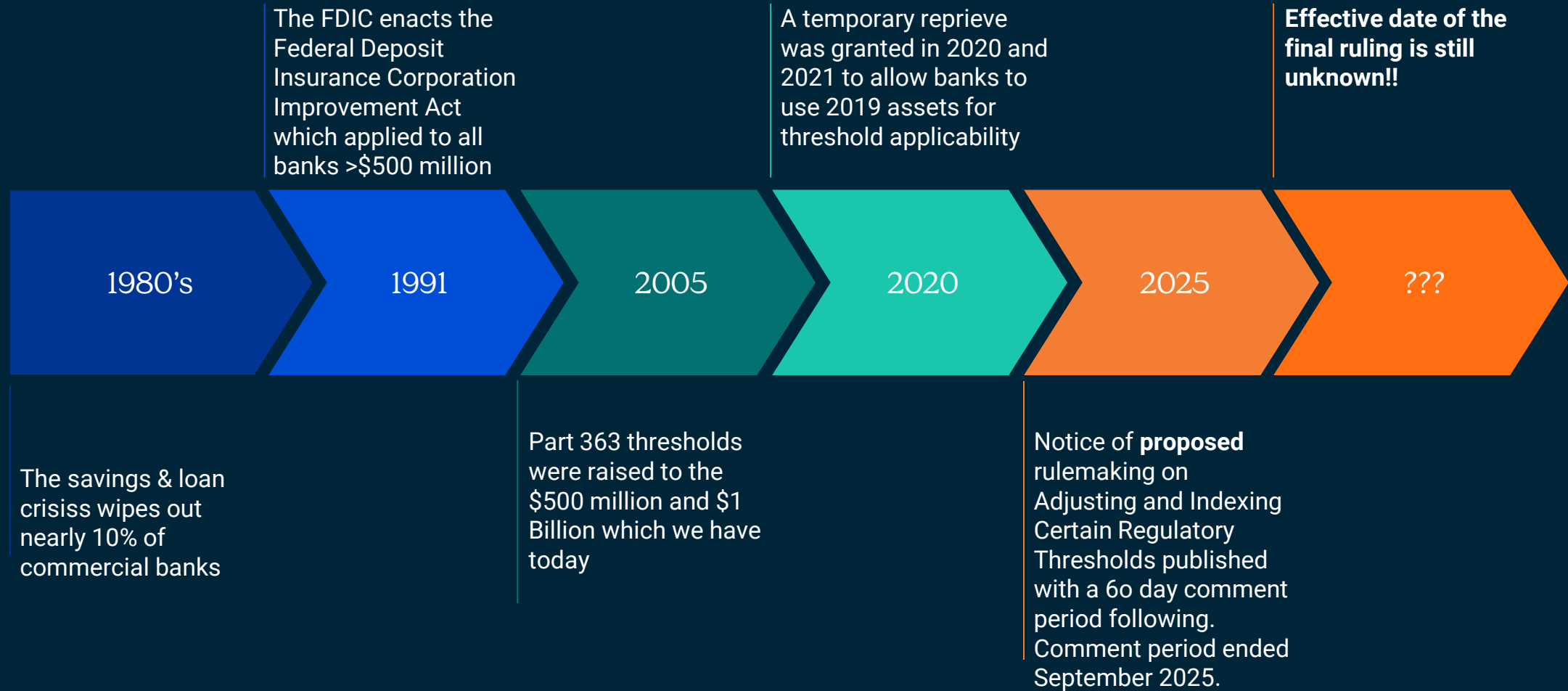


polling question #15

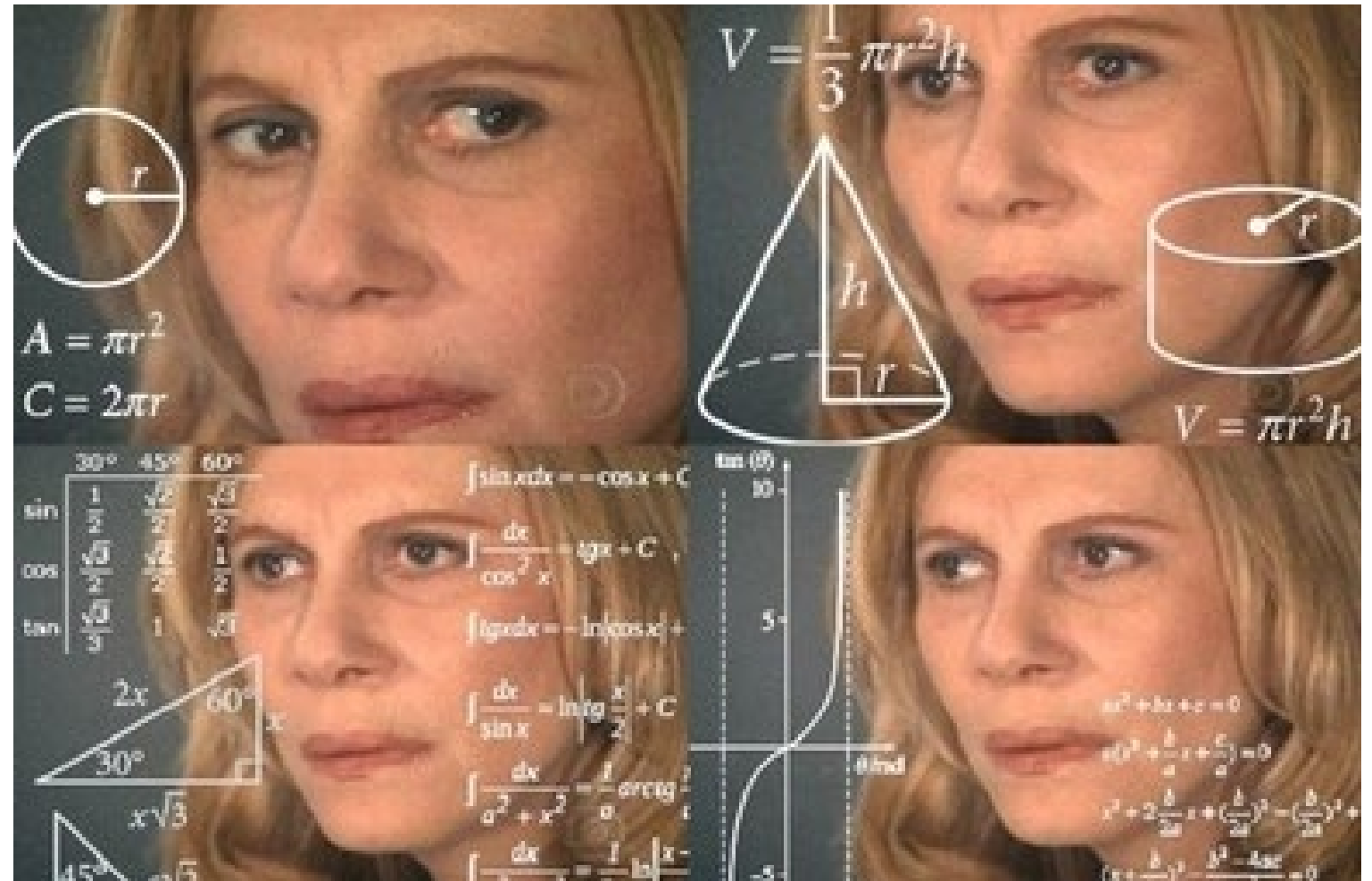
Why the change?

1. Thresholds currently do not adjust with inflation
2. Inflation has created “regulatory creep”
3. Smaller institutions face requirements intended for larger institutions

When can the fun start?



Hoping the ruling will be effective for
2026 audits....



What ICFR requirements remain for \$1 < \$5B?

- **All Financial Institutions:**
 - **Management Report submitted along with their Annual Financial Statements that contains:**
 - Statement of management's responsibilities for:
 - Preparing the financial statements.
 - Establishing and maintaining an adequate internal control structure over financial reporting.
 - Complying with designated safety and soundness laws/regulations.
- **Publicly Traded Financial Institutions:**
 - **SOX 404a:**
 - Management conducts an annual internal assessment and report on the effectiveness of internal controls
 - CEO and CFO sign certifications published in the 10-K attesting to the effectiveness of ICFR
 - **SOX 404b:**
 - Both requirements of SOX 404a noted above **AND**
 - Independent external auditor must audit and provide an opinion on the effectiveness of ICFR

Filer Status Summary

Filer status summary

The following table summarizes the entry thresholds for the various filer status categories that registrants have to monitor their annual redetermination date, the auditor attestation requirements for ICFR with filing due date for Form 10-Ks and Form 10-Qs:

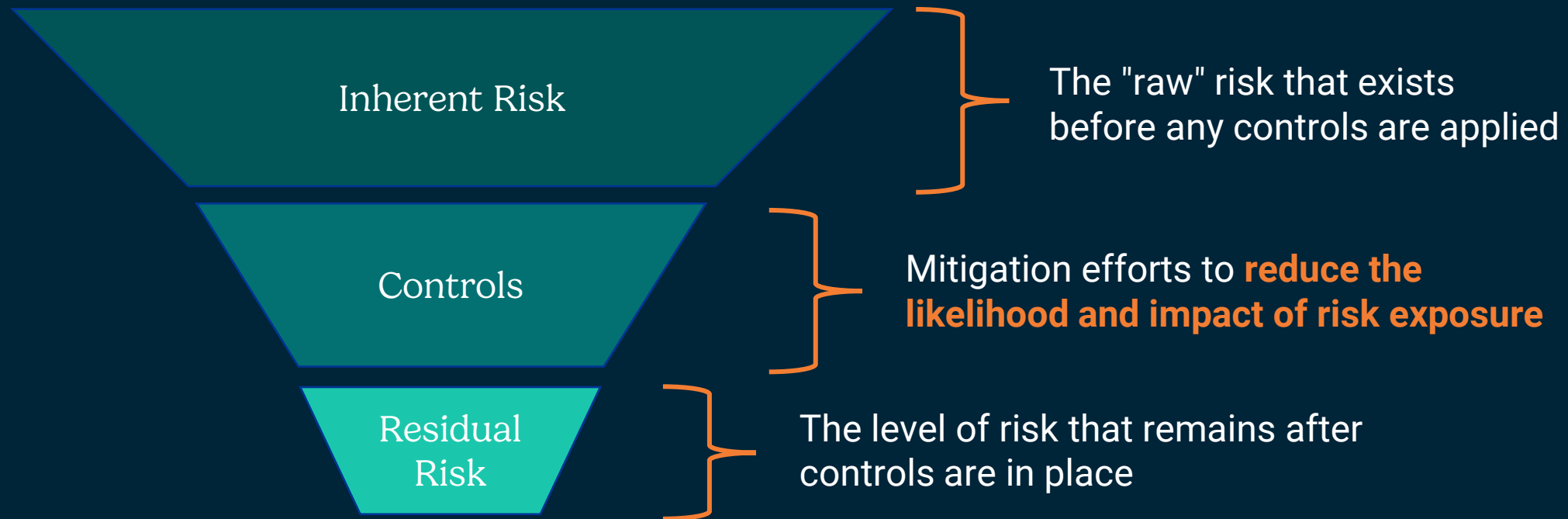
Status	Public float	Annual revenues	Required to obtain auditor attestation on ICFR	Form 10-K due date (days from year-end)	Form 10-Q due date (days from quarter-end)
SRC and non-accelerated filer	Less than \$75 million	No limit	No	90 days	45 days
	\$75 million to less than \$700 million	Less than \$100 million	No	90 days	45 days
SRC and accelerated filer	\$75 million to less than \$250 million	\$100 million or more	Yes	75 days	40 days
Accelerated filer (not SRC)	\$250 million to less than \$700 million	\$100 million or more	Yes	75 days	40 days
Large accelerated filer	\$700 million and greater	Not applicable	Yes	60 days	40 days

Why should I continue to care about
ICFR?

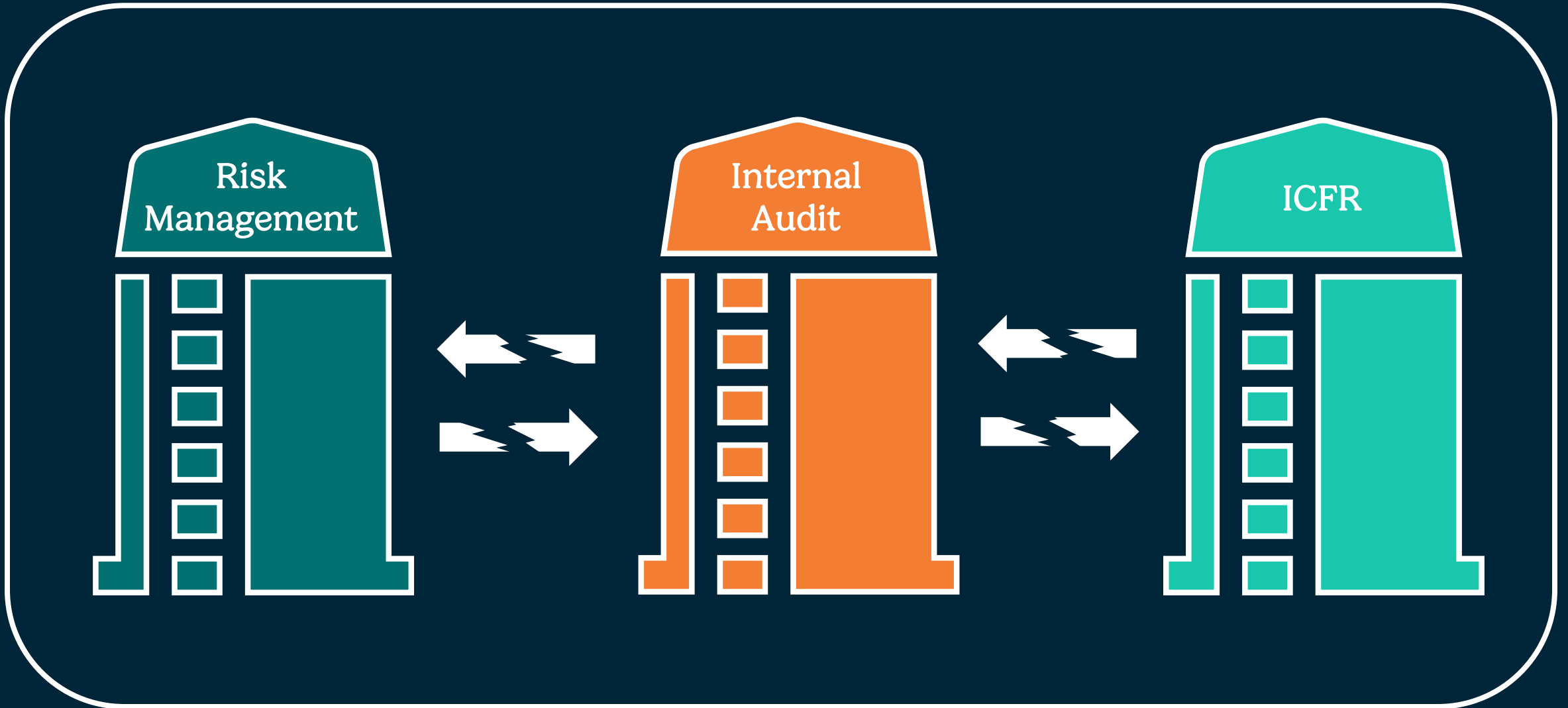


Why should I continue to incorporate ICFR into my IA plan?

Strong Controls =  Risks



Historical View of ICFR



How can I better incorporate ICFR into risk and audit planning?

1. Align ICFR with Enterprise Risk Management (ERM)
2. Embed ICFR into audit planning
3. Enhance cross-functional collaboration

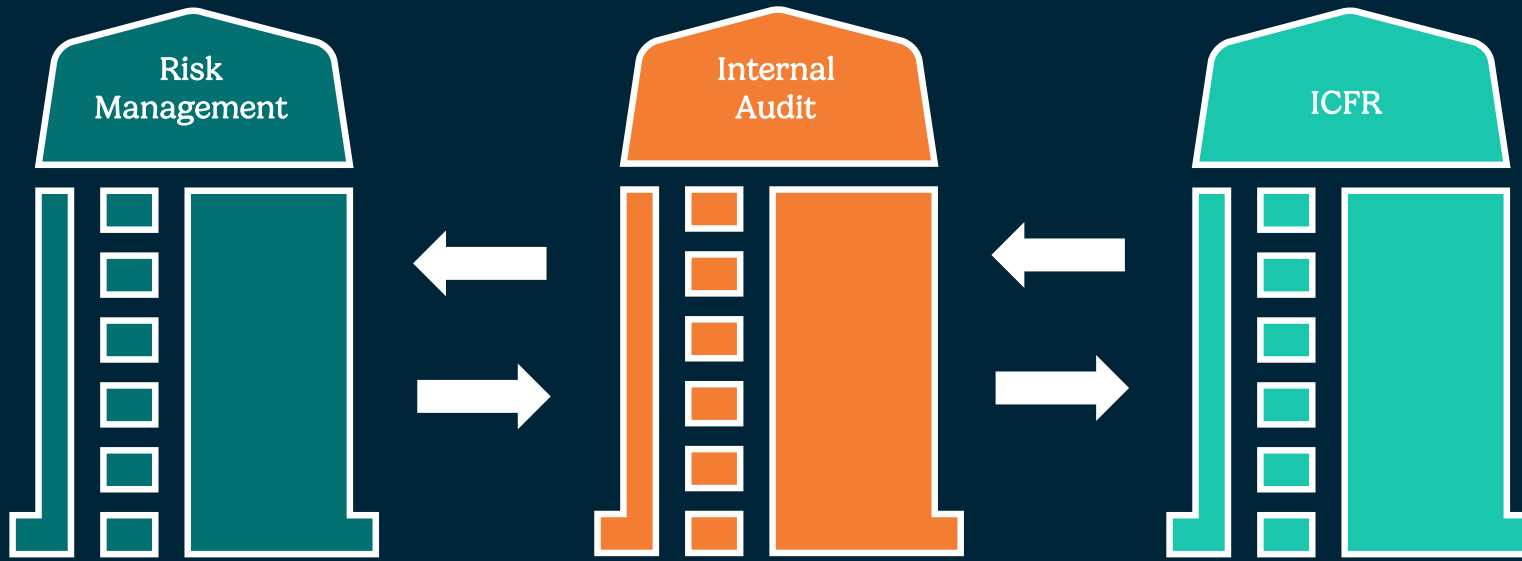
How do I align ICFR with ERM?



How do I embed ICFR into audit planning?



How can I better incorporate ICFR into risk and audit planning?



- Foster collaboration between **Finance, Internal Audit, Compliance, and IT**.
- Hold **joint planning sessions** to align on key risks and controls.
- Share findings and insights across teams to avoid duplication and blind spots.



polling question #16



replay link:



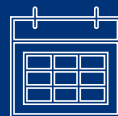
A replay link will be emailed to you in the coming weeks.
A copy of the slides presented today will also be made available at that time.

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