

# INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Grameenphone (GP), as part of its commitment to transparent and reliable financial reporting, has established adequate Internal Controls Over Financial Reporting. These controls are part of GP’s overall corporate governance structure and are very much embedded in the business processes affecting the financial reporting. GP follows a risk-based approach in designing and implementing the internal controls and monitors the effectiveness of the controls regularly. A formal communication framework is in place for effective functioning of the entire internal control system.

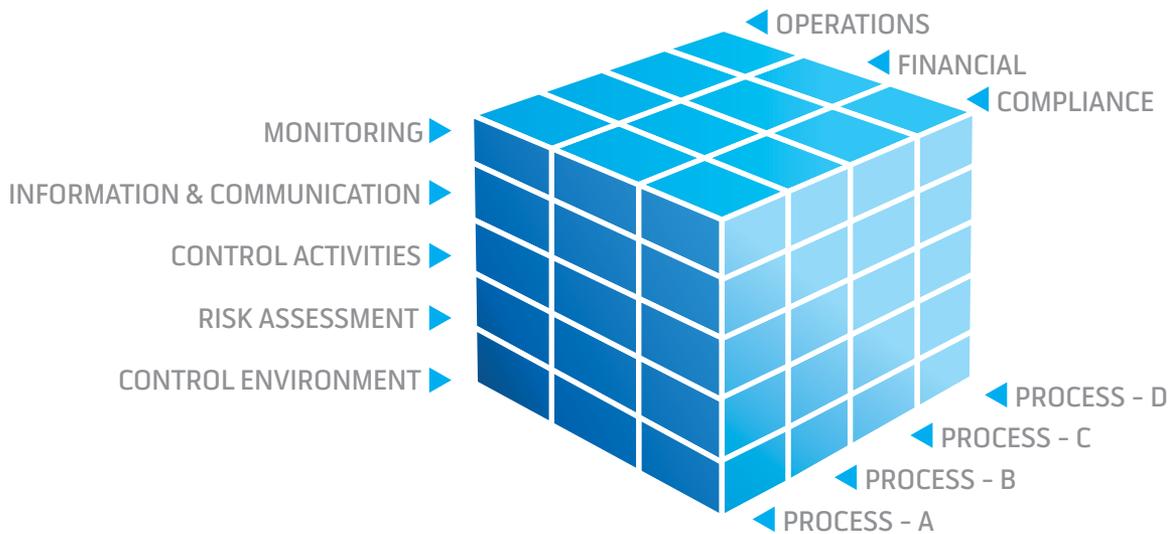


Fig: Components of internal control system (COSO Internal Control Framework)

The entire financial reporting structure is subdivided into 19 individual processes. Risks are identified and assessed for each individual process. Risks are assessed on a three-point ordinal scale (High, Medium, Low) and controls are primarily targeted towards mitigating high risks.

A yearly exercise is performed to evaluate the risks and to amend/modify the controls accordingly. Operating effectiveness of controls is monitored throughout the year on test basis. Control monitoring process is established in two different approaches – Self Assessment and Direct Testing. Direct testing is also divided into two phases – Interim Testing and Year end Testing. External testers from local reputed audit firms are engaged in year end testing.

There is a separate team responsible for coordinating the activities related to internal control over financial reporting. The team is adequately resourced and empowered to discharge its responsibilities.

Controls are embedded in the processes by establishing ownership and through regular communication and training across the Organisation. Commitment at the top of the Organisation underpins a strong culture of internal control in GP.

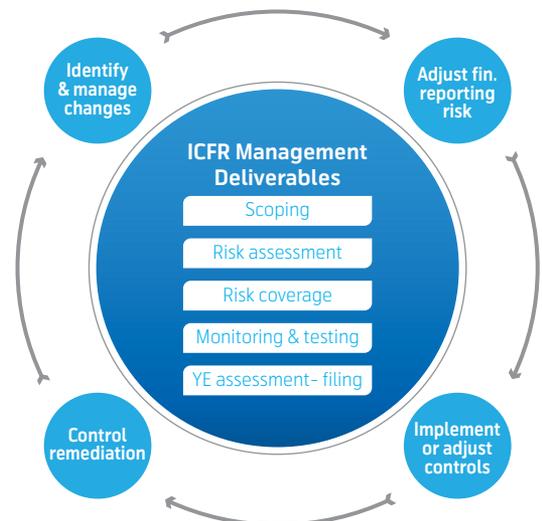


Fig: ICFR routines in Grameenphone