



ICF & ICFR framework

From financial compliance to enterprise-wide governance and risk management

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Introduction

Importance of internal control

Over the past two decades, internal control over financial reporting (ICFR) has become a key element of corporate governance for public companies and organisations operating under regulatory oversight. In response to increasing regulatory requirements, audit expectations and stakeholder scrutiny, many organisations have invested significantly in ICFR frameworks to support reliable financial reporting. However, the focus has often remained centred on compliance, with less attention given to enterprise-wide risk management and operational effectiveness.

Organisations today face a broader and more complex risk environment extending beyond financial reporting. Cybersecurity threats, supply chain disruption, regulatory developments, environmental, social and governance (ESG) expectations, fraud risks and operational inefficiencies all require internal control structures that extend beyond traditional ICFR. Regulators, boards, investors and audit committees increasingly expect evidence that internal controls are embedded across the organisation and not limited to finance functions.

This shift is driving organisations to move from a narrow ICFR focus towards a broader internal control framework aligned with the COSO Internal Control – Integrated Framework. A holistic approach can strengthen governance, improve risk management, enhance operational performance and support sustainable growth.

While many organisations begin with ICFR implementation, leading practices increasingly support the development of broader internal control frameworks that integrate operational, compliance and technology risks. This thought leadership outlines the differences between ICFR and a wider internal control framework, while highlighting the importance of establishing a strong ICFR foundation as part of a mature governance and control environment.

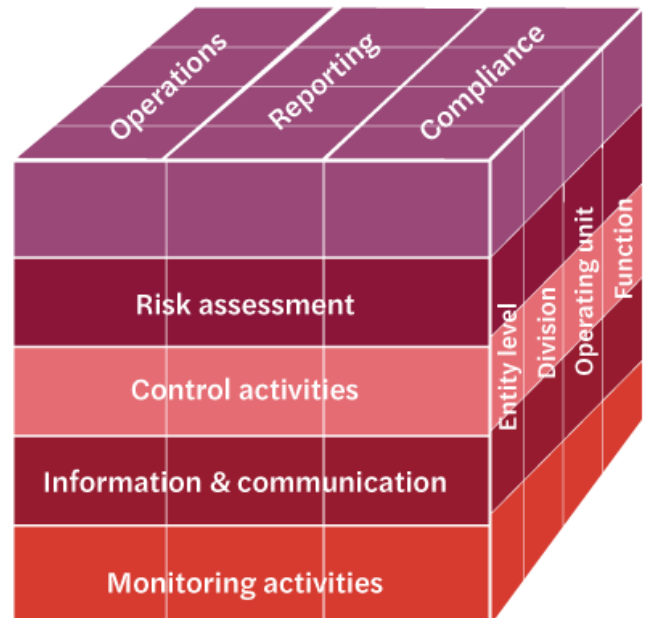
Defining internal control

A strong internal control environment is essential for effective governance and risk management. In today’s evolving regulatory and business environment, internal controls are no longer viewed solely as accounting or audit requirements. They are recognised as management tools that support operational efficiency, reliable reporting, regulatory compliance and informed decision-making.

Internal control is an ongoing process embedded within governance structures and day-to-day operations. It provides reasonable assurance over the achievement of operational, reporting and compliance objectives. Effective internal control depends not only on policies and systems, but also on accountability, awareness and consistent actions across the organisation, supported by strong leadership.

Although internal controls cannot eliminate all risks, they can reduce risks to acceptable levels, protect assets, support fraud prevention and detection, and

improve the reliability and timeliness of financial and operational information.



Leading frameworks for internal control

As organisations strengthen their internal control environments, several internationally recognised frameworks can support the design and implementation of effective control systems beyond ICFR.

1

COSO internal control framework

The COSO internal control framework provides comprehensive guidance on internal control, risk management and governance. It emphasises ethical conduct, accountability and continuous monitoring to support effective decision-making and organisational resilience.

2

Criteria of control (CoCo) framework

The Criteria of control (CoCo) framework focuses on improving organisational performance through accountability, clear objectives and continuous improvement. The framework supports informed decision-making and strengthens overall governance practices.

3

COBIT framework

The COBIT framework is designed to support IT governance and technology risk management. It helps organisations align data, systems and technology infrastructure with business objectives while strengthening the overall internal control environment.

Understanding the regulatory landscape

Across the Middle East and other emerging markets, regulatory authorities are increasingly aligning with global governance standards. Financial regulators, central banks and capital market authorities are placing greater emphasis on internal controls, risk management and board oversight.

In the UAE and across the Gulf Cooperation Council (GCC), this shift towards enhanced governance is reflected in corporate governance regulations, internal audit requirements and risk management expectations. Organisations that proactively adopt holistic internal control frameworks are better positioned to meet evolving regulatory expectations and reduce the need for reactive compliance measures.

Abu Dhabi Accountability Authority (ADAA)

The Abu Dhabi Accountability Authority (ADAA) strengthened accountability requirements through Resolution No. (1) of 2017, introducing specific ICFR requirements including the evaluation of internal controls as part of external audits. These requirements extend beyond compliance by placing greater emphasis on adherence to government financial systems and broader governance expectations.

UAE Securities and Commodities Authority (SCA)

The UAE Securities and Commodities Authority (SCA) extended the ICFR trial phase until 31 December 2026, providing listed companies with additional time to strengthen and refine their processes before mandatory reporting begins in 2027. A planned framework expansion in 2028 is expected to integrate enterprise risk management into ICFR, broadening the scope to include operational, strategic, technology and compliance risks.

These regulatory developments indicate a clear market shift from standalone financial controls towards integrated governance, risk and control frameworks. As a result, organisations should view ICFR as a foundation for building a broader internal control environment that supports governance, operational performance, risk management, compliance and accountability. Organisations that invest early in strengthening their ICFR frameworks will be better positioned to meet evolving regulatory expectations and demonstrate governance maturity.

ICFR vs internal control framework

Distinguishing ICFR from a holistic internal control framework

ICFR focuses specifically on controls designed to support the reliability of financial reporting in line with applicable accounting standards. Many organisations limit ICFR initiatives to key financial processes including revenue, procurement, payroll, inventory, treasury, fixed assets and financial close processes in support of statutory compliance and external audit requirements.

While ICFR remains critical, it represents only one component of a broader internal control framework as defined by the COSO framework. A comprehensive internal control framework extends beyond financial reporting to include operational efficiency, legal and regulatory compliance, asset protection and enterprise-wide risk management. This broader framework also covers business units, IT systems, shared services and third-party relationships.

The COSO framework defines internal control through five interconnected components: control environment risk assessment control activities information and communication monitoring activities. Many ICFR programmes focus primarily on control activities and monitoring within finance functions, while enterprise-wide governance and risk assessment receive less attention.

As a result, organisations with mature ICFR programmes may still face gaps in IT controls, compliance processes, operational risk management and fraud prevention. Transitioning from ICFR towards a broader internal control framework enables organisations to address these gaps and build more resilient governance structures.

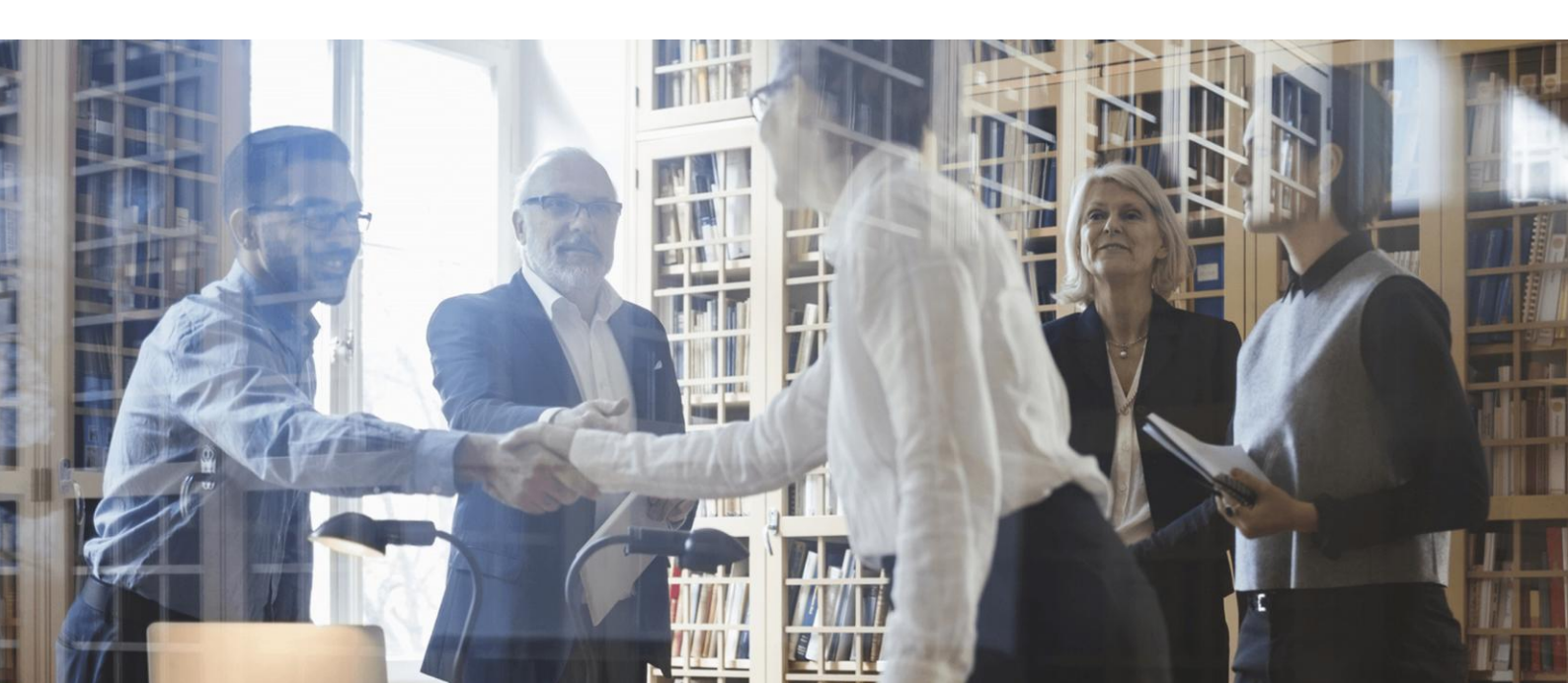
Evolving the ICFR perspective

As organisations reassess their control environments, several factors are driving the need to move beyond traditional ICFR.

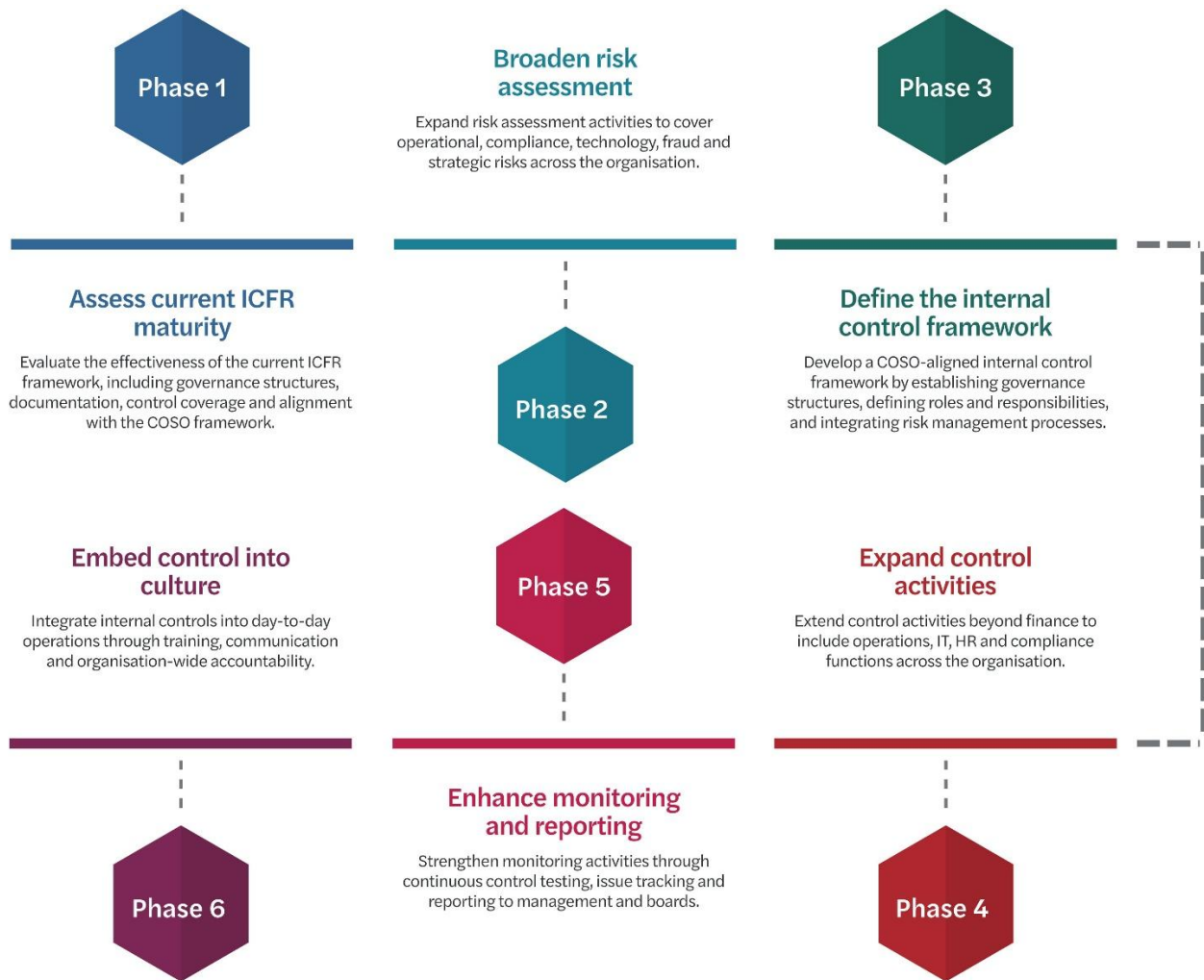
- **Increasing regulatory expectations:** Regulators increasingly expect organisations to demonstrate oversight across the broader internal control environment rather than focusing solely on ICFR.
- **Stakeholder expectations for transparency:** Investors and audit committees expect greater assurance around operational effectiveness, compliance and reporting controls.
- **Growth and integration requirements:** Business expansion, mergers and IPO activity often reveal that ICFR alone is insufficient. A scalable internal control framework can support consistent policies, smoother integration and stronger governance.
- **Proactive risk management:** A holistic framework enables organisations to move beyond reactive compliance activities and adopt a more strategic approach to risk management and operational performance.
- **Increasingly complex risk environments:** Digital transformation, technology dependency and global operations introduce risks that cannot be addressed through financial controls alone.

Identifying key differences

Area	ICFR framework	Internal control framework
Primary focus	Reliability of financial reporting in line with applicable accounting standards	Enterprise-wide governance, risk management, operational effectiveness and compliance
Scope	Focused mainly on financial processes including revenue, procurement, payroll, inventory, treasury, fixed assets and financial close	Covers financial, operational, compliance, technology and strategic risks across the organisation
Objective	Supports statutory compliance and external audit requirements	Strengthens governance, improves operational performance, enhances risk management and supports sustainable growth
Organisational coverage	Primarily finance and accounting functions	Covers all business units, IT systems, shared services and third-party relationships
Risk coverage	Financial reporting risks	Financial, operational, compliance, fraud, technology and strategic risks
COSO components focus	Primarily focused on control activities and monitoring within finance	Incorporates all five COSO components across the organisation
Governance approach	Compliance-focused	Integrated and proactive governance approach
Technology and IT controls	May result in gaps across IT controls and cybersecurity oversight	Includes integrated IT governance and technology risk management
Stakeholder expectations	Supports external audit and regulatory reporting requirements	Addresses the expectations of regulators, boards, investors, audit committees and management
Long-term value	Supports reliable financial reporting	Builds governance resilience and enhances organisational maturity



Roadmap: Transitioning from ICFR to a comprehensive internal control framework



How Forvis Mazars can assist

At Forvis Mazars, we support organisations throughout the development and enhancement of internal control frameworks, from assessing ICFR maturity to designing and implementing COSO-aligned frameworks.

Our support includes:

- Internal control maturity assessments
- Enterprise-wide risk assessments
- Control framework design and optimisation
- Process and control documentation
- Governance and compliance advisory
- Integration with internal audit activities
- Technology and IT control considerations

By applying structured methodologies and global best practices, organisations can strengthen governance, improve operational efficiency and transform internal control frameworks into strategic business enablers.

While ICFR provides an important foundation, organisations that expand beyond financial reporting controls are better positioned to strengthen governance, improve risk management and build greater confidence among regulators, investors and boards.

Contact

Akshat Prakash

Partner - Risk consulting, Forvis Mazars, UAE
akshat.prakash@forvismazars.com

Ruba Arnaout

Director - Risk consulting, Forvis Mazars, UAE
ruba.arnaout@forvismazars.com

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