

## Administrative Procedure 545

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# INTERNAL CONTROLS

### Background

Audits which monitor and evaluate the internal controls of the school division shall be utilized by the Division.

Internal controls are processes, procedures and policies put in place by an organization to assist in accomplishing the goals and objectives of the organization. They are documented, monitored and measured to ensure they are working effectively. Internal controls prevent theft and fraud as well as assist in organizational effectiveness.

They are seen at all levels of the organization from a governance level (Refer to Board Policy 1) down to a transaction level (ensuring a payment is being made to an appropriate vendor or a transaction is being recorded to an appropriate general ledger code and budget).

A detailed understanding of the organization is obtained through documenting all systems, policies and processes at every level. Controls are identified, as well as any risks to the organization.

### Definitions:

1. **“Audit”** – independent review of specified activities which is used to assist management in the assessment of whether the organization's plans are carried out; policies and procedures are observed; and assets, liabilities, revenues, and expenses are properly accounted for and reported on a timely basis. The review usually consists of analysis, recommendations and comments regarding the activities audited.
2. **“Internal Control”** - a process, effected by an entity's Board of Directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.
  - 2.1 Control Environment-sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.
  - 2.2 Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.
  - 2.3 Information and Communication-systems or processes that support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
  - 2.4 Control Activities-the policies and procedures that help ensure management directives are carried out.
  - 2.5 Monitoring-processes used to assess the quality of internal control performance over time.

### Procedures

1. An individual or team of staff will be designated by the CFO with the ability to access and evaluate all school division records.
2. All staff will be required to cooperate with the Internal Control Team and their requests. In addition, School Community Committees and Student Council Representatives may be called upon to provide information and records.

3. Assessment of controls will also be performed through audits, which will include evaluation of a sample selection of data. The following will be evaluated during the audit:
  - 3.1 Review and appraise the soundness, adequacy, and application of accounting, financial and other operating controls;
  - 3.2 Review compliance with administrative procedures, Board policies, laws and regulations;
  - 3.3 Evaluate the timeliness, reliability, and usefulness of the school's records and reports;
  - 3.4 Ensure that Board assets are properly accounted for and safeguarded from loss;
  - 3.5 Comment on the extent to which use of resources is being made efficiently and effectively;
  - 3.6 Ensure the reliability and integrity of the information created by the Division; and,
  - 3.7 Review accomplishment of established Division goals.
4. Any risks identified will be reported to the CFO. Recommendations for corrective action will be made. The CFO will determine whether controls will be modified or added to improve the reliability of the information created by the school division.
5. The Internal Control Team will prepare a draft report for the CFO. The draft report will be informally discussed and will give those responsible the opportunity to identify any errors or omissions. The draft report will identify where procedures and controls are in place and are adequate and effective. Where such is not the case, the report will provide a description of any deficiency that exist.
6. Once the draft report has been considered a final report will be prepared by the CFO and submitted to the Director.
7. If corrective measures are implemented by Financial Services the internal control team will be responsible for follow-up review to determine the appropriate measures have been implemented and they are achieving the desired results. Where corrective measures have not been implemented it will be reported to the CFO who in consultation with the Director shall determine the next step of action.
8. If a principal or Superintendent of Schools is in disagreement with the draft report, and opportunity to formally respond to any part of the report and its findings will be provided. Such responses generally referred to as "management responses" will be included in the body of the final report.

Reference: Section 277-282, Public Sector Accounting Board

*Approved: May 12, 2014*