



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

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## FINANCIAL CONTROLS

### **Recommendation**

*It is recommended that the Finance & Facilities Committee receive Report No 038-14FFC re: Financial Controls” for information.*

### **Key Points**

- Financial controls are a critical part of an organization’s internal controls system. They ensure that the resources are being correctly used and activities are accurately reported.
- The Ministry of Health & Long-Term Care will require each Board of Health to comply with a new schedule (Appendix A) to ensure certain financial controls are in place.
- The Health Unit is in compliance to the financial requirements as explained in Appendix B.
- The Health Unit is committed to continuous quality improvement and as such continues to improve its financial controls through automation, internal audits, and exception reporting.

### **Background**

As part of the Finance & Facilities consideration of [Report No 032-14FFC](#), re: “Committee Tools / Checklist” it was discussed that the new Accountability Agreement, that the Board will have to enter into with the Province, will include a new Schedule E – Financial Controls. This new schedule will require the Board of Health to ensure that certain standard financial controls are in place. Attached as [Appendix A](#) is the draft schedule.

This report intends to provide information to Committee members in regards to the Health Unit’s compliance to the financial controls found in the new schedule.

### **Health Unit – Financial Controls**

There are many factors that contribute to an organization’s internal controls. Internal controls help organizations achieve its objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and legislation. In a broad definition, it involves everything that controls risk to an organization. Financial controls are a critical part of an organization’s internal controls system. They ensure that the resources are being correctly used and activities are accurately reported. It is the responsibility of the Board to ensure that good financial controls are in place and it is the responsibility of management to ensure that the controls are operating effectively.

A one way or one approach to designing and managing financial controls is not always realistic given the complexity a various processes and systems to support them. Financial controls need to address key risks in the context of the overall business and environment in which it operates. There are several factors to consider when putting controls in place. They include:

- Segregation of duties
- Qualifications of staff
- Budgetary Controls
- Cash Controls
- Expenditure and Purchasing Controls
- Payroll and Personnel Controls
- Controls over Assets
- Treasury Management (Accounts Payable/Receivables)
- Audits
- Insurance

The new Schedule E – Financial Controls considers many of these factors. Attached as [Appendix B](#), is a chart that lists the requirements set out in the schedule and provides the Health Unit’s financial controls that are currently in place to mitigate risk to the organization. The financial controls currently in place are good and operating effectively. Even when a good system of financial controls is in place and fully utilized, it can only provide reasonable, and not absolute, assurance against material misstatement of accounts, loss or misuse of resources and non-compliance with laws or regulations.

Two areas that the Health Unit continues to develop and make improvements to enhance financial controls is in automation and developing effective exemption reporting and audits. For example, automating the submission of mileage claims has reduced errors and enhances the segregation of duties with staff entering in their mileage information and having their managers approve the transactions rather than having finance staff perform data entry from paper forms and also approve payments and print cheques or send EFTs. Instead, finance staff can focus on performing random internal audits to ensure compliance to policies.

## Conclusion

Financial controls are a critical part of an organization’s internal controls system. They ensure that the resources are being correctly used and activities are accurately reported. The Health Unit has good financial controls that are operating effectively. The Health Unit is committed to continuous control improvement and as such is improving its financial controls through increased automation, internal audits, and enhanced exception reporting. The Health Unit is in compliance with new requirements from the Ministry of Health & Long-Term Care.

This report was prepared by Mr. John Millson, Director of Finance & Operations.



Christopher Mackie, MD, MHSc, CCFP, FRCPC  
Medical Officer of Health