



TO: Chair and Members of the Finance & Facilities Committee

FROM: Laura Di Cesare, Acting Chief Executive Officer

DATE: 2017 March 2

FINANCIAL CONTROLS CHECKLIST

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No. 009-17FFC re: Financial Controls Checklist for information.

Key Points

- Financial controls are a critical part of an organization's internal controls system. They ensure that the resources are being used correctly and activities reported accurately.
- The Ministry of Health and Long-Term Care (MOHLTC) requires Boards of Health to comply with Schedule E Boards of Health Financial Controls) of the Public Health Financial Accountability Agreement (PHFAA).
- As part of the fourth-quarter financial update to the MOHLTC, each health unit is required to submit a Financial Controls Checklist.
- The Health Unit is in compliance with the MOHLTC's financial controls requirements.

Background

As part of the Public Health Funding Accountability Agreement, the MOHLTC requires each Board of Health to comply with Schedule E (Boards of Health Financial Controls) (attached as [Appendix A](#)). The MOHLTC also requires health units to complete and submit a Financial Controls Checklist (attached as [Appendix B](#)) as part of the fourth-quarter financial update.

Health Unit – Financial Controls

Many factors contribute to an organization's internal controls. Such controls help organizations achieve their objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with legislation, regulations and guidelines. Broadly defined, they are concerned with all aspects of the risk to which an organization may be exposed. Financial controls comprise a critical part of an organization's internal controls system, ensuring that resources are being used correctly and activities reported accurately. It is the Board's responsibility to ensure that good financial controls are in place, and management's responsibility to ensure that these controls are operating effectively.

A single approach to designing and managing financial controls is not always realistic, given the complexity of the various processes and systems involved. Financial controls must address key risks in the context of the overall business and the environment in which it operates. There are several factors to consider when putting controls in place. These include:

- Division of duties
- Qualifications of staff
- Budgetary controls
- Cash controls
- Expenditure and purchasing controls
- Payroll and personnel controls

- Controls over assets
- Treasury management (accounts payable/receivable)
- Audits
- Insurance

Schedule E of the PHFAA and the new Financial Controls Checklist consider many of these factors. A chart listing the Checklist's requirements, as well as the Health Unit's financial controls currently in place to mitigate risk to the organization, are attached as [Appendix C](#). The current system of financial controls is good and operating effectively. However, even when a good system of controls is in place and being fully utilized, it can provide only reasonable – and not absolute – assurance against material misstatement of accounts, loss or misuse of resources, and non-compliance with laws or regulations.

Conclusion

Financial controls are a critical part of an organization's internal controls system. They ensure that resources are being used correctly and activities reported accurately. The Health Unit has good financial controls that are operating effectively, and is in compliance with the requirements of the Ministry of Health and Long-Term Care.

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



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