

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2019 May 2

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## FINANCIAL CONTROLS CHECKLIST

### **Recommendation**

*It is recommended that the Finance & Facilities Committee receive Report No 016-19FFC, 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 correctly used and activities are accurately reported.
- The Ministry of Health & Long-Term Care (“MOHLTC”) requires Boards of Health to comply with Schedule E-2 “Boards of Health Financial Controls” of the Public Health Financial Accountability Agreement.
- As part of the annual financial update to the MOHLTC, each health unit is required to submit a Financial Controls checklist.
- The Health Unit is in compliance with MOHLTC financial controls requirements.

### **Background**

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The Ministry of Health & Long-Term Care (“MOHLTC”) requires each board of health to comply with Schedule E-2 of the Public Health Funding Accountability Agreement (“PHFAA”): “Boards of Health Financial Controls” (attached as [Appendix A](#)). As part of the annual financial update to the MOHLTC, health units are also required to complete and submit a Financial Controls Checklist ([Appendix B](#)).

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

Many factors relate to an organization’s internal controls. Internal controls help organizations achieve their objectives via operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and legislation. Broadly defined, internal controls involve any measures that limit risk to an organization. Financial controls, a critical part of an organization’s internal controls system, ensure that resources are being used correctly and activities reported accurately. It is the responsibility of an organization’s 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.

Even when the best financial controls system 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. However, they represent an important set of measures that can help achieve an organization’s financial goals, and prevent misuse of funds.

A single approach to designing and managing financial controls is not always realistic, given the complexity of various organizational processes and the systems that support them. Financial controls must address key

risks in the context of the overall organization and the environment in which it operates. There are several factors to consider when putting controls in place:

- 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/Receivables)
- Audits
- Insurance

Schedule E of the PHFAA and the Financial Controls Checklist addresses many of these factors. A chart, attached as [Appendix C](#), sets out the checklist requirements and the financial controls currently in place to mitigate risk to the Health Unit.

## Conclusion

Financial controls are a critical part of an organization's internal controls system. They ensure that resources are being correctly used and activities reported accurately. The Health Unit has financial controls that are operating effectively, and the organization is in compliance. The Health Unit is in compliance with current MOHLTC requirements. The Health Unit is expecting to receive updated requirements however, no timeline has been provided. Once received a further review of the controls will be conducted.

This report was prepared by the Finance Team, Healthy Organization Division.



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