

Internal Controls

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Lead Role:	General Manager	Replaces:	N/A
Last Review Date:	N/A	Next Review Date:	2021.04.25

Policy Statement

Objective

Risks relating to the stewardship of resources are adequately managed through effective internal controls, including internal controls over financial reports.

Expected results

1. An effective risk-based system of internal controls is in place and is properly maintained, monitored and reviewed, with timely corrective measures taken when issues are identified.
2. An effective system of internal control over financial reporting is operating in BMS as demonstrated by the policy on Financial Management.

Guidelines

1. General Manager

The General Manager is responsible for:

- a. Ensuring the establishment, maintenance, monitoring and review of the organization's system of internal control to mitigate risks in the following broad categories:
 - i. The effectiveness and efficiency of operations and resource management, including the safeguarding of assets;
 - ii. The reliability of financial report; and
 - iii. Compliance with legislation, regulations, policies and delegated authorities.
- b. Signing an annual *Statement of Management Responsibility Including Internal Control Over Financial Reporting*, also signed by the Chief Financial Officer, which prefaces BMS's financial statement and that will:
 - i. Acknowledge the responsibility of management for ensuring the maintenance of effective organizational system of internal control over financial reporting;
 - ii. Acknowledge the conduct of an annual risk-based assessment of the system of internal control over financial reporting to determine its on-going effectiveness;
 - iii. Acknowledge the establishment of any action plan to address any significant issues

found as a result of the annual assessment of the effectiveness of the system of internal control over financial reporting; and

- iv. Include a summary of the results of the assessment of the system of internal control over financial reporting with the actions taken in response to any significant issues.

c. Monitoring and Reporting

- i. The General Manager is responsible for:

1. Monitoring compliance with this policy through periodic reviews to ensure the effective implementation; and
2. Ensuring that appropriate and timely action is taken to address any significant issues relating to BMS's system of internal control.

- ii. The Chief Financial Officer is responsible for:

1. Overseeing the effectiveness of the system of internal control over financial management and financial reporting, including monitoring compliance with this policy;
2. Monitor that appropriate and timely action is taken to address significant issues over financial management and over financial reporting have been identified;
3. Recommending that corrective action be taken when a division has not complied with the requirements of this policy; and
4. Establishing a framework for the review of this policy and supporting directives and standards, and ensuring that a review is initiated within five years of the effective date of this policy.

2. Consequences

- a. The General Manager is responsible for investigating and acting when significant issues arise regarding policy compliance.
- b. If the Chief Financial Officer (CFO) determines that a division may not have complied with any requirements of this policy or supporting directives and standards, the CFO may request that the General Manager:
 - i. Conduct a review to assess whether requirements of this policy or its supporting directives or standards have been met; and
 - ii. Take corrective actions and report back on the results achieved.
- c. Consequences of non-compliance with this policy and supporting directives and standards, or of failure to take corrective actions required by the CFO, may include recommending:
 - i. Limits on the spending authority of the division; or
 - ii. Imposition of any other measures determined appropriate in the circumstances.

3. Definitions

Internal control:

Is generally recognized as a set of means that organizations put in place to mitigate risks and provide reasonable assurance in the following broad categories:

- The effectiveness and efficiency of programs, operations and resource management, including safeguarding of assets;
- The reliability of financial reporting; and
- Compliance with legislation, regulations, policies and delegated authorities.

In practice, the set of means that represent internal controls can include those elements of an organization such as its resources, systems, processes, culture, structure and tasks that, taken together, support people in managing risks in order to achieve the organization's objectives.

Internal control over financial management:

Is a set of means to ensure that financial and non-financial resources are used prudently and in an effective, efficient and economical manner. Financial management activities include those of planning, budgeting, accounting, reporting, control, oversight, analysis, decision support/advice, and financial systems. Internal controls relating to financial management also address control objectives and performance.

Financial management internal controls are a sub-set of the broader organizational system of internal controls dealing with effectiveness and efficiency of programs, operations and resource management, including safeguarding of assets.

Internal control over financial reporting:

Is a set of means that allow management and users of financial statements to have reasonable assurance that:

- records which fairly reflect all financial transactions are maintained;
- recording of financial transactions permits the preparation of internal and external financial information, reports, and statements in accordance with policies, directives and standards;
- revenues received and expenditures made are in accordance with delegated authorities and unauthorized transactions that could have a material effect on financial information and financial statements are prevented or detected in a timely manner. This includes providing reasonable assurance that financial resources are safeguarded against material loss due to waste, abuse, mismanagement, errors, fraud, omissions and other irregularities.

Financial reporting internal controls are a sub-set of the controls for financial management.

Financial management:

Refers to a range of activities undertaken to ensure prudent use of resources in an effective, efficient and economic manner, and their stewardship. The activities include those of planning, budgeting, accounting, reporting, control and oversight, analysis, decision support and advice, and financial systems.

Financial reporting:

Refers to financial reports and disclosures that are both internal and external to an organization. Internal financial reporting can include financial information that supports decision-making, planning, budgeting, resource allocations, accounting, performance assessments and reports. External reporting includes all financial statements, reports or disclosures.

Statement of Management Responsibility Including Internal Control Over Financial Reporting:

A *Statement of Management Responsibility Including Internal Control Over Financial Reporting* states management's responsibility for the financial statements and other financial information and internal reports, as well as the financial reporting process that produces such statements. The report also states the role of the audit committee, when one exists. The purpose of this statement is to communicate to users of these financial statements the key elements of responsibility for the representations made in financial statements and other financial information and to specify whose representations they are and the limits of their accuracy. It is to be signed by the General Manager and the CFO. The statement prefaces annual financial statements but is not the subject of the audit opinion on the financial statements where they are audited.

The section of this statement that relates to the responsibility of management for maintaining an effective system of internal control over financial reporting confirms that:

- an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting has been completed; and
- a plan with timelines is in place to address significant issues and ensure continuous improvement.

System of internal control:

Is a set of internal controls in an organization to mitigate risks and provide reasonable assurance in the following broad categories:

- The effectiveness and efficiency of programs, operations and resource management, including safeguarding of assets;
- The reliability of financial reporting; and
- Compliance with legislation, regulations, policies and delegated authorities.

As such, internal controls operate at all levels throughout the organization and are an integral part of an organization's risk management framework. In practice, the organizational system of internal control is composed of several internal control systems covering various management areas, such as financial management and financial reporting.

Roles & Responsibilities:

Explained in the Guidelines

Procedures:

N/A

Related Policies & Forms

FIN-018 – Financial Management

FIN-020 – Inventory Management

Statement of Management Responsibility