

4.15 - Certification of Internal Controls - Policy

Section: Operations
Subject: Certification of Internal Controls
Policy: 4.15
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Internal controls refer to the processes, effected by the Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of organizational objectives with respect to:

- effectiveness and efficiency of operations
- compliance with applicable laws and regulations
- safeguarding of College assets and information
- sustaining College operations under normal as well as adverse operating conditions
- behaving responsibly towards all stakeholders
- reliability of reporting

The Board of Directors utilizes a formal strategic plan, a balanced scorecard reporting mechanism and a risk management strategy to achieve the first five of these objectives. Certification refers to the requirement that the College's President and CEO and VP Finance certify or attest, by signature, that they confirm the effectiveness of internal control mechanisms designed to ensure the reliability of reporting. Control activities can be categorized as follows:

Preventive controls: *To limit the possibility of an undesirable outcome being realized.* The more important it is that an undesirable outcome should not arise, the more important it becomes to implement appropriate preventive controls. Examples are when no one person has authority to act without the consent of another, or action is limited to authorized persons (such as only those suitably trained and authorized being permitted to handle media enquiries).

Corrective controls: *To correct undesirable outcomes that have been realized.* Examples are the design of contract terms to allow recovery of overpayment, or contingency planning for business continuity/recovery after events which the College could not avoid.

Directive controls: *To ensure that a particular outcome is achieved or an undesirable event is avoided.* Examples are a requirement that protective clothing be worn, or that staff refrain from the use of hand-held devices when operating College vehicles.

Detective controls: *To identify undesirable outcomes “after the event.”* Examples are stock or asset checks, which detect unauthorized removals.

Performance controls: *To orientate and motivate the organization’s people to focus on the achievement of targets that are appropriate for the achievement of objectives.* Examples are the incorporation of specific goals in each employee’s performance management targets or the stated goal of providing Pacific Institute training to all full-time students.

Annually, the President and CEO and VP Finance, as part of the year-end external audit process, will certify the effectiveness of internal controls over financial reporting.