Internal Control and the CFO

Addressing the Need for Internal Control Assessment Mechanisms
and
Discharging Fiduciary Reporting Responsibilities

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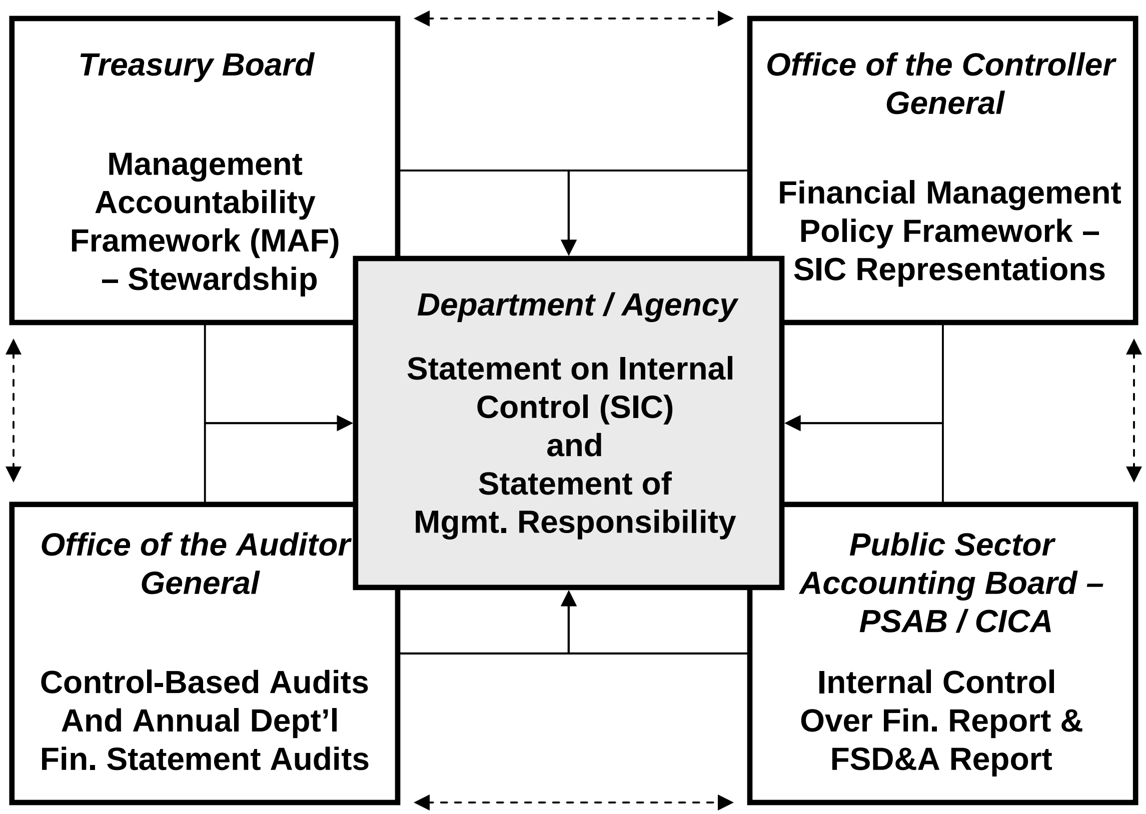

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To be in control, and to achieve integrated control, requires an active risk-based mind-set across 5 integrated control elements:

1. **Objectives** - refers to the intended results of the various controls implemented. Risk management will determine the level or extent of control applicable (loose vs. tight), taking in consideration the cost and effectiveness of controls;
2. **Processes** - refers to all the various procedures and processes where control will be implemented to meet your risks and intended results;
3. **Controls** - refers to the means or control instruments needed to effect risk-based decisions to achieve intended objectives and results;
4. **Accountability** - refers to roles and responsibilities for decisions and actions at each management level for the development, implementation, management, monitoring, and corrective measures of achieving integrated control; and
5. **Assurance** - refers the monitoring mechanisms put in place to provide you with confidence that the system of integrated controls is efficient, effective, and economical to support your control objectives and risks.

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Assessing the effectiveness of internal controls over financial reporting and systems at the business process level (as set out in Sarbanes-Oxley & the UK) provides a basis for discharging fiduciary reporting responsibilities by the CFO and DM.

Internal control effectiveness assessments need to be established to provide the DM and CFO with assurance that a system of IC's over financial reporting is in place in the department to support the effective and efficient utilization of appropriated resources, as required in the annual Statement of Internal Control, and the emerging Financial Statement, Discussion & Analysis (FSD&A) disclosure.

Control assessment tools are used to answer two fundamental questions:

- **Did we do it? And**
- **Can we do it better?**

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To answer the question Did we do it?

- addresses the fundamental need to ensure that the department has a system of IC's in place and that in fact they are being used in accordance with the principles set out in the Financial Management Framework, and guidance on internal controls.

To answer the question Can we do it better?

- goes beyond business process IC's and speaks to the effectiveness of the embedded use of Organizational and Procedural controls across the department, within the context of the Internal Control Environment, and challenges managers to actively identify areas where controls can be strengthened and broader management issues improved, and hence directly impact performance.

Addresses accountabilities and performance responsibilities

- from the DM, CFO and ADM's, through DG's and to Directors and RC Managers (consistent with the Departmental PAA).

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