

Crown Agency Risk Management and Internal Controls

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



Canada's
Pacific Gateway



Introduction

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– **A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.



Table of Contents

Organizational Culture	4
Mandate and Direction	5
Oversight and Planning	6
Monitoring and Evaluation	7
Internal Control Framework	8

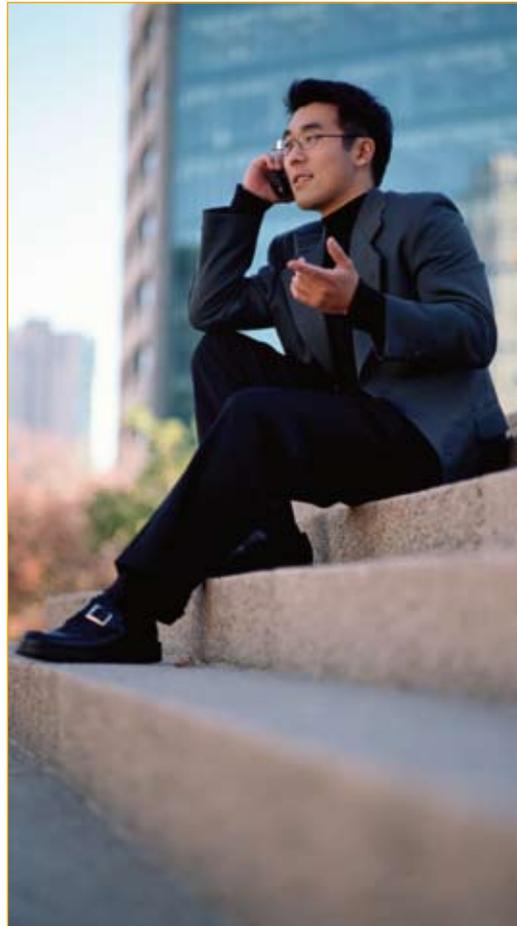
Organizational Culture

- ▶ The Board of Directors sets the tone for the Crown Agency through its operating style, ethical values, assignment of roles and responsibilities, and actions in response to wrongdoing.
- ▶ A code of conduct and conflict of interest policies are in place.
- ▶ The Board has established an Audit Committee to provide review and oversight of the effectiveness of risk management practices, the internal control framework, internal audit and external audit.
- ▶ The Audit Committee has the necessary mandate, resources and independent expertise to fulfill its function (see *Crown Agency Audit Committees – A Good Practices Checklist*).



Mandate and Direction

- The Board is responsible for developing with management, reviewing and approving, the Crown Agency's overall strategic direction.
- The Board reviews the organization on an annual basis to ensure that:
 - The Crown Agency's operations are in alignment with the mandate set out in legislation, regulations and policies;
 - The mandate is aligned with Government's overall policy objectives and service plan;
 - A Shareholder's Letter of Expectations is in place to document high-level direction and priorities of Government; and,
 - A Service Plan is in place that establishes organization wide goals, objectives and strategies that are clear, measurable and communicated.



Oversight and Planning

The Board provides oversight to management to ensure that:

- ▶ The strategic planning process takes into account the organization's goals and objectives, strengths, weaknesses, opportunities and risks.
- ▶ Authority, roles and responsibilities, and accountabilities for decision-making are clearly assigned, through business plans, organization charts, position descriptions and/or other documents.
- ▶ Resource capacity is planned, balanced and allocated to meet objectives.
- ▶ The Information Management/Information Technology (IM/IT) infrastructure is aligned to support the business objectives and activities.
- ▶ Performance measures and targets are in place that measure: achievement of strategic objectives (outcomes); whether strategies are efficient (inputs/ outputs); operational and financial performance; and, compliance with Government requirements.
- ▶ Performance is measured against comparable organizations, standards or benchmarks.
- ▶ The organization's objectives are specific, measurable, time-bound, realistic, results-oriented and challenging.
- ▶ Annual Service Plan Reports present a complete, accurate and balanced picture of the organization's performance and financial situation and whether the intended results set out in the mandate, Shareholder's Letter of Expectations and Service Plan have been achieved.

Monitoring and Evaluation

The Board confirms that:

- Management has processes in place to monitor the performance of programs and services against approved policies and standards.
- A process is in place to monitor compliance with Government reporting requirements.
- Information gathered by the Crown Agency is used by management and the Board in decision-making and to manage the overall direction of the organization.
- Programs and services are periodically reassessed and evaluated by management to ensure continued relevancy and continuous improvement.
- Government, the Board and management critically review results information and take corrective action to realign strategies as required.



Internal Control Framework

1. RISK MANAGEMENT

- ▶ The Board develops an ethical culture and philosophy with senior management that supports open and transparent communication and use of risk information.
- ▶ The Board oversees the processes management has in place to identify, monitor and manage/mitigate risks and opportunities. As part of this process, the Board confirms that:
 - A comprehensive risk management implementation plan and policy has been developed by management that considers the organization's environment, how the risk management process is to be implemented in the organization, the methodology to be used, responsibilities, and resource requirements.
 - The risk management process is enterprise-wide, includes information technology, and involves management and staff input at all appropriate levels.
 - Risk management activities are integrated into the planning process throughout the organization.
 - Risks are managed at the strategic, operational, financial and project levels.
- ▶ Risk tolerances are regularly reviewed by management with the Board and approved by the Board.



- ▶ The Board ensures that the organization's key risks and related capacity considerations are disclosed in the Service Plan and Annual Service Plan Report.
- ▶ The Board regularly reviews with management what key risks are emerging, how they are being managed and coordinated, and what modifications in business direction are required as a result.
- ▶ The Board ensures the risk management process is periodically evaluated and continuously improved.

2. FINANCIAL MANAGEMENT AND CONTROLS

The Board confirms that:

- ▶ A robust financial management framework is in place that meets the spirit and intent of Government's financial management framework.
- ▶ There is a financial policy and procedures manual in place for the Crown Agency.
- ▶ Accounting policies, including any changes, are approved by the Board and are consistent with Government accounting policies.
- ▶ Revenue, expenditure, capital expenditure, cash and financing, and asset management policies and processes are in place, including approval and review accountabilities.
- ▶ Policies and procedures are in place to provide timely financial information, including forecasts, projections, variance and ratio analysis to the Board and Government as required.
- ▶ Information systems are in place that account for and categorize financial information in a manner that supports:

- monthly, quarterly and annual financial reporting and analysis to management and the Board;
- government-wide financial information requirements e.g. monthly and quarterly financial reporting and Annual Public Accounts to Treasury Board Staff and the Office of the Comptroller General; and,
- costing and allocation of resources for programs, activities and initiatives

3. OTHER INTERNAL CONTROLS

The Board confirms that:

- Ethics/conflict of interest and whistleblower policies are in place.
- There are policies and processes in place to ensure the integrity of internal controls and management information systems, and to prevent, detect and report wrongdoing.
- Management reports to the Board and Audit Committee annually on the effectiveness of the systems of internal control.
- There are controls in place and accountability assigned within the organization for privacy policy, including protection of personal information, and organizational compliance with privacy legislation.
- Reporting systems are in place to monitor and report to the Board and Audit Committee on compliance with key legislation, regulations and policies.



For Further Information:

Visit our website at www.gov.bc.ca/cas or contact us for further copies of this pamphlet, or for any of our publications.

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