

**A presentation by**  
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# Internal Audit

## **Maintaining a Strong Control Environment**

### **Part 1 – The Control Environment at Queen's**

# Agenda



- Definition and Purposes of Internal Control
- The Control Environment at Queen's
- Control Processes
- Consequences of Poor Control

# Internal Control – Definition



“Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.”

**Source:** Institute of Internal Auditors

# Purposes of Internal Control



**Internal Control is a process** to help us understand the risks we are exposed to, put controls in place to address risks, and effectively pursue our objectives, including:

- effective and efficient processes,
- reliable financial reporting,
- compliance with laws, regulations and policies.

**Controls** are a means by which the uses of our limited resources are directed, monitored, and measured.

# In other words...



**Internal Controls** help by enabling us to make the things **we want to happen**, happen and the things **we don't want to happen**, not happen.

# Internal Control at Home



- **Lock** your home and vehicle.
- **Review** bills and credit card statements before paying them.
- **Expect** children to ask permission before they can do certain things.





# Internal Control at Work



- **Sensitive** information and offices are locked each evening.
- **Computer** passwords are periodically changed and aren't written down.
- **P-Card** transactions are checked against source documents.
- **Authorization** is required for certain activities.



# Internal Control at Work (Cont'd)



## Example: Internal Controls for Petty Cash

**Objective(s):** maintain accurate Petty Cash floats, ensure sufficient cash is on hand and control the risk of theft.

### Internal Controls:

- limit access to those needing it,
- give receipts and record transactions,
- assign responsibilities,
- lock the cash away when not in use.

# The Control Environment at Queen's



**An internal control system,** no matter how well designed and operated, can provide only reasonable - not absolute - assurance to management and the Board regarding achievement of objectives.

The likelihood of achievement of objectives is affected by limitations in internal control processes;

- **Human error** in operation of processes,
- **Controls** can be circumvented by the collusion of two or more people,
- **Management** might have the ability to override the system.

# Control Processes



- S** – Segregation of Duties
- O** – Organizational
- A** – Authorization
- P** – Physical
- S** – Supervision
- P** – Personnel
- A** – Arithmetic/Accounting
- M** – Managerial

# Control Processes (Cont'd – 2)



- S – Segregation of Duties** – the same person should not be solely involved in all aspects from start to finish.
- O – Organizational** – Policies are in place that are up to date, clear and effective.
- A – Authorization** – activities and actions are preauthorized by the right people at the right time.
- P – Physical** – threats to the physical security of people and assets are controlled.

# Control Processes (Cont'd – 3)



**S – Supervision** – appropriate supervision is in place to keep track of tasks.

**P – Personnel** – staff are appropriately supported with training and recruitment exercises ensure that the right people are employed.

**A – Arithmetic/Accounting** – checks are made on accounting records and additions/calculations are correct.

**M – Managerial** – the organization has clear lines of reporting and authority, targets, budgets and expectations.

# Example: P-Card



- S – Segregation of Duties** – segregation between payment and review and approval of reconciliation.
- O – Organizational** – clear and accessible policy applies to all.
- A – Authorization** – transactions, claims and statements are authorized.
- P – Physical** – the card is kept secure when not in use.



# Example: P-Card (Cont'd)



**S – Supervision** – transactions are reviewed by a supervisor.

**P – Personnel** – training and support is provided to staff where needed.

**A – Arithmetic/Accounting** – transactions are reconciled to ensure they are correct and complete.

**M – Managerial** – reporting lines and accountabilities and authority is clear in terms of who can do what.

# Consequences of Poor Control



## **Controls are there to help us in our day to day work:**

- avoid mistakes and re-work,
- save time and work efficiently,
- work with confidence, clarity and consistency,
- provide a means to direct our activities and tasks.

## **Controls are there to help the university:**

- achieve its objectives,
- provide effective reports on how we are doing,
- stay compliant with policies and regulations,
- use its limited resources in an efficient, economic and effective manner.

**Failure to recognise and control risks** might ultimately result in:

- reputational damage,
- financial losses,
- legal action,
- inefficient Processes,
- poor morale, loss of staff.

**For example,** improper hiring practices might result in negative press interest, or failure to adhere to funding agency requirements might mean a loss of research funds.

# How may we help you today?



## Contact us:

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