

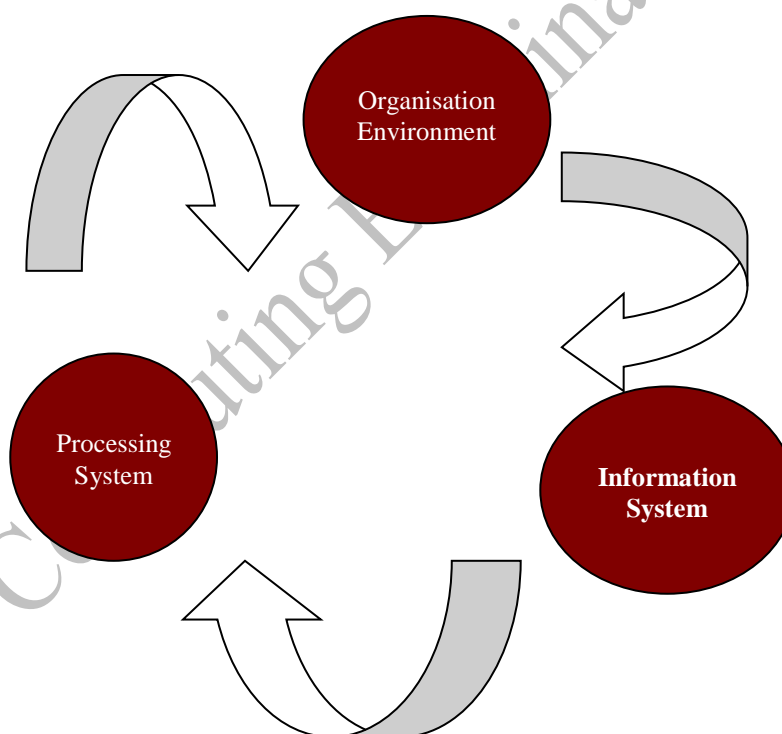


# Business & Computing Examinations (BCE) LONDON (UK)

## Internal Control Policy

<b>Policy No.:</b>	P016b
<b>Date of issue:</b>	April 2012, revised September 2020
<b>Status:</b>	Approved
<b>Responsibility for policy:</b>	CEO
<b>Responsibility for implementation:</b>	CEO / Office Manager

### Internal Control Framework



## 1. **Introduction**

The Chief Executive has a responsibility to establish and maintain an appropriate internal control environment in accordance with BCE policies and procedures.

The main aim of the Internal Control Policy is:

- To ensure that BCE maintains effective internal controls in the operations of the organisation.
- To ensure that adequate policies are in place for the prevention of error and fraud with the BCE's financial transactions and records.
- To ensure that the Board of Advisors and staff members are provided with concise guidelines regarding BCE's internal control responsibilities and functions.
- To ensure that the Line Managers comply with the responsibilities consistent with Code of Governance and other legislations.

BCE recognises the need to have in place a framework to demonstrate sound financial governance of its business operations. BCE believes that the setting and reviewing of policy is a prime responsibility and should provide a clear, consistent and transparent basis for initiation, development, review, management and reporting of BCE's Financial policy documents to ensure the efficient and economic use of our resources.

### **Application of this policy and procedure**

The policy and procedure relates to all Financial Management and administrative activities conducted at BCE.

## 2. **Policy Principles**

The following principles will apply:

- Internal controls must be maintained for sound practices and the efficient and effective management of BCE.
- Adequate policies must be in place for the prevention of error and fraud with BCE's administrative, financial transactions and records.

## 3. **Chief Executive Officer's Responsibilities**

The Chief Executive is responsible for:

- The development of adequate internal controls and for their implementation, evaluation and review in respect to all of the functions as far as practicable that:
  - financial records and other relevant information and record databases completely and accurately reflect the actual operational activities and the timely preparation of reports;
  - assets are safeguarded from unauthorised use or disposition;
  - irregularities are prevented, if they occur are able to be detected and corrected.
- implementation of this policy and for ensuring all staff are aware of the policy;
- approval of relevant procedures to support the implementation of this policy;
- ensuring that managers and employees comply with the policy;
- management of breaches of this policy;
- development and implementation of associated procedures of an internal control framework as necessary to ensure that BCE operational objectives are achieved in an orderly and efficient manner.
- promotion of a best practice approach in support of effective business practices and properly functioning controls.

#### 4. **Policy Statement**

BCE is committed to ensuring that internal control functions are effective to provide a high standard of corporate governance and the minimisation of risk.

Internal control is integral to effective risk management of BCE operations, a system to ensure that BCE is managed efficiently and effectively, with appropriate policies and procedures that promote the achievement of its goals and objectives.

The purpose of internal control is to provide assurance that the internal risks faced by BCE are contained to acceptable levels. It should be recognised that in practical terms a certain level of risk will always exist within organisations.

An effective internal control environment will provide the means by which BCE can successfully address and mitigate many risks, not only those of a financial nature. The Internal Control System should be defined in respect to the financial, political, human resource, technical, information and technological operations of BCE.

Internal control comprises those management policies, procedures and practices which collectively ensure that the level of internal risk of an organisation is contained so that its objectives are achieved in an orderly and efficient manner. Effective internal control will safeguard the assets and resources, with adherence to policies designed to ensure the accuracy and reliability of BCE records.

This policy describes the purpose and the major factors to be considered in the development of an effective internal control framework. Factors such as the management structure, organisational behaviours, other policies, procedures, records and methods of reporting that are necessary to collectively ensure that the financial and non-financial operations of BCE are conducted in a proper manner.

This internal control does not take into consideration risk management as risk management is documented separately. Specifically, internal control is not concerned with risks faced by BCE as an organisation including potential disasters or political, economic and environmental risks.

The Chief Executive is responsible for the implementation of the Policy and the development and implementation of associated procedures that support the principles of the Policy.  
*[for more information; see BCE Internal Control Evaluation Management document downloadable from BCE website]*

#### 5. **Internal Control Environment**

Internal control and risk management are key components of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency.

Strategies to maintain sound internal controls are based on risk analysis of the internal operations of BCE, with a focus on the key elements of:

- **Organisation Environment** - the structure and broad policies adopted to manage the organisation and assist staff to carry out their roles and functions. An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics
- policies and delegated authority
- levels of responsibilities and authorities
- audit practices
- information system access and security
- management operating style
- human resource management and practices.
- **Information System** - the methods and procedures used to collect, collate and distribute financial and non-financial information. The Information System comprises all of the records and reporting methods of BCE used to maintain accountability for assets, liabilities, revenue and expenses and for the achievement of the objectives of BCE.
- **Processing System** - the mechanisms in place to ensure that transactions are captured, checked and verified. The Processing System with control procedures including policies, delegated authority levels, system procedures and practices should be established to achieve the objectives of this policy. The use of technology with automated controls will strengthen the internal control environment.

#### 6. **Benefits of Internal Control**

A sound internal control framework will provide the following benefits:

- **effective operation** - all financial and non-financial data, records, information databases and other material are complete and accurate, protected from loss or damage and able to be readily accessed for the preparation of timely reports;
- **a clear view of risk** – nature and impact of inherent risk can easily be identified, assessed and contained to an acceptable level;
- agreement as to **which priorities are to be managed**;
- **cost saving** through efficiency gains;
- **identify and discourage irregularities** – discrepancies and anomalies are minimised, and able to be promptly detected and corrected;
- **safeguard of assets and resources** - assets are only used for authorised purposes and are not subject to improper removal or sale.

#### 7. **Limitations of Internal Control**

A sound system of internal control will provide BCE management with a high degree of confidence that the operations are effectively managed and all resources are properly deployed. However there are limits to the level of certainty.

- *Limitations include:*
  - controls are designed for routine transactions – abnormal or non-routine transactions may bypass control mechanisms;
  - the internal control system is operated by people, so there is potential for human error with mistakes as a result of lack of attention, carelessness, improper judgement, lack of knowledge or misunderstanding of instructions;
  - people may act together in collusion to undermine the system of internal control;
  - employees may abuse a delegation or responsibility to override the internal control system;
  - the cost of implementing some controls may be greater than the benefit;
  - over time, internal controls may become ineffective because of changes to procedures or practices.

8. **Elements of Internal Control**

Internal control systems will vary depending on the operating environment, such as size and nature, type of operation, level of autonomy or other practical implications.

*Aspects of an effective control framework will include:*

- Delegation of authority
- Documented policies and procedures
- Trained and qualified employees
- System controls
- Effective process review
- Regular internal audits
- Documentation of risk identification and assessment
- Regular liaison with auditor and legal advisors

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