



Tool Sheet

TS n°1
Internal Audit
Toolkit

Practice of internal control. Definition, responsibilities and implementation at HI

Internal Audit Toolkit

July 2018

This document belongs to the Internal Audit toolkit, which helps HI staff to apply HI's different policies and directives on internal audit.

The purpose of this document is to explain:

- the central role played by internal control in efficient management and the prevention of errors and fraud,
- how internal control is organised at HI.

Definition of internal control

Internal control is a set of measures **instituted by management and designed to help achieve the organisation's core objectives and provide reasonable assurance regarding the control of activity-related risks.**



The objectives of internal control are:

- to safeguard and ensure the **rational management of the organisation's assets and resources,**
- to ensure **compliance with the laws and regulations** in effect on one hand, and on the other, compliance with contractual terms and conditions,
- to guarantee the **quality and reliability** of information,
- to ensure the **application of management's instructions,**
- to help **increase the effectiveness and efficiency** of operations.

Internal control is materialised through organisational choices and role distribution and by the systems of verification conducted by managers according to the particularities of their respective activities.

It involves **permanent supervision and regular checks by managers,** using appropriate and regularly updated methods and procedures.

Staff involved and respective roles

Our organisation entrusts its directors with ensuring the implementation of internal control through existing line-management channels. There is no specific service in charge of conducting internal controls on behalf of directors and managers.

Internal control is therefore the responsibility of all the organisation's managers. Thus, managers at every level are required to promote, make accessible and ensure compliance with internal policy, rules and guidelines on the one hand, and the regulations applicable to their activity on the other.

In this role, managers are supported by the different head office advisers, for example:

- accounts control for the reliability of accounting information (Head Office and Programmes Accounts Unit);
- financial control for financial management (Head Office Financial Control Unit and Programmes Support Services Coordinators).

However, the effectiveness of the internal control system is not only important at financial and accounting levels. It is and will remain crucial at all levels of the organisation. Consequently, everybody must possess the necessary knowledge and information to put in place, make work and monitor this activity at their own level and with regard to the objectives assigned to them. It is essential for **internal control to be perceived as being everybody's business.**

The implementation by managers of ad hoc control and verification measures for the activities they supervise forms an integral part of managerial responsibility for internal control. Each division or body draws up its own internal schedule for carrying out these checks and controls.

Lastly, **internal audits**, overseen by the Audits Committee which reports to Federal Executive Division, are the means by which the organisation assesses the effectiveness of its internal control system. Audits are scheduled in an annual plan based on risk assessment, but may also be organised in response to an alert.

Implementation of internal control

Internal control applies to all dimensions of the organisation:

- **governance;**
- **administration;**
- **logistics and information systems;**
- **finance;**
- **fundraising and communication;**
- **external relations;**
- **technical expertise and operational activities.**

Whatever the area, an activity's effectiveness and efficiency depend on there being a favourable environment and a number of conditions in place:

- The existence of strategies and policies that set the course of an activity and define the approaches to be used;
- The formulation of clear and realistic objectives;
- Human, financial and technical resources adapted to these objectives;
- A steering and information system;
- Clear organisation of responsibilities and roles;
- Methods and procedures;
- Without forgetting managerial supervision of the whole and the conduct of verifications.

This environment and these conditions are also criteria for assessing levels of effectiveness and efficiency and the quality of internal control.

The example of programmes and projects

For the **implementation of our programmes** involving head office services and field teams, supervision and regular controls should be put in place in the following areas:

Firstly:

- **Steering** (i.e. organisation chart and also management, programming, coordination and internal information systems);

Of course, everything directly concerning the management of material and financial resources:

- **Financial management** at programme and project level (i.e. planning, analysis and monitoring);
- **Budget and cash-flow management;**

- **Management of institutional funding agreements** (i.e. review and approval of contracts, amendments when necessary and financial and narrative reporting);
- **The management of cash movements** (i.e. bank receipts, advances, direct payments, reimbursements, replenishment of petty cash);
- **Accounts** (i.e. validation of accounting vouchers, entries in the cash journals, reconciliation of the accounts); Methods and processes;
- **Management of purchases and contracts** for the supply of goods and services (i.e. market surveys, calls for tender, checks on suppliers, validation of contracts, etc.);
- **Management of material assets** (i.e. stock-taking, maintenance, donation, decommissioning);
- **Management of entries and withdrawals from stock**, including deliveries and distributions;

Without forgetting two important areas:

- **Human resources management** (i.e. recruitment, promotions, end of contracts, resignations, payment of salaries);
- **Management of operational projects** (i.e. planning, establishment and follow-up of partnerships, monitoring of implementation, programmatic changes, evaluation of effects and beneficiary satisfaction).

Available additional source

« Resources flow & Interaction ». Internal document. Training material. Anti-fraud, bribery and corruption policy. Risk Management & Internal Audit Unit - HI. December 2014 (updated in 2017).