BizGear Corporate Consulting Limited

The objective of internal control assurance

Controls are in place to support principal executives and financial officers' certifications in regard to financial statements, controls, and disclosures, for the laws make them personally responsible for these matters.

Ensured that the organization is adhering to the processes and procedures that control any type of financial activity.

The role of internal auditors

The internal auditor performs procedures to provide a level of assurance to senior management and the audit committee of the governing board that controls surrounding the processes supporting the development of the financial report are effective.

Internal auditing is done in conformance with the standards.

Risks

The work plans and specific assurance engagements of the internal audit activity:

- Identification of the exposures facing the organization, the internal audit's work plan is based on the risks and the assessment of the risk management and control processes maintained by management to mitigate those risks.

Among the events and transactions included in the identification of risks are:

- New businesses including mergers and acquisitions
- New products and systems
- Joint ventures and partnerships
- Restructuring
- Management estimates, budgets, and forecasts
- Environment matters
- Regulatory compliance

The CAE provide internal audit's assessment of controls, including the design or model, to the audit committee. The governing board must rely on management to maintain effective controls.

The controls are deemed to be effective that include the following factors:

A strong ethical environment and culture in the organization is maintained.

- Board members and senior executives have set examples of high integrity.
- The performance and incentive targets are realistic.
  The board members and senior executives create appropriate pressure for short-term results.
- The organisation's code of conduct is reinforced with training and top-down communication.
- The organisation's communication channels are open and all levels of management get the information they need.
- There is zero tolerance for fraudulent financial reporting at any level.

The organization identify and manage risks properly.

- A risk management process is maintained and effective.
- Risk management is throughout the organization.
- Major risks are candidly discussed with the board.

The control system over the financial reporting process is effective.

- The organization's controls over the financial reporting process are comprehensive, including preparation of financial statements, related notes, and other required and discretionary disclosures that are an integral part of the financial reports.
- Senior and line management demonstrate that they accept control responsibility.
- There is not that an increasing frequency of "surprises" occurring at the senior management, board, or public levels from the organization's reported financial results or in the accompanying financial disclosures.
- There is good communication and reporting throughout the organization, especially for timely disclosure of bad news.
- Controls are seen as enhancing the achievement of objectives or as a "necessary evil".
- Qualified people are hired promptly, and they receive adequate training.
- Problem areas are fixed quickly and completely.

A strong monitoring process is maintained.

- The board is independent of management, free of conflicts of interest, well informed, and inquisitive.
- Internal audit has been supported of senior management and the audit committee.
- The internal and external auditors have and use open lines of communication and private access to all members of senior management and the audit committee.
- Line management is monitoring the control process.
- There is a program to monitor out-sourced processes.

Internal controls include the following.

- Properly documented policies, procedures, controls, and monitoring reports.
- Quarterly checklists of procedures and key control elements.
- Standardized control reports on key disclosure controls.
- Management self-assessments (such as CSA).
- Review of draft regulatory filings prior to submission.
- Process maps to document the source of data elements for regulatory filings, key controls, and responsible parties for each element.
- Follow-up on previously reported outstanding items.
- Consideration of internal audit reports issued during the period.
- Special or specifically targeted reviews of high-risk, complex, and problem areas, including material accounting estimates, reserve valuations, off-balance-sheet activities, major substitutions, joint ventures, and special purpose entities.
- Observation of the closing process for the financial statements and related adjusting entries, including waived adjustments.

- Conference calls with key management from remote locations to ensure appropriate consideration of and participation by all major components of the organization.
- Review of potential and pending litigation and contingent liabilities.
- CAE report on internal control, issued at least annually and possibly quarterly.
- Regularly scheduled disclosure and audit committee meetings.