

**Company Index Phase II - Limited Scope  
Final Audit Report  
Report Nr. 21/10  
December 7, 2010**

**Distribution:**

**To:** President & CEO  
Senior Vice President, Legal Services & Secretary  
Senior Vice President & Chief Financial Officer  
Vice President & Chief Risk Officer  
Vice President & Corporate Controller  
Vice President, Portfolio Management  
General Counsel & Senior Assistant Secretary  
Director, Credit Risk Services  
Director, Asset Management  
Assistant General Counsel, Legal Services-Insurance  
Sr. Legal Counsel, Legal Services-Insurance

**CC:** Senior Vice President, Business Solutions & Technology  
Senior Vice President, Human Resources & Corporate Services  
Senior Vice President, Business Development  
Senior Vice President, Insurance  
Senior Vice President, Financing Products Group  
Vice President, Strategic Planning & Corporate Communications  
Director, Planning & Government Relations  
Principal, Office of the Auditor General  
Director, Office of the Auditor General

**Audit Team:**

S. Slechta  
J. Rosenbaum  
J. Kryś

**Vice President Internal Audit**

Monica Ryan

## Introduction

In accordance with our FY 2010 Audit Plan, EDC Internal Audit performed the Phase II audit of the Company Index (CI). The Company Index is one of EDC's central repositories for customer information. Customer records include data on the customer's name, address, contacts, risk type, risk rating, industry sector & segment, annual sales, and related company hierarchies. The Company Index is widely used across the organization by Legal Services, Finance, Insurance, Financing, Business Development, and Risk Management Office. Examples of its use include: effecting restrictions on customer records associated with terrorism or corruption, assisting in group credit approvals and identifying related companies and parent guarantees.

## Audit Objectives & Scope

Phase I of this audit was completed in 2009 and included an assessment of the data integrity controls surrounding key fields within the CI. With the exception of two fields (risk rating and anti-terrorist/corruption flag), we found that data ownership had not been established. As a result, significant data integrity issues exist. To compensate permanent workarounds have been established by business teams to validate and correct Company Index data on a transactional basis.

The objective of Phase II was to evaluate the operating effectiveness of the controls surrounding the maintenance of the risk rating and anti-terrorist/corruption flag within CI. The operating effectiveness of the permanent workarounds implemented by the business teams will be evaluated as part of the related process audits.

Audit fieldwork was performed during September and October 2010.

## Internal Audit Opinion

In our opinion, data integrity controls surrounding the maintenance of the risk rating and the anti-terrorist/corruption flag in CI are *Well Controlled*<sup>1</sup>. One moderate<sup>2</sup> area for improvement was identified and is outlined in the following section.

## Audit Findings & Recommendations

### 1. Maintenance of the Anti-Terrorist/Corruption Flag

EDC's Anti-Corruption Policy outlines that enhanced due diligence will be taken if an applicant is listed on certain publicly available debarment lists. Accordingly, EDC's Legal Services enters and flags entities in

---

<sup>1</sup> Our standard audit opinions are as follows:

- **Strong Controls:** Key controls are effectively designed and operating as intended. Best in class internal controls exist. Objectives of the audited process are most likely to be achieved.
- **Well Controlled:** Key controls are effectively designed and operating as intended. Objectives of the audited process are likely to be achieved.
- **Opportunities Exist to Improve Controls:** One or more key controls do not exist, are not designed properly or are not operating as intended. Objectives of the process may not be achieved. The financial and/or reputation impact to the audited process is more than inconsequential. Timely action is required.
- **Not Controlled:** Multiple key controls do not exist, are not designed properly or are not operating as intended. Objectives of the process are unlikely to be achieved. The financial and/or reputation impact to the audited process is material. Action must follow immediately.

<sup>2</sup> The ratings of our audit findings are as follows:

- **Major:** a key control does not exist, is poorly designed or is not operating as intended and the financial and/or reputation risk is more than inconsequential. The process objective to which the control relates is unlikely to be achieved. Corrective action is needed to ensure controls are cost effective and/or process objectives are achieved.
- **Moderate:** a key control does not exist, is poorly designed or is not operating as intended and the financial and/or reputation risk to the process is more than inconsequential. However, a compensating control exists. Corrective action is needed to avoid sole reliance on compensating controls and/or ensure controls are cost effective.
- **Minor:** a weakness in the design and/or operation of a non-key process control. Ability to achieve process objectives is unlikely to be impacted. Corrective action is suggested to ensure controls are cost effective.

the CI that appear on such lists. The current process for flagging such entities in the CI requires manual data entry and is therefore prone to error. Accordingly, until an automated solution is found, we recommend that data input be review by a second person to help minimize errors.

Rating of Audit Finding - Moderate  
Action Owner - Sr. Legal Counsel, Legal Services-Insurance  
Due Date - Completed

## Conclusion

The audit finding and recommendation has been communicated to and agreed by management, who has implemented the recommendation during the audit. We would like to thank management for their support throughout the audit.