

**Company Index Audit
Final Report
Report Nr. 03/10
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Introduction

In accordance with our 2009 Audit Plan, EDC Internal Audit performed an audit of the Company Index. 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. Examples of its use include: effecting restrictions on customer records associated with terrorism or corruption, assisting in group credit approvals, identifying related companies and parent guarantees and facilitating the calculation of the loans provision and reporting on corporate results.

Audit Objectives & Scope

The overall objective of this audit was to evaluate the design effectiveness of the controls surrounding the Company Index. Specific areas of examination included: ownership of Company Index data elements, access controls, and data integrity controls. The scope of the audit included consideration of how Company Index data was used by the following core business applications: Globex, CAS, MTIP, MBC, UFS, C3, ACBS, CRS and FIRM. The scope of the audit also included a review of the work underway to replace the Company Index as part of EDC's Master Data Management initiative.

The audit addressed the following risk elements of EDC's Enterprise Risk Management framework: transaction processing risk, system risk, information security, and infrastructure/information risk.

Internal Audit Opinion

In our opinion, *Opportunities Exist to Improve Controls*¹ surrounding the Company Index. The Company Index contains master file information on customers and counterparties that is critical to the business activities of Legal Services, Finance, Insurance, Financing, Business Development, and Risk Management Office. However, with the exception of two data elements (i.e. anti-terrorist/corruption flag and the risk rating) data ownership has not been established. As a result, access to the remaining Company Index data elements is not adequately restricted on an as needed basis. To compensate, a data quality management team has been established to cleanse some Company Index data on an on-going basis. In addition, permanent workarounds have been established by business teams to validate and correct Company Index data on a transactional basis.

¹ 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.

Audit Findings & Recommendations

1. Data Ownership & Access

The Company Index contains master file information on customers and counterparties that is critical to the business activities of Legal Services, Finance, Insurance, Financing, Business Development, and Risk Management Office. With a few exceptions (i.e. anti-terrorist/corruption flag and the risk screen), data ownership has not been effectively established and as a result, update access to the remaining Company Index fields is largely unrestricted. For example, a data owner does not exist for the "Related" screen and its fields which contain company relationships that are a key consideration in managing group credit exposures. Users with update access to CAS, FIRM, GLOBEX, MBC, and C3 also have update access to the data fields, limiting the reliability of the information. Lack of data ownership and the resulting unrestricted access has led to the existence of duplicate records and errors in the data. To compensate, a data quality management team has been established to cleanse some Company Index data on an on-going basis. In addition, permanent workarounds have been established by business teams to validate and correct Company Index data. A Master Data Management (MDM) initiative has been launched that will eventually migrate Company Index data elements to an MDM solution. The Credit Risk Rating Engine (CRRE) will be the first project to benefit from this MDM initiative. Accordingly, we recommend that data governance including ownership be established for Obligor related data as part of the CRRE project.

Rating of Audit Finding - Major²

Action Owner - VP & Chief Risk Officer

Due Dates - Q4 2010

2. Data Quality Initiatives

Current data monitoring efforts are limited to a few attributes in Company Index. Resolution of potential errors is generally focused on the user that created the record rather than potential stakeholders. As an example, we found that the resolution of the Near Match Report, engages the user that created the record. A stakeholder such as Legal Services may have a vested interest in a potential duplicate where matches have an existing Terrorism or Anti-Corruption flag. We have recommended that current and future data quality initiatives also engage stakeholders.

Rating of Audit Finding - Moderate

Action Owner - VP, Client Services

Due Dates - Q3 2010

Conclusion

The audit findings and recommendations have been communicated to and agreed by management, who has developed action plans that are scheduled for implementation no later than Q4 2010.

We would like to thank management for their support throughout the audit.

²The 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.