

**Employee Laws and Regulations - Phase II
Final Audit Report
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Introduction

As per our 2011/2012 Audit Plan, EDC Internal Audit performed an audit of the Employee Laws and Regulations. In 2008, Internal Audit, in collaboration with management, created an inventory of the federal acts and associated laws and regulations with which EDC must comply. From this we identified eight broad categories of laws and regulations including employee related regulations. Compliance procedures, including who in EDC has responsibility for ensuring compliance, the policies that support the laws and regulations and the mechanisms in place to ensure/monitor compliance, were documented for employee related laws and regulations. These laws and regulations provide the framework that establishes the Corporation's responsibilities with respect to employees and they encompass important aspects such as the labour code, employment equity, official languages and pensions.

Audit Objectives & Scope

The objective of this audit was to perform detailed testing to ensure the controls designed to ensure compliance with employee laws and regulations were operating as intended.

Specifically, consideration was given to the design and operating effectiveness of the controls in place to ensure that:

- There is ongoing monitoring of changes to federal laws applicable to EDC to assess, among other things, the need for modifications to internal policies.
- Information regarding policies that support employee laws and regulations, as well as the tools/resources/training to help ensure compliance is accessible to all EDC employees.
- Data is collected, analyzed and reported, in order to identify trends and monitor compliance with applicable employee laws and regulations.

The scope of this audit included examination of EDC policies and/or programs related to the Canada Labour Code, Government Employee Compensation Act, Canadian Human Rights Act, Canadian Multiculturalism Act, Public Servants Disclosure Protection Act, Official Languages Act, Pension Benefits Standards Act and Employment Equity Act.

Internal Audit Opinion

In our opinion, key controls pertaining to Employee Laws and Regulations are **Well Controlled**¹. Through our detailed audit testing we have verified that key controls designed to mitigate compliance, governance, and reputation risk as it relates to Employee Laws and Regulations are effectively designed and operating as intended.

EDC has identified the employee related federal legislation applicable to the Corporation and has developed internal policies and programs to support EDC's compliance with these. Changes to the federal legislation are monitored to assess the need for modifications to internal policies and IA found that where changes were identified as being required, a process is in place to ensure updates are completed. Information regarding HR policies that support employee laws and regulations, as well as the tools, resources and training to help ensure compliance are accessible and where applicable mandatory for all EDC employees. Finally, EDC collects and analyzes data and reports to senior management and external agencies where required in order to monitor compliance with the legislation. Minor² areas for improvement were noted and have been communicated to management for their information.

Conclusion

The audit findings and recommendations have been communicated to and agreed by management. We would like to thank management for their support throughout the audit.

¹Our 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.

²Our audit findings are ranked 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.

