

Entity Level Controls - Control Environment, Phase II
Final Audit Report
Report Nr. 20/09
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Introduction

In Q3 of 2009 we completed a Phase I audit of EDC's Control Environment which resulted in a **Well Controlled**¹ opinion. Phase I was completed in support of Internal Audit's opinion on the design effectiveness of pervasive controls. This report provides the results of Phase II which included an assessment of whether the designed controls were operating as intended.

Audit Objectives & Scope

The objective of this audit was to evaluate the operating effectiveness of the controls within EDC's control environment. The scope of the audit included an examination of the following areas:

- Integrity and Ethical Values
- Commitment to Competence
- Communication with EDC's Board of Directors
- Organizational Structure
- Human Resource Policies and Practices

In examining EDC's control environment, the audit addressed the following risk elements of EDC's Enterprise Risk Management (ERM) framework: fraud and ethical, incentive, people/skills, governance, reputation, external disruption, change management/alignment, compliance and strategy.

Internal Audit Opinion

In our opinion, the operating effectiveness of the overall Control Environment at EDC is **Well Controlled**. No major² or moderate control issues were noted.

Conclusion

The audit results have been communicated and agreed to by management.

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

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.

² Our 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.