

**Entity Level Controls - Information and Communication Phase II
Final Audit Report
Report Nr.25/10
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Introduction

In accordance with our 2010 Audit Plan, we have completed Phase II of an audit of EDC's information and communication processes. This audit was conducted in support of Internal Audit's opinion on the operating effectiveness of pervasive controls. Effective communication is needed to ensure resources are utilized in a manner that supports the achievement of an entity's business objectives relating to financial reporting, operations and compliance with laws and regulations. In the absence of effective internal and external communication, employees may not understand what is expected of them, how their efforts relate to other teams' objectives, and what needs to be done to improve processes and procedures. The COSO Internal Control Framework (COSO) was used as the basis for our assessment. One of the key premises underlying COSO is that effective internal controls provide reasonable assurance regarding the achievement of an organization's objectives.

Audit Objectives & Scope

In 2009, Internal Audit completed an audit to evaluate the design effectiveness of the controls in place to ensure entity level information related to the achievement of EDC's corporate business objectives is identified and communicated. The scope of the audit included consideration of the extent to which mechanisms are in place to:

- ✓ Obtain relevant internal and external information to monitor EDC's performance relative to objectives;
- ✓ Support the effective flow of communication both internally and externally;
- ✓ Encourage/promote continuous improvement.

The overall audit opinion for Phase I was "*Well Controlled*¹". We concluded that EDC's information and communication controls were designed effectively.

The overall objective of this Phase II audit was to perform detailed testing to determine if the designed controls are operating as intended.

Audit fieldwork was performed during November and December 2010.

Internal Audit Opinion

In our opinion, the Entity Level Information and Communication Process is "*Well Controlled*". Key controls, that ensure information critical to identifying risks and meeting business objectives is communicated through established channels, are effectively designed and are operating as intended. No major² or moderate control issues were noted. The following section provides a brief description of EDC's information and communication controls that are operating as intended.

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.

Description of EDC's Information & Communication Controls

Performance objectives are defined and approved annually in the Corporate Plan. Performance measures are defined for each strategic objective included in the Corporate Plan. Mechanisms such as the Annual Public Meeting, employee opinion surveys, customer surveys, quarterly financial reports and presentations to the Executive Review Committee (ERC) are in place to promote communication and dialogue on corporate performance. Various committees have been established to ensure that cross functional dialogue and consensus on important issues is not limited by EDC's formal organizational structure. Examples include the Business Architecture Review Committee (BARC), Business Review Committee, Asset Liability Committee (ALCO), Management Risk Management Committee (MRMC) and the Executive Review Committee (ERC). In addition, Senior Management Roundtable meetings are held bi-monthly to provide a forum for informal discussion of EDC's strategies and objectives and any related issues. Broadcast communication to employees is achieved via Livewire. Annual employee awards and LEAN initiatives provide recognition and encourage employees to identify and implement opportunities for improvement.

Conclusion

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