

## EDC Internal Audit

*Driving Excellence in EDC through Assurance and Advice*

# Quarterly Administrative Follow Up Audit Quarter Ended September 30, 2010 November 15, 2010 Report 16/10

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## Introduction

A strong indicator of an effective internal control environment is the timeliness with which management takes action to address reported control deficiencies. For this reason, EDC Internal Audit has implemented a follow up process to ensure internal audit findings and the related recommendations are properly addressed on a timely basis. This report summarizes the results of our Quarterly Administrative Follow-Up Audit for the third quarter ending September 30, 2010.

## Objective & Scope

The objective of this audit was to assess the extent to which audit recommendations due to be completed in the third quarter have been implemented. Through this audit, we also track the number of times an audit recommendation is re-targeted. Any recommendations re-targeted two or more times are highlighted in this report. The scope of this audit is limited to the implementation status of audit recommendations relating to major<sup>1</sup> and moderate audit findings. Minor audit findings and recommendations are reported to management for information purposes only and are therefore excluded from the scope of this follow up audit.

## Overall Opinion

In our opinion, the implementation rate of audit recommendations is **Strong**<sup>2</sup> for the third quarter ending September 30, 2010. As of June 30, 2010, 28 audit recommendations were due to be implemented in Q3 2010. Of the 28 recommendations due in Q3, 1 recommendation was cancelled, and 27 recommendations were closed. In addition, 6 recommendations that were made in Q3 2010 were also closed in the same quarter, and 23 recommendations were closed early, increasing the total number of recommendations implemented in Q3 2010 to 56. Further details by business group are provided in the following section.

## Detailed Audit Results

The table shown below provides a summary of open, closed and re-targeted action plans by business group.

Group	Open Beginning Q3 2010	Additions in Q3	Closed in Q3	Retargeted	Open End Q3 2010	Due in Q4 2010
President's Group	9	10	6	0	13	8
BD&O: Financing	5	0	5	0	0	0
BD&O: Insurance	33	29	29	0	33	10
BD	0	0	0	0	0	0
Corporate Secretariat & Legal	0	1	0	0	1	0
Human Resources	0	0	0	0	0	0
Finance	5	29	7	0	27	15
BS&T	10	2	9	0	3	3
<b>Totals</b>	<b>62</b>	<b>71</b>	<b>56</b>	<b>0</b>	<b>77</b>	<b>36</b>

At the end of Q3 2010, there are 77 open audit recommendations; 36 of these open audit recommendations are due to be implemented by the end of Q4 2010.

## Conclusion

The results of this audit have been communicated to and agreed with management. We would like to thank management for their continued support.

<sup>1</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.

<sup>2</sup> Our standard audit opinions are as follows:

**Strong** - 100% of the audit recommendations due to be implemented in the current quarter were completed.

**Well Controlled** - 70% - 99% of the audit recommendations due to be implemented in the current quarter were completed.

**Opportunity Exists to Improve Implementation Rates** - 50% - 69% of the audit recommendations due to be implemented in the current quarter were completed.

**Not Controlled** - less than 50% of the audit recommendations due to be implemented in the current quarter were completed.

