

## **EDC Internal Audit**

*Driving Excellence in EDC through Assurance and Advice*

### **Quarterly Administrative Follow Up Audit Quarter Ended March 31, 2009 April 29, 2009 Report # 05/09**

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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 first quarter ending March 31, 2009.

## Objective & Scope

The objective of this audit was to assess the extent to which audit recommendations due to be completed in the first quarter have been implemented. Through this audit, we also track the number of times an audit recommendation is retargeted. Any recommendations retargeted 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 **Well Controlled**<sup>2</sup> for the first quarter ending March 31, 2009. Thirty-four audit recommendations were due to be implemented in Q1 2009. Of these audit recommendations, thirty-one (91%) have been implemented. Action plans for three moderate audit findings have been retargeted. Revised implementation dates were agreed to with management. 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 Q1 2009	Additions in Q1 2009	Closed in Q1 2009	Retargets In Q1 2009	Open End Q1 2009	Due in Q2 2009
President's Group	1	0	0	0	1	1
BD&O: Financing	0	6	0	0	6	1
BD&O: Insurance	0	0	0	0	0	0
Business Development	4	0	4	0	0	0
Corporate Secretariat & Legal Services	5	0	3	0	2	2
Human Resources	3	0	3	0	0	0
Finance	14	24	13	0	25	21
Business Solutions & Technology	16	0	8	3	8	0
<b>Totals</b>	<b>43</b>	<b>30</b>	<b>31</b>	<b>3</b>	<b>42</b>	<b>25</b>

<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.

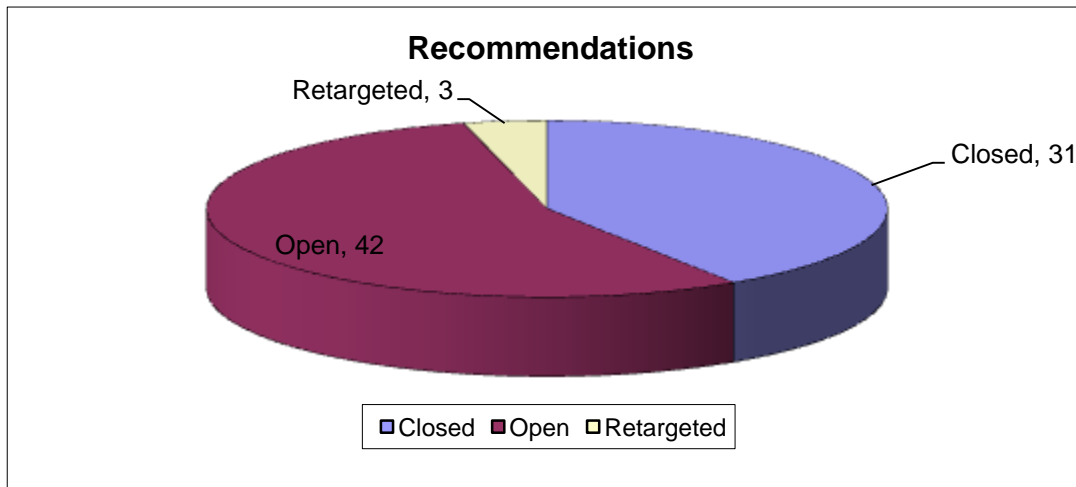
<sup>2</sup> Our standard audit opinions are as follows:

**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.



At the end of Q1 2009, there are 42 open audit recommendations. Twenty-five of these open audit recommendations are due to be implemented by the end of Q2 2009.

## Conclusion

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