

# EDC Internal Audit

*Driving Excellence in EDC through Assurance and Advice*

## Spreadsheet Controls - Part 2 Final Audit Report Report Nr. 28/10 January 14, 2011

To: President & CEO  
Senior Vice President & Chief Financial Officer  
Senior Vice President, Insurance  
Vice President & Corporate Controller  
Vice President, Insurance COE and CARD  
Manager, Credit Standards & Scoring

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Principal, Office of the Auditor General  
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## Introduction

EDC places a high reliance on spreadsheets to support financial and business reporting and its daily operational activities. Accordingly, the 2010 Audit Plan included an audit of spreadsheet controls. The criteria used to define 'critical' are outlined in Appendix A.

## Audit Objectives & Scope

The overall objective of the audit was to evaluate whether controls surrounding critical spreadsheets and Access databases were operating effectively. Our audit included an assessment of what Enterprise Risk Management (ERM) risks could materialize, identifying the controls in place to mitigate these risks and performing testing to evaluate their operating effectiveness. Specific areas of examination included:

- ✓ Controls to ensure that the ability to add, change and delete spreadsheets are limited to users on an as needed basis;
- ✓ Significant changes to spreadsheets are subject to change management controls;
- ✓ Existence of user and design documentation to facilitate the day-to-day use and ongoing maintenance of the spreadsheets by more than one user; and
- ✓ Procedures to ensure spreadsheets are sufficiently archived and stored in network drives.

The audit was performed in two parts:

- ✓ Part 1 involved an examination of the controls surrounding critical spreadsheets used by EDC's enabling functions namely, Human Resources (HR), Risk Management Office (RMO) and Chief Financial Officer (CFO) teams.
- ✓ Part 2 involved an examination of the critical spreadsheets used by Business Development, Insurance Group, Financing Group, and select teams within the CFO and RMO groups who were not included in Part 1 (Insurance Accounting and Analytics respectively). With the assistance of management, we identified 128 critical spreadsheets within these teams. Appendix A provides a breakdown of the number of critical spreadsheets by team.

This report outlines the results of Part 2. Audit fieldwork was performed from September through December 2010.

## Internal Audit Opinion

In our opinion, key controls surrounding the use of critical spreadsheets examined within the scope of this audit are effectively designed and operating as intended resulting in a *Well Controlled*<sup>1</sup> opinion. This opinion is reflective of the fact that immediate action was taken during the audit to address control deficiencies with respect to the execution of certain controls. Re-testing was performed to ensure controls are now operating as intended. Moderate<sup>2</sup> issues were noted and are described below.

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<sup>1</sup> 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.

<sup>2</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.

## **Audit Findings & Recommendations**

### **1. Design Documentation & Change Management Controls**

The knowledge to create, modify and maintain spreadsheets is highly specialized. Similar to applications, changes to critical spreadsheets should be formalized and processed in a controlled manner. In addition, the existence of design documentation coupled with hands-on training reduces business disruption by allowing more than one user to effectively operate and maintain functionality of critical spreadsheets.

During our audit we found one critical spreadsheet where design documentation and change management controls did not exist. Accordingly, we have recommended that technical design instructions be documented for this spreadsheet and that formal change management controls also be implemented.

Rating of Audit Finding - Moderate

Action Owner - Manager, Credit Standards & Scoring

Due Date - Q1 2011

## **Conclusion**

The audit findings and recommendations have been communicated to and agreed by management who has developed action plans that are scheduled for implementation no later than Q1 2011.

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