

**Quarterly Follow-Up Audit**  
**Quarter Ended June 30, 2015**  
**August 6, 2015**  
**Report# 9/15**

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## Introduction

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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 action plans are properly addressed on a timely basis. This report summarizes the results of our Quarterly Follow-Up Audit for the second quarter ending June 30, 2015.

## Audit Objectives & Scope

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The objective of this audit was to assess the extent to which audit action plans, due to be completed in the second quarter, have been implemented. We also report the number of times an action plan is retargeted. Any items retargeted one or more times are highlighted in this report. In addition, we track the number of months action items have been open. The scope of this audit is limited to the implementation status of action plans relating to major<sup>1</sup> and moderate audit findings. Minor audit findings are reported to management for information purposes only and are therefore excluded from the scope of this follow-up audit.

## Internal Audit Opinion

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In our opinion, the implementation rate of audit action plans is *Strong*<sup>2</sup> for the second quarter ending June 30, 2015. Sixteen action plans were due to be implemented and we have verified that 16 action plans were implemented. No action plans were retargeted, resulting in an overall implementation rate of 100%. Further details by business group are provided in the following section and in Appendix C.

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<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 action plans due to be implemented in the current quarter were completed.

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

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

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

## Detailed Audit Results

As illustrated in Table 1 below, there are 46 open action plans at the end of Q2 2015. Seven of these open action plans are due to be implemented by the end of Q3 2015.

**Table 1: Summary of Action Plan Changes in Q2 2015**

SVP Group	Due in Q2	Closed in Q2	Q2 Implementation Rate	Retargeted in Q2	Open Items End Q2-2015	Due in Q3-2015
Enterprise Risk Management	5	5	100%	0	17	1
Finance	7	7	100%	0	5	1
Insurance	3	3	100%	0	0	0
Business Development	0	0	-	0	0	0
Business Solutions & Innovation	0	0	-	0	11	1
Corporate Affairs & Secretary	0	0	-	0	0	0
Financing	1	1	100%	0	0	0
Human Resources & Communications	0	0	-	0	0	0
President's Group	0	0	-	0	13	4
Total	16	16	100%	0	46	7

Table 2 below provides a summary of the ageing of open action plans in months as of June 30, 2015 based on the date of the original audit report. The details of individual open action plans and ageing is provided in Appendices A and B.

**Table 2: Ageing of Open Action Items (in Months)**

Ratings/Months	0-3	4-6	7-9	10-12	12+	Total
Major	18	2	3	0	3	26
Moderate	15	3	0	0	2	20
Total	33	5	3	0	5	46

## Conclusion

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