Quarterly Follow-Up Audit

Quarter Ended March 31, 2015

May 25, 2015

Report# 6/15

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Table of Contents

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 action plans are properly addressed on a timely basis. This report summarizes the results of our Quarterly Follow-Up Audit for the first quarter ending March 31, 2015.

Audit Objectives & Scope

The objective of this audit was to assess the extent to which audit action plans, due to be completed in the first 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[1] 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

In our opinion, the implementation rate of audit action plans is *Well Controlled*[2] for the first quarter ending March 31, 2015. Eight action plans were due to be implemented and we have verified that 7 action plans were implemented. One action plan was retargeted, resulting in an overall implementation rate of 88%. Further details by business group are provided in the following section and in Appendix C.

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[1] 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.

[2] 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 33 open action plans at the end of Q1 2015. Sixteen of these open action plans are due to be implemented by the end of Q2 2015.

Table 1: Summary of Action Plan Changes in Q1 2015

SVP Group	Due in Q1	Closed in Q1	Q1 Implementation Rate	Retargeted in Q1	Open Items End Q1-2015	Due in Q2-2015
Enterprise Risk Management	5	4	80%	1	14	5
Finance	1	1	100%	0	12	7
Insurance	2	2	100%	0	3	3
Business Development	0	0	-	0	0	0
Business Solutions & Innovation	0	0	-	0	3	0
Corporate Affairs & Secretary	0	0	-	0	0	0
Financing	0	0	-	0	1	1
Human Resources & Communications	0	0	-	0	0	0
Total	8	7	88%	1	33	16

Table 2 below provides a summary of the ageing of open action plans in months as of March 31, 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	7	1	0	0	5	13
Moderate	7	6	1	0	6	20
Total	14	7	1	0	11	33

Conclusion

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