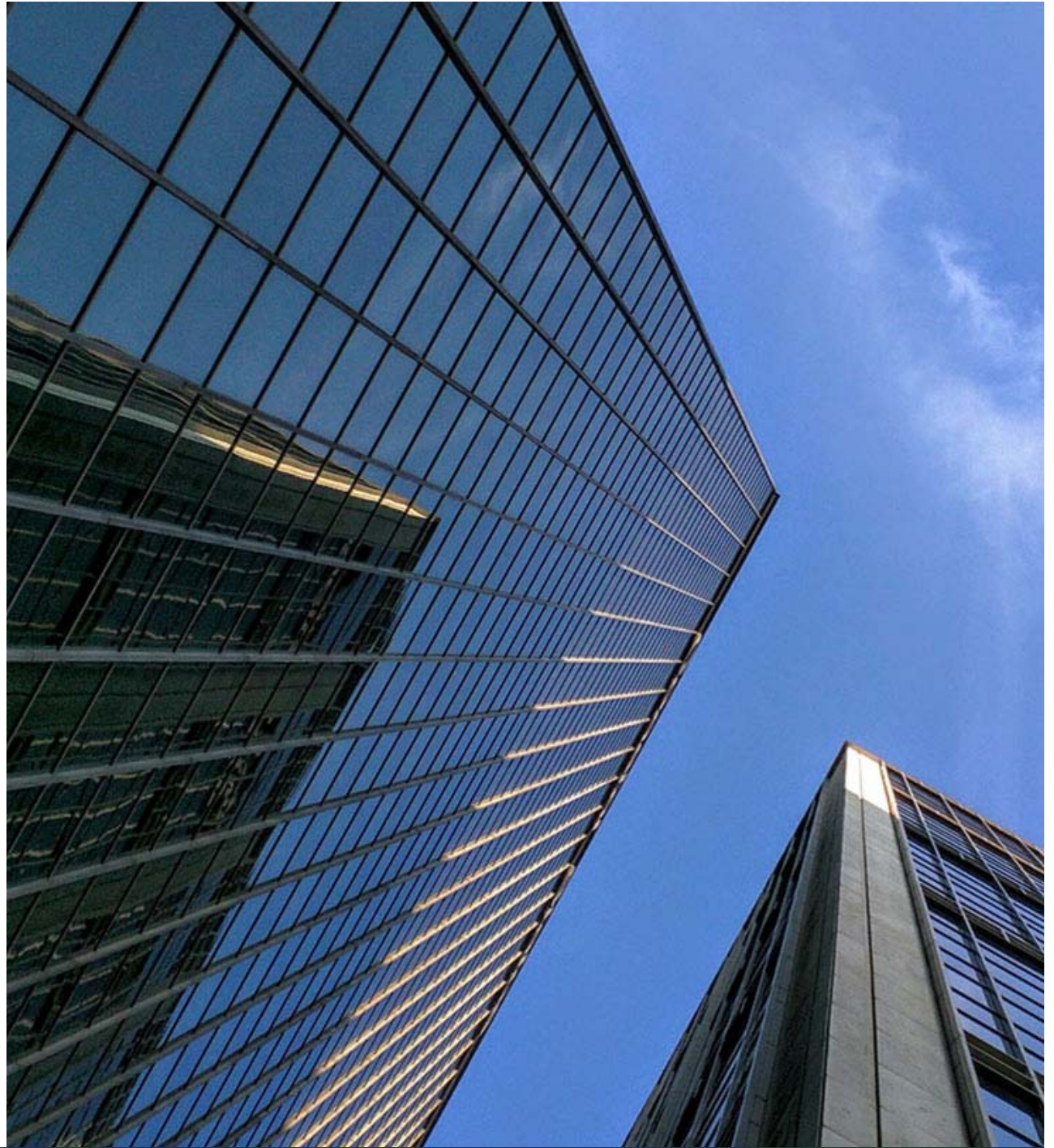


Integrated Internal Audit Framework



Purpose

We're here to tell you about tooluru's approach to an Integrated Internal Audit Framework, including strategic, operational, and financial audits and demonstrate how tooluru's Internal Audit Tools will benefit your organization



Internal Audit: The Opportunity

Internal controls and processes are the foundation of any business organization



Knowing the proper internal controls are operating effectively and efficiently allows management and board members to sleep at night:

- Good governance
- Discharge fiduciary responsibilities
- Ensure operational, strategic, and financial risks are identified, mitigated, and managed



Once this foundation is built, management freed up to focus on value added activities:

- New business opportunities (acquisitions, improvements)
- Growth (new products, new markets)
- and Exit (monetization)

Business Environment and Solution



Challenges

- Alberta Economic Outlook: Low commodity prices, cancellation of capital projects (pipelines, processing plants) and loss of foreign investment
- Discretionary budgets are cut; pressure to reduce costs, especially finance or administrative costs
- Business Environment/Issues are more Complex; companies are dealing with restructuring, downsizing, and other markets
- Need to focus on high value activities including strategy, analytics, solutions



Solutions

Perform internal audit work “in house” and leverage:

- Existing expertise
- Standardized tools and processes as a starting point. Then customize:
 - Provides more time for analytical and strategic thinking
 - Allows for a personalized solution
 - Delivers cost effective options
- Build organizational knowledge

Organizational Risk Measurement and Management

Organizations must ensure they have internal controls in place to manage and mitigate these risks

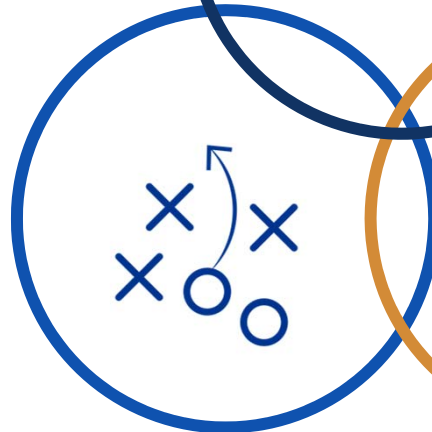
Financial Risk

Risk the financial statements are misstated (incomplete, inaccurate)



Strategic Risk

Risk of loss due to insufficient focus on the business environment (which may have changed abruptly)



Operational Risk

Risk of loss due to failed | Process | People | Systems (Business Architecture) | Legal



Develop a Fully Integrated Approach to Internal Audit: Strategic, Operational, and Financial Risks



Rationale

COSO is an integrated internal control framework designed to ensure reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Formalize operational risk management approach

COSO is the tool to complement and support Sarbanes Oxley compliance requirements

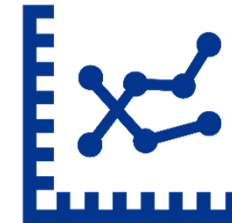


Critical Requirements

Ensure financial audit framework includes risk assessment, internal control documentation, testing, gap analysis, and action plan

Ensure operational audit framework includes risk assessment, process and systems ranking, testing, gap analysis, and action plan

The approach should ensure that sufficient information is available to establish additional controls, ongoing review of controls, and other risk responses



Benchmarking Support

“Our approach is designed not to eliminate, but to contain it within acceptable levels” – UBS

“Operational risk management is really important” – Morgan Stanley

tooluru's Business Tools

tooluru's Business Tools are available to assist in building an integrated audit approach:



Financial Risk / Audit: Internal Audit Kit

Provides you with a starting point and includes all the tools you need to conduct a financial internal audit and tailor it to your organizations needs

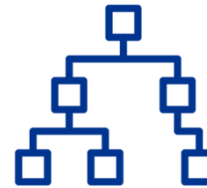
- It is a comprehensive solution and includes the risk assessments, internal control documentation and testing, and Gap report and action plans for 8 Cycles and related Processes (SAP compatible)
- Proven results and success with Shaw, Veresen, Altalink, Crescent Point, and Advantage
- In addition, Consulting support Services can be purchased



Operational Risk / Audit: Operational Audit Kit

Includes risk identification and assessment, implementation of process improvements, monitoring and reporting

Financial Audit Approach: Internal Audit Kit



1. Risk Assessment

Outlines the business objectives for each process, risks associated with achieving such business objectives, and existing control activities in place to mitigate such risks.

2. Information Summary

Knowledge of business overview, including context such as materiality, quantity of transactions during the year, and other relevant information pertaining to the process.

3. Flow Charts

Process flow with reference to existing control activities and open GAPS. These are provided in PDF and editable VISIO format.

4. Walkthrough

Includes documentation of the control activities for each process, a test plan for each control and results of testing one sample of every control activity.

Develop a Fully Integrated Approach to Internal Audit



Test Sheet

Testing of multiple sample selections pertaining to only key control activities



Gaps Report and Action Plan

Summarizes existing control GAPs, includes process owner's remediation plan and timeline for remediation

Eight Cycles and Processes

CYCLES	PROCESSES
Revenue and Accounts Receivable	Exploration and Production Pipeline - Midstream Facility - Processing Power Facilities Telecommunications
Purchase to Payment	Adding and Editing New Vendors Approval of Payables Disbursements of Cheques, Wires, EFTs Reimbursements, including credit card expenses Bidding and approval of project vendors
Treasury	Bank Account Administration Credit Facility, Notes, Term loans Foreign Exchange, Physical, Financial, Mark to Market Preferred and Common Shares Lender, Joint Ventures
Financial Reporting	Monthly Quarterly & Annual Monthly Quarterly
Capital Assets	Tangible, Intangible & Corporate Assets Asset Retirement Obligations, Impairment tests
HR & Payroll	On-boarding (new hires), Terminations, Promotions Processing of salaries and bonuses
IT	Privileged user access, passwords, admin Configuration, implementation Backups, Database, ERP, Monitoring, Incident Management
Entity Level	

Operational Audit Approach: Operational Audit Kit



1. Identification and Measurement of Critical Processes

- Identify all major processes within the organization
- Host stakeholder engagement sessions
- Rank major processes based on operational risk profile
- Develop critical process quadrant and consolidate results



2. Conduct Operational Risk Assessments for Critical Processes

- Assess business process
- Determine if current processes, internal controls, and people mitigate Operational Risk
- If not, quantify severity of operational risk
- Determine if resource allocation is aligned with Operational Risk profile
- Reallocate resource distribution where required



3. Identify and Implement Process Improvements

- Develop and implement process improvements and internal controls as required
- Develop metrics for processes
- Streamline, benchmark, and automate



4. Monitoring and Reporting

- Document and report learnings
- Measure performance against metrics

What is tooluru?



To meet the needs of buyers and sellers, tooluru will feature a robust catalogue of content in the most popular areas of business; this will service the needs of buyers and make money for sellers

Demand



Buyers will have access to a broad selection of Business Tools

 Risk Management Credit Market Operational Liquidity	 Finance M&A Financial Models Business Cases Strategic Planning	 IT Security Configurations Systems Controls	 Accounting Financial Reporting Dashboards Policies and Standards Cash Management
 Taxation Corporate Planning Transfer Pricing Corporate Compliance Personal Planning Personal Compliance	 Audit Internal Controls Policies and Procedures Whitepapers Guidance	 Legal Business Financial Policies Governance	 Human Resources Policies Compensation Training & Development Recruiting
 Free Test the Market Help others Get feedback		 Other Pictures Study Guides Special Interests	

Supply



Sellers can leverage their Business Tools and repeatedly earn income

Back Up Slides

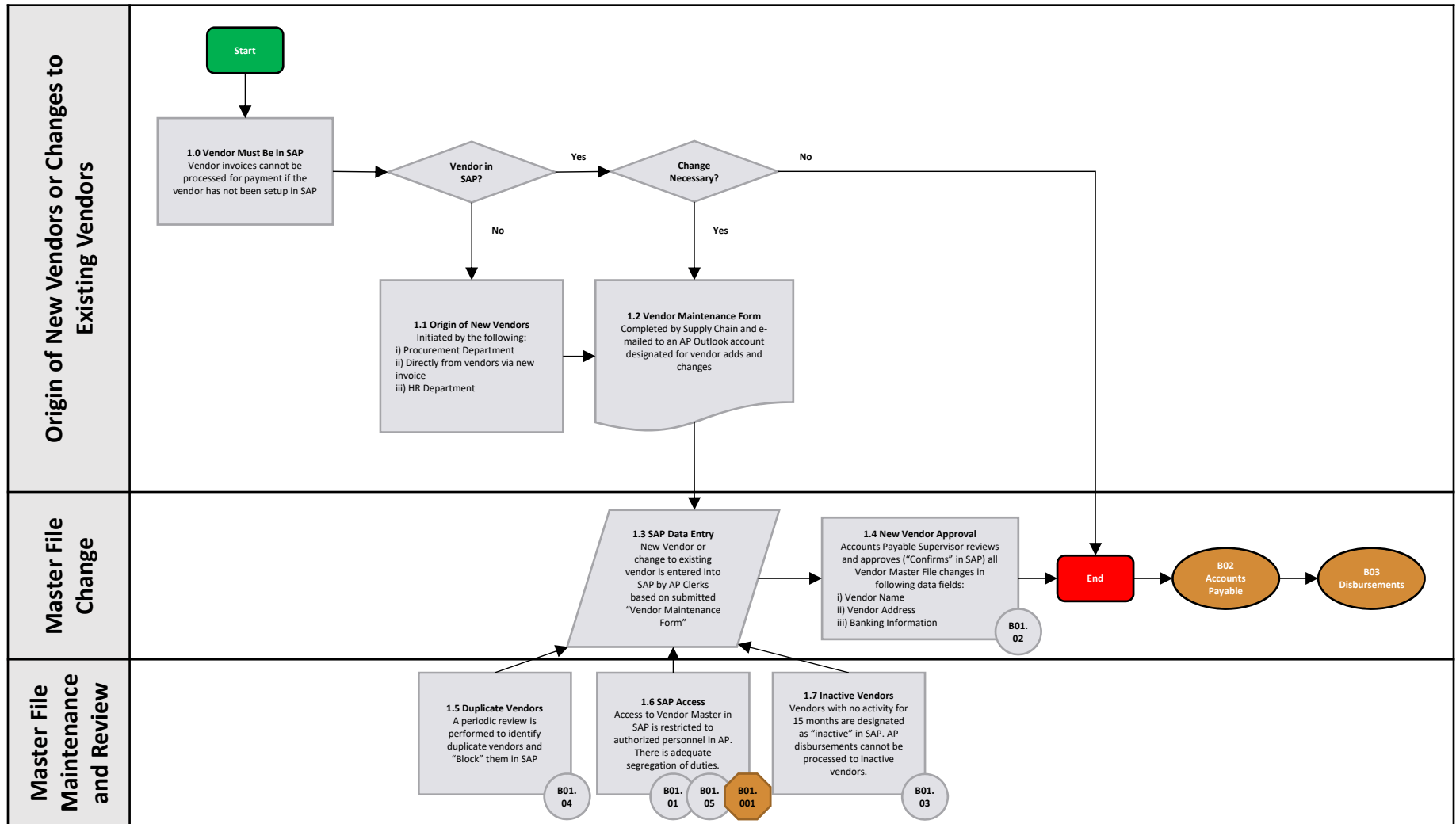
Risk Assessment

Objectives		Risks	Control Activities	
1) Only valid vendors are entered into SAP Vendor Master File.	1) Invalid vendors can result in in financial loss due to erroneous or fraudulent disbursements.	B01.01 B01.02 B01.03 B01.05	B01.04	
2) Acquired vendors are validated prior to entry into Vendor Master File	2) Entering acquired invalid vendors into master file may result in financial loss due to erroneous or fraudulent payments to vendors which the organization is not intending to use subsequent to change in control.	B01.03 B01.04		
3) New vendors and edits to existing vendors have adequate supporting documentation.	3) New vendors and edits without valid supporting documentation may result in financial loss due to erroneous or fraudulent disbursements.	B01.02		
4) New vendors and edits to existing vendors are entered accurately and completely into Master File.	4) Inaccurate or incomplete entry of data into the vendor master file may result in financial loss due to erroneous or fraudulent payments.	B01.02		
5) Edit level access to SAP Vendor Master File is available to authorized individuals.	5) Erroneous or fraudulent payments are made to invalid vendors resulting in financial loss.	B01.01 B01.05		
6) Vendors who are no longer used are marked as inactive (cannot make payment to inactive vendor).	6) Inactive vendors are not flagged in the Master File, potentially resulting in erroneous payments due to data entry errors.	B01.03		

Information Summary

Cycle:	B00 Purchase to Payment
Process:	B01 Vendor Master File Total Controls 5 (Key – 3)
Key Personnel:	NAME, TITLE, NAME, TITLE,
Risk Ranking & Change Indicators:	Low/Medium/High - (Refer to B01 RA risk assessment document for specific risks and references to risk mitigating control activities). <ul style="list-style-type: none"> - discuss materiality of transactions, - impact of implementation of new systems, modules etc., - history of audit findings and remediation status, - Subject to fraud risk due to possibility of fictitious vendors. - high frequency of transactions, - recent acquisitions or dispositions impacting process,
Information Systems:	<ul style="list-style-type: none"> - SAP (GL), - SAP Workflow (invoice approval), - Excel template for new vendor and changes to existing vendor Forms.
<i>Last Updated:</i>	DATE

Flow Charts



Walkthrough

Control Reference	Control Description	Walkthrough Requirements & Test Plan	Walkthrough Documentation
<p>B01.01</p> <p>Key</p> <p><i>Control Owner-</i> (NAME, TITLE)</p> <p>Fail</p>	<p><i>When:</i> Quarterly, <i>Who:</i> Accounts Payable Supervisor <i>What:</i> SAP Vendor Master File edit access rights Report, <i>Why:</i> To ensure validity of expenditures and authorized access to edit vendor data, <i>How:</i> Review and approved, <i>Evidence:</i> Physical sign-off on the access listing or e-mail correspondence.</p>	<p>Test Plan:</p> <ol style="list-style-type: none"> 1) Obtain the reviewed access listing from ERP Master Data Specialist, 2) Review individuals with Vendor Master File edit access privileges and conclude whether valid individuals were authorized, 3) Consider the users' other roles in the AP function and conclude whether there is unmitigated SOD risk, 4) Obtain e-mail evidence of review and approval of access rights of the AP department personnel. 5) Conclude whether any exceptions were noted during testing. 	<p>Obtained SYSTEM NAME Codes summarizing Vendor Master File edit rights, from NAME, TITLE,</p> <ul style="list-style-type: none"> - Create vendor XK01, - Change vendor XK02, - Block vendor XK05, <p>Noted the following AP staff have vendor edit rights in SAP –</p> <ol style="list-style-type: none"> 1) NAME, TITLE, 2) NAME, TITLE, 3) NAME, TITLE, <p>All of the users have the ability to post AP vouchers, which is the key trigger of approval for disbursement. This SOD risk is mitigated by the fact that none of these users have DOA authority and that the "Disbursements Report" must be approved by Manager, Accounting, prior to disbursement. In addition, Accounts Payable Supervisor reviews and approves "Vendor Maintenance Forms" to ensure adequate SOD - Forms originate from a buyer in the Supply Chain function.</p> <p>Refer to w/b "B01 Test Sheet – Vendor Master File Changes" for sample selection testing.</p> <p><i>Exception noted:</i> GAP B01.001 - failed due to inadequate evidence of review by business unit process owners.</p> <p>Date of walkthrough – MONTH, DAY, YEAR, NAME, TITLE of Auditor.</p>

Test Sheet

	Process:	B00 Purchase to Payment					
	Sub-processes:	B01 Vendor Master File					
	Control References:	B01.01					
	Process Owner:	Accounts Payable Supervisor					
	Control Descriptions:	B01.01 - When: Quarterly, Who: Accounts Payable Supervisor What: SAP Vendor Master File edit access rights Report, Why: To ensure validity of expenditures and authorized access to edit vendor data, How: Review and approved, Evidence: Physical sign-off on the access listing or e-mail correspondence.					
	Frequency:	Access rights are reviewed on a quarterly basis.					
	Sample size:	Sample size selection based on Auditor's guidance will be quarterly = 1 selection.					
	Test Procedures:	Step 1 Document relevant systems pertaining to vendor master file. Step 2 Select a quarter for testing. Step 3 Obtain an access review Report of the testing period for in scope system. Step 4 Review the Report to ensure level of access rights is reasonable for the employee's job responsibility. Step 5 Document evidence of review and approval of the Report by the AP Supervisor Step 6 Document test exceptions, if any.					
		Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Selection	Vendor Master File System	Testing Quarter	Report Date	Access Reasonability	Evidence of Approval	Tickmarks	
1 (WT)	SAP	Q1	DATE	Admin, Edit, Read-only	Signature		

Gap Analysis and Action Plan

GAP ID	GAP Status	GAP Year	Process	GAP Name	Observation	Gap Type	GAP Owner	Rating	Risk	Relevant Control	Key?
B01.001	Open	2017	B01 Vendor Master File	Vendor master file access review	When reviewing to ensure adequate segregation of duties and reducing risk of fraud associated with editing vendor master file data, noted that there is no evidence of secondary review of access rights.	Effectiveness	Supervisor, AP	M	Risk of fraud and error due to invalid disbursements to fictitious vendors.	B01.01 - When: Quarterly, Who: Accounts Payable Supervisor What: SAP Vendor Master File edit access rights Report, Why: To ensure validity of expenditures and authorized access to edit vendor data, How: Review and approved, Evidence: Physical sign-off on the access listing or e-mail correspondence.	Key
B00.002	Closed	2017	B02 Accounts Payable	Approver of DOA limits is able to change own DOA limits.	Delegation of Authority provides limits on an invoice amount that may be approved. Review of DOA access rights, can change their own limits, without being detected.	Design	Manager, Accounting	M	Risk of fraud and error due to invalid disbursements to fictitious vendors.	B02.02 - When: Weekly. Who: NAME, TITLE. What: Changes to approval limits in Workflow. Why: To ensure validity and accuracy of payments processed by AP, How: Approved via the NAME Form, Evidence: evidenced by physical sign-off on the Form.	Key