



MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: August 1, 2023

Re: Internal Audit Report

Since the last report to the Audit Committee on June 1, 2023, two internal audit advisory projects were completed – (1) Succession Plan and (2) Electronic Funds Transfers.

2023 Succession Plan (advisory)

Background:

Succession planning is an important tool for ensuring that organizations maintain regular operational levels and continue to meet high performance standards. By having a formal, effective succession plan across all departments, HDC can proceed with minimal disruption in the event of a key employee’s departure. While HDC has had informal succession plans in place, management recognizes the need to formalize succession plans to ensure that capable individuals are identified and prepared to assume key responsibilities should a vacancy arise.

Objective:

Our objective was to assist the Corporation with formalizing an effective succession plan across all departments.

Results:

Internal Audit began its review by examining departmental organizational charts, job descriptions, and employee tenure data provided by HDC’s Human Resources department. Internal Audit then developed a template to help guide department heads with formalizing their succession plans. After careful thought and review, department heads completed these templates and formalized their respective succession plans. Internal Audit reviewed these plans and determined that key roles have been identified, and strategies are in place to ensure that capable individuals are prepared, or will be prepared (either through additional training or hiring plans), to assume key responsibilities should a vacancy arise. Internal Audit gathered the completed templates from all HDC departments and assembled into a formal succession plan for the Corporation. Internal Audit

intends to perform an annual review of succession planning in conjunction with the annual review of business continuity plans going forward.

2023 Electronic Funds Transfers (advisory)

Background:

Electronic funds transfers (EFT) have increasingly become a target for fraudsters and scammers seeking to illegally divert funds. A request from HDC's Cash Management department to examine best practices in EFT prompted the Internal Audit department to research and review.

Objective:

Our objective was to research and report back to the HDC Cash Management team best practices around EFT.

Results:

Internal Audit reviewed the last audit report for EFT that was conducted in 2019. At that time, Internal Audit determined that HDC had effective controls around EFT activity. Internal Audit further researched industry best practices around EFT and communicated this information to the Cash Management team. As Cash Management has always been proactive around EFT security, they noted that they will retain the best practices document and that many of the industry best practices have been long-standing practices at HDC.