

The background of the slide is a photograph of an ice climber in a red jacket and black gear, rappelling down a vertical ice wall inside a cave. The cave's interior is composed of layered, translucent ice formations, and a bright opening at the top right reveals a blue sky. The MNP logo is positioned in the upper right corner.

MNP

The Never Ending Evolution, Innovation, and Challenges Facing Internal Audit in Canada

IIA Calgary AGM

May 31st, 2022



Wherever business takes you

[MNP.ca](https://www.mnp.ca)

Introduction



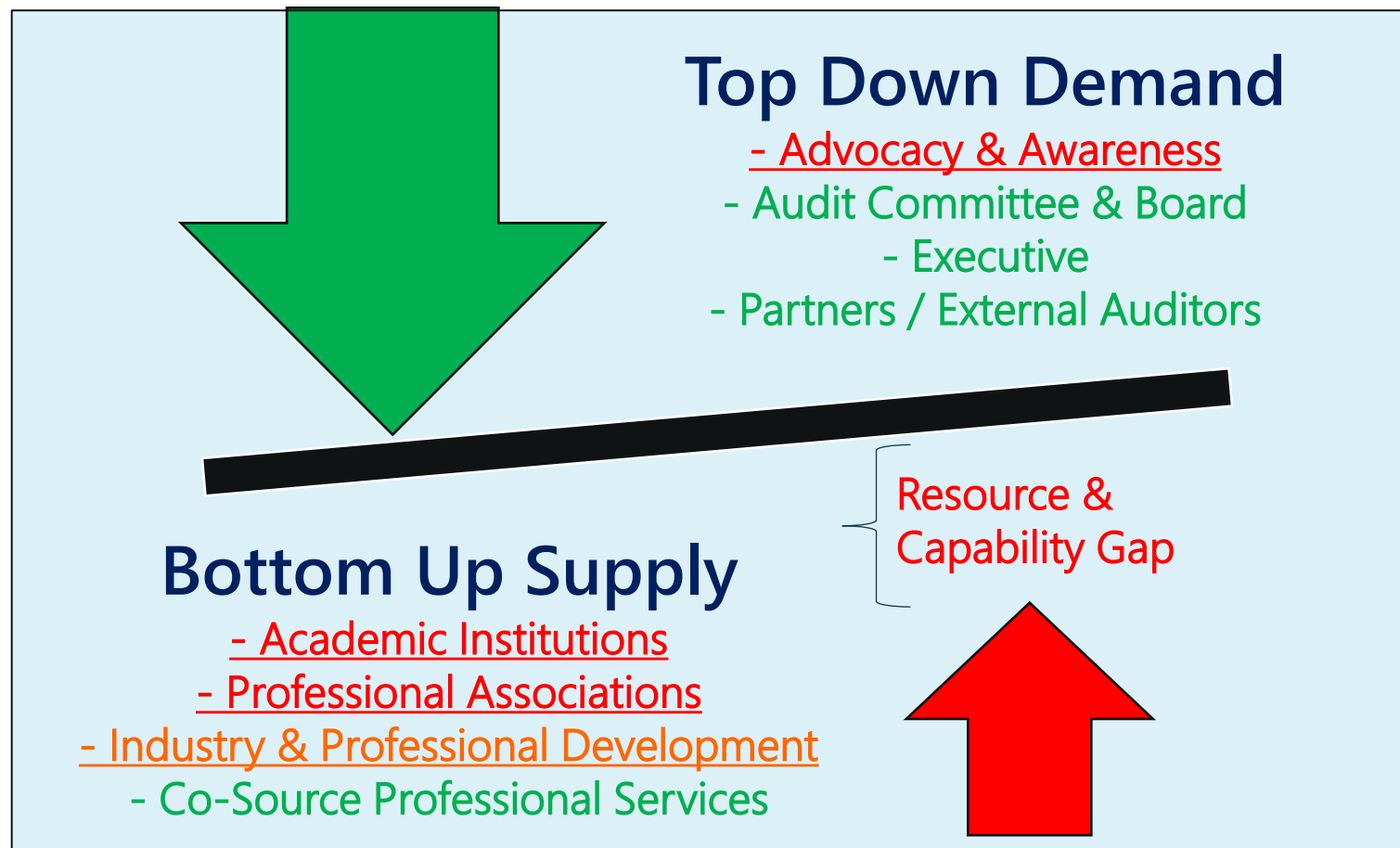
Richard Arthurs, FCPA, FCMA, CIA, CFE, CRMA, QIAL, MBA
Partner
National Leader - Internal Audit
Enterprise Risk Services

Richard.Arthurs@mnp.ca

Director – IIA Canada and IIA North America
Facilitator – ERM Course for Directors Education Program

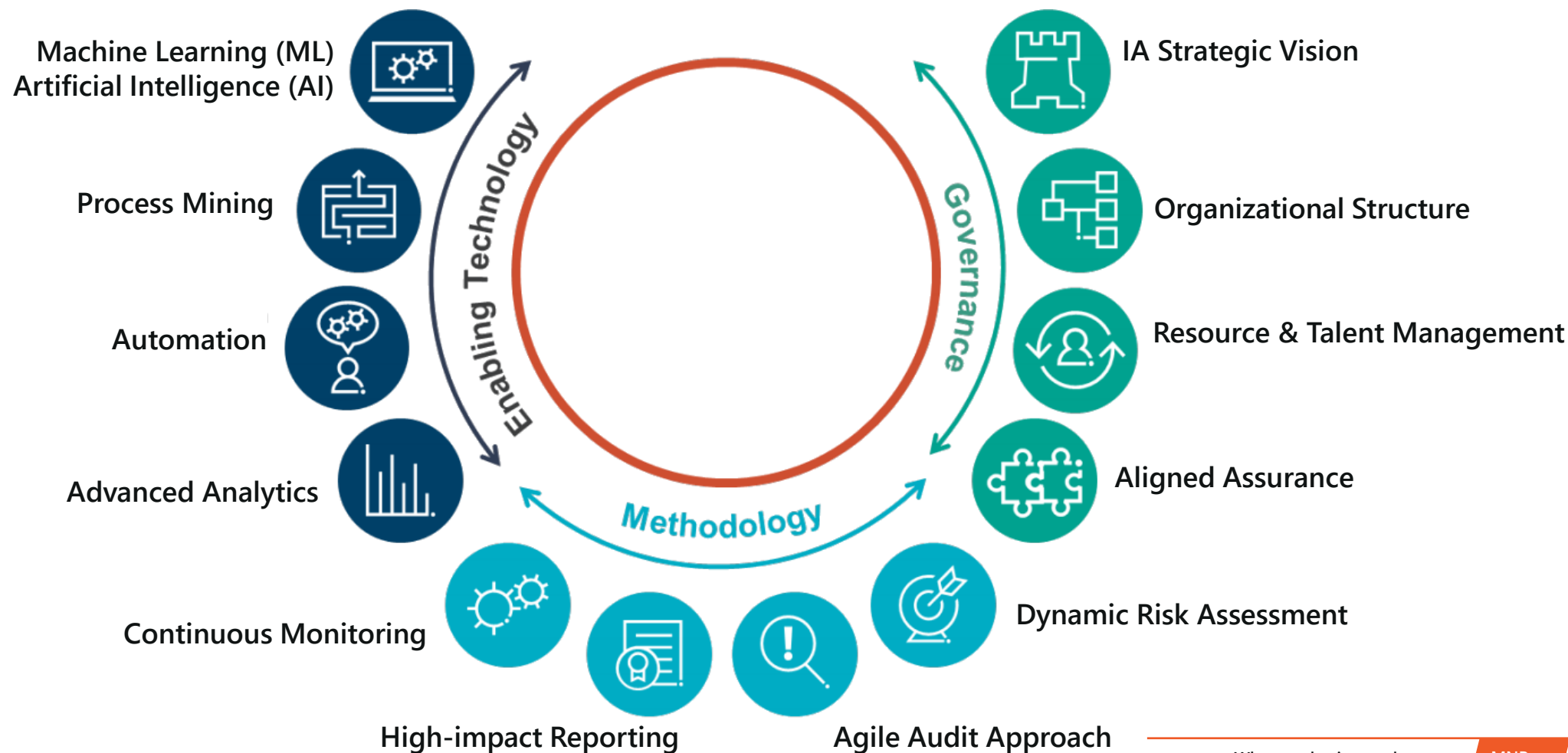
Internal Audit in Canada

Bottom-Up Supply is the Greatest Risk, Followed by Advocacy



Internal Audit Leading Practices

Next Generation Internal Audit



Current Risk Trends

Risk and Audit Planning

Pulse 2021 Findings

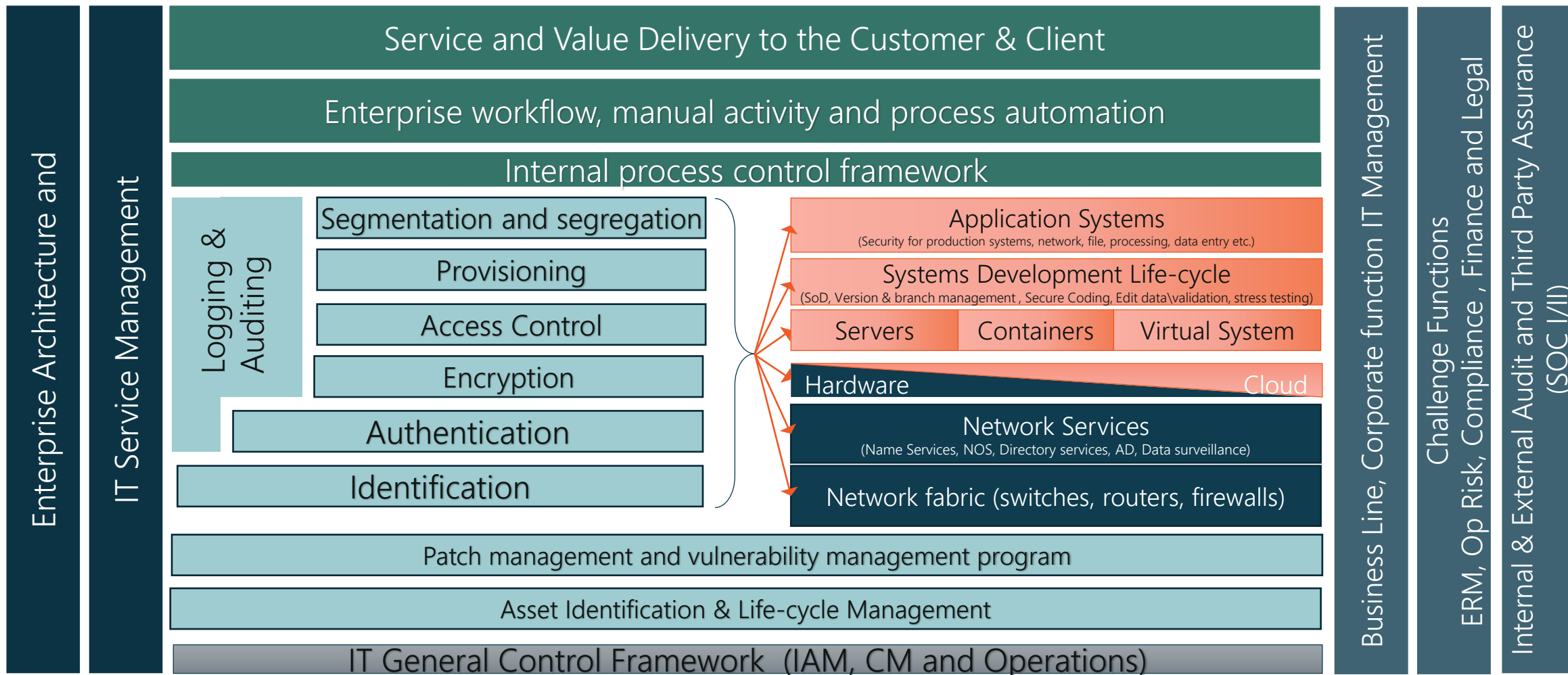
Highest Risk Categories		
1	Cybersecurity	71%
2	IT (not covered in other choices)	48%
3	Third-party relationships	44%
4	Operational	43%
5	ERM and related processes	30%

Percentage who rated the audit area as high or very high risk.

Top Audit Plan Allocation Areas		
1	Operational	17%
2	Financial Reporting (including ICFR)	13%
3	Cybersecurity	11%
4	ERM and related processes	9%
5	Financial (excluding ICFR)	9%

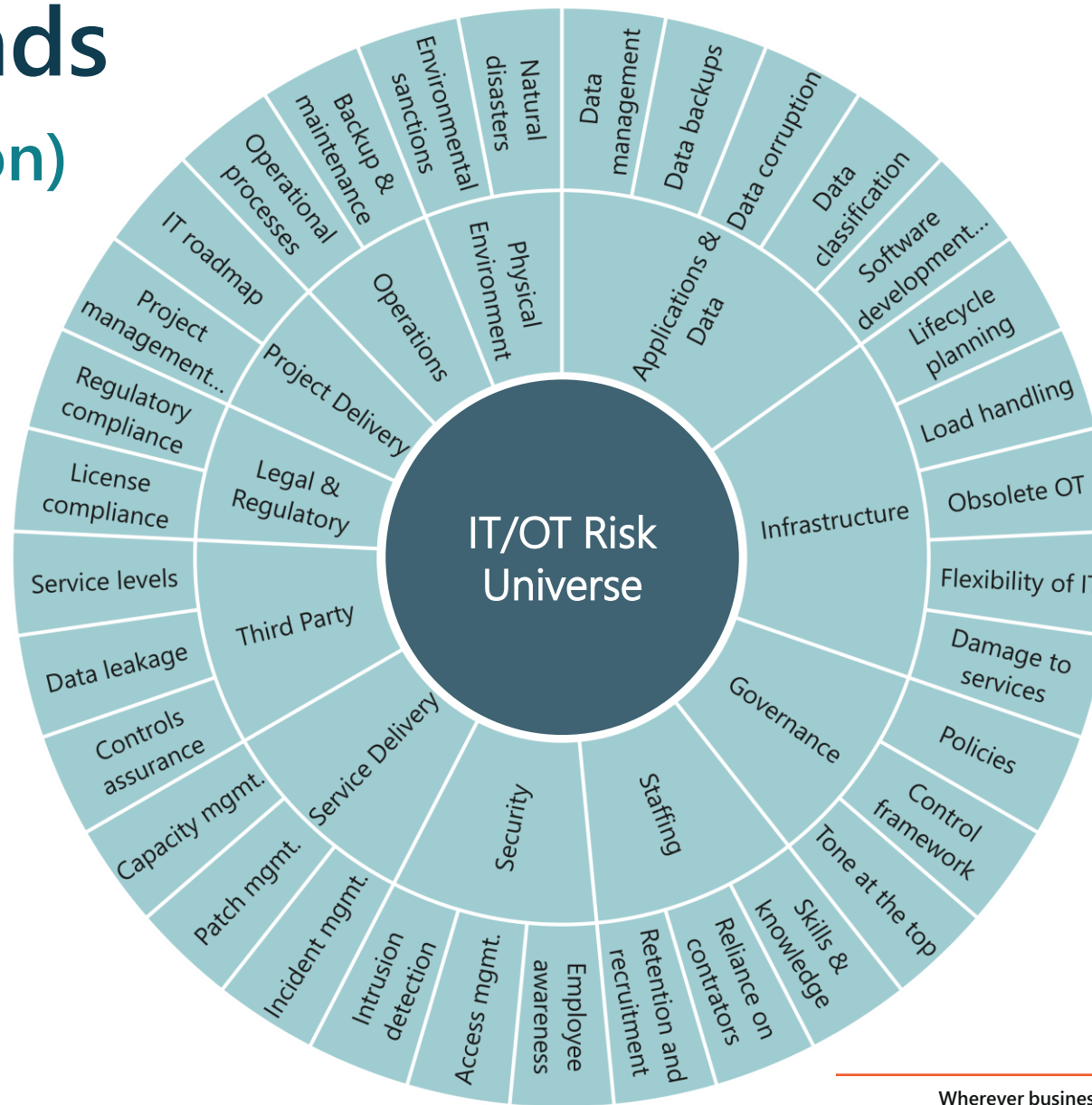
Percentage who rated the audit area as high or very high risk.
ICFR = Internal controls over financial.

Current Risk Trends



Current Risk Trends

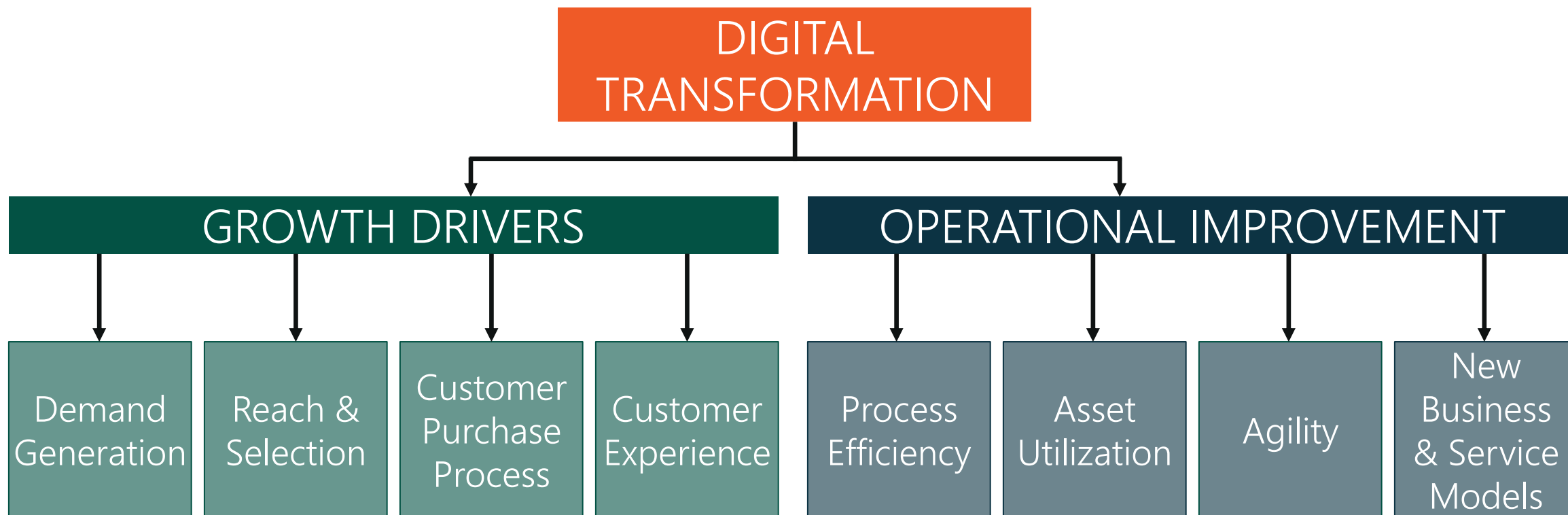
IT (Digital Transformation)



Current Risk Trends

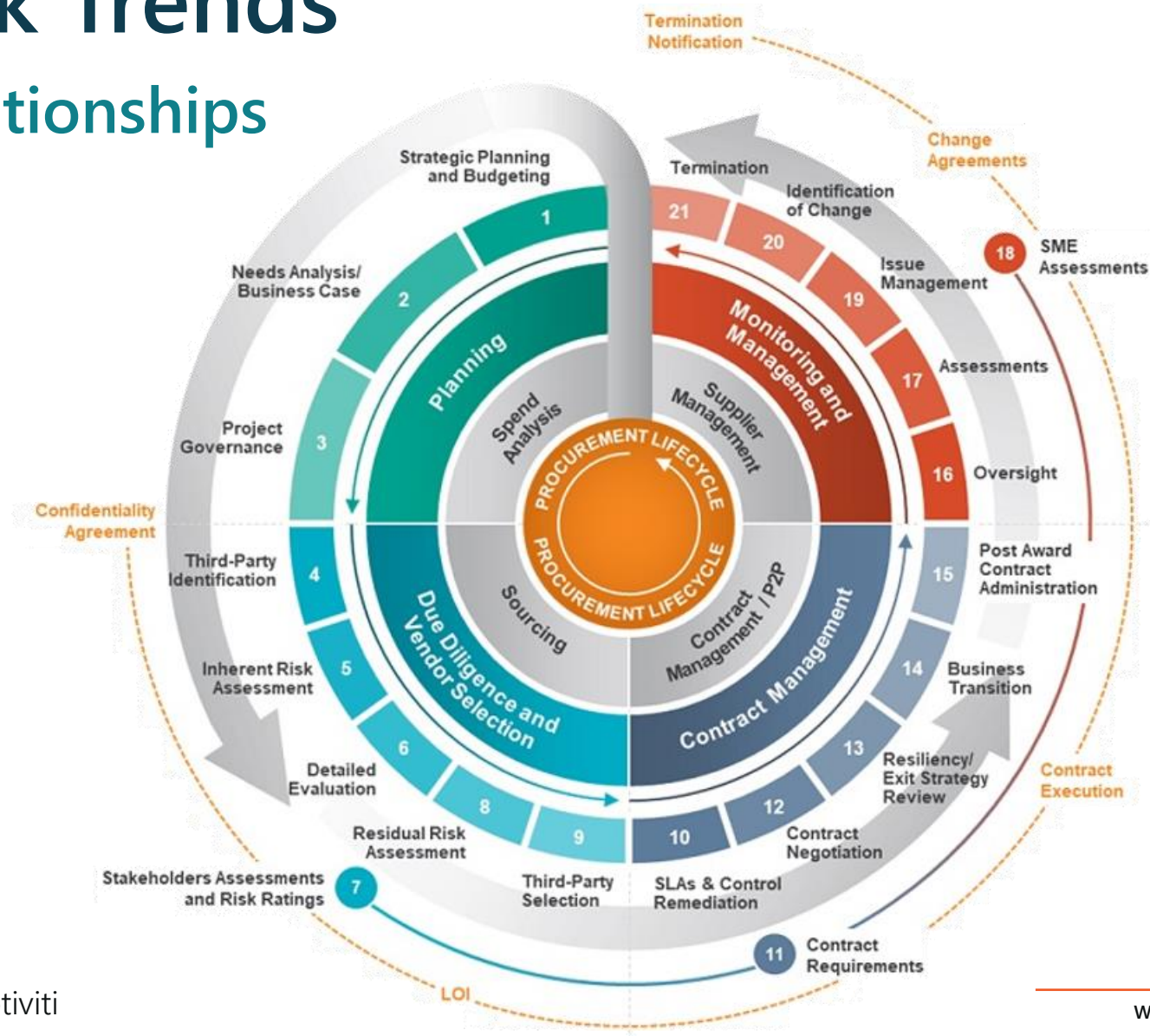
IT (Digital Transformation)

What are the value drivers and risks?



Current Risk Trends

Third-party Relationships



Source: Protiviti

Current Risk Trends

ESG

- Material impact on an organization's operating and financial performance
- Driven by the operating culture of the organization



Environmental

- Energy efficiency
- Carbon footprint
- Water usage
- Waste management
- Packaging
- Biodiversity management



Social

- Employee attraction and retention
- Diversity and inclusion
- Pay equity
- Customer data privacy
- Social acceptability of projects/business
- Organizational culture

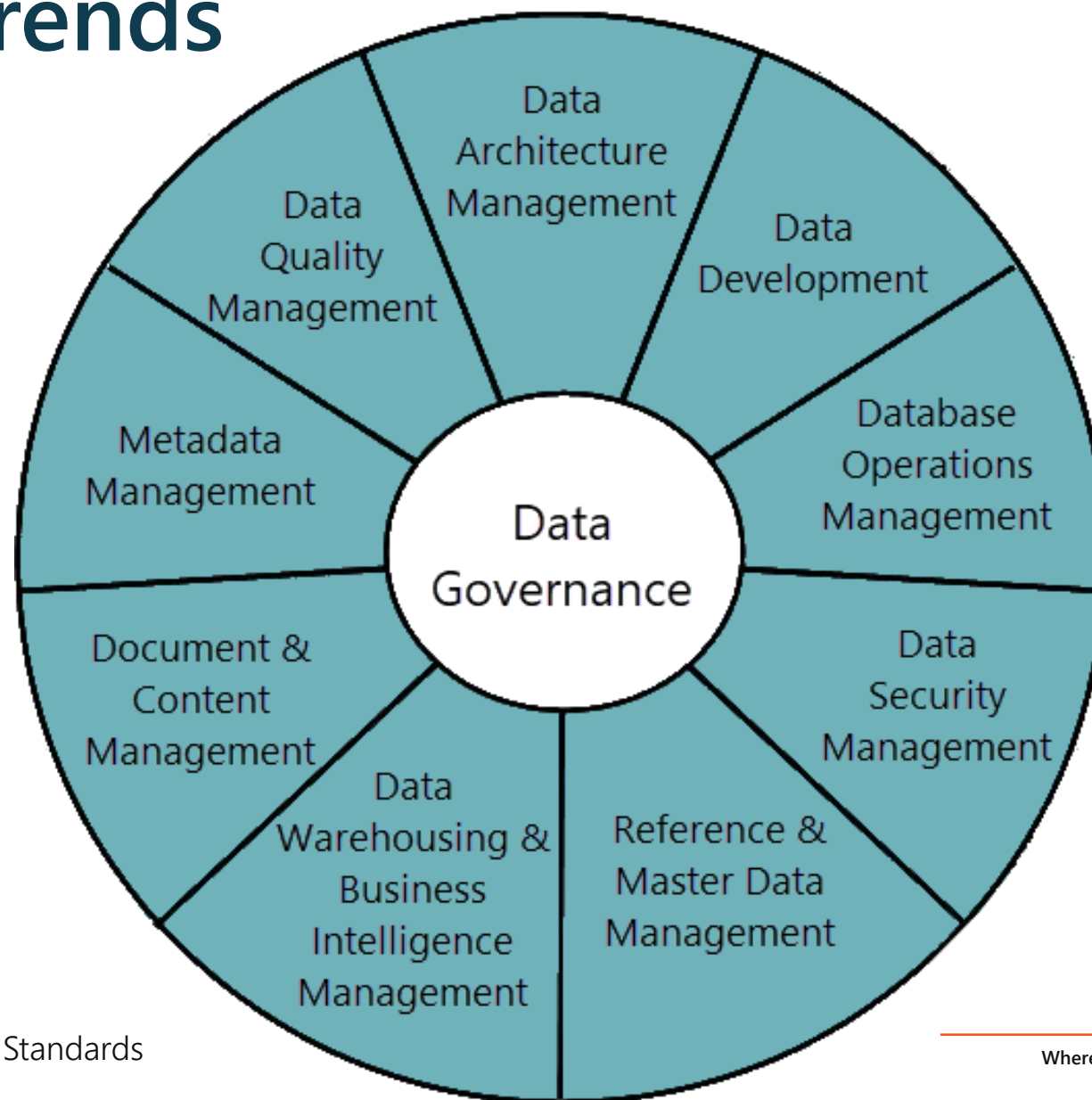


Governance

- Climate change
- Cybersecurity
- Corruption and bribery
- Responsible taxes
- Compensation
- Reliable financial disclosure

Current Risk Trends

Data Governance



Current Risk Trends

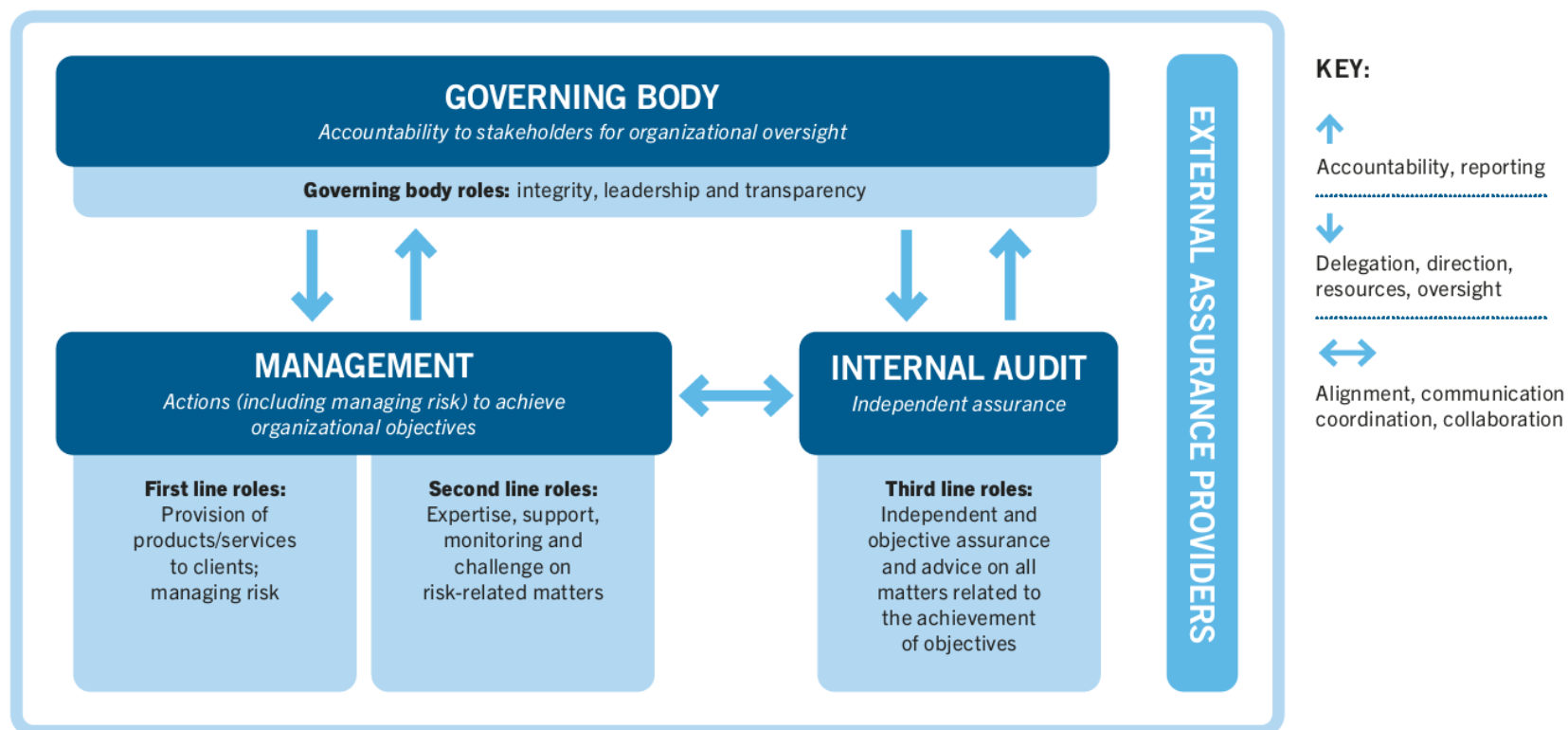
Anticipating Future Risk

- Maturing intelligent digital technologies
- Ongoing global pandemic risk mitigation
- Self-disruption is a competitive advantage
- War for leadership succession talent
- Extreme generational differences in preferences
- Constant increase in ESG expectations
- Data insight competitive advantage
- Never ending cyber threat innovation
- Virtual, automated, and continuous risk management
- Robot co-workers

Internal Audit Leading Practices

Continuous Improvement & Testing

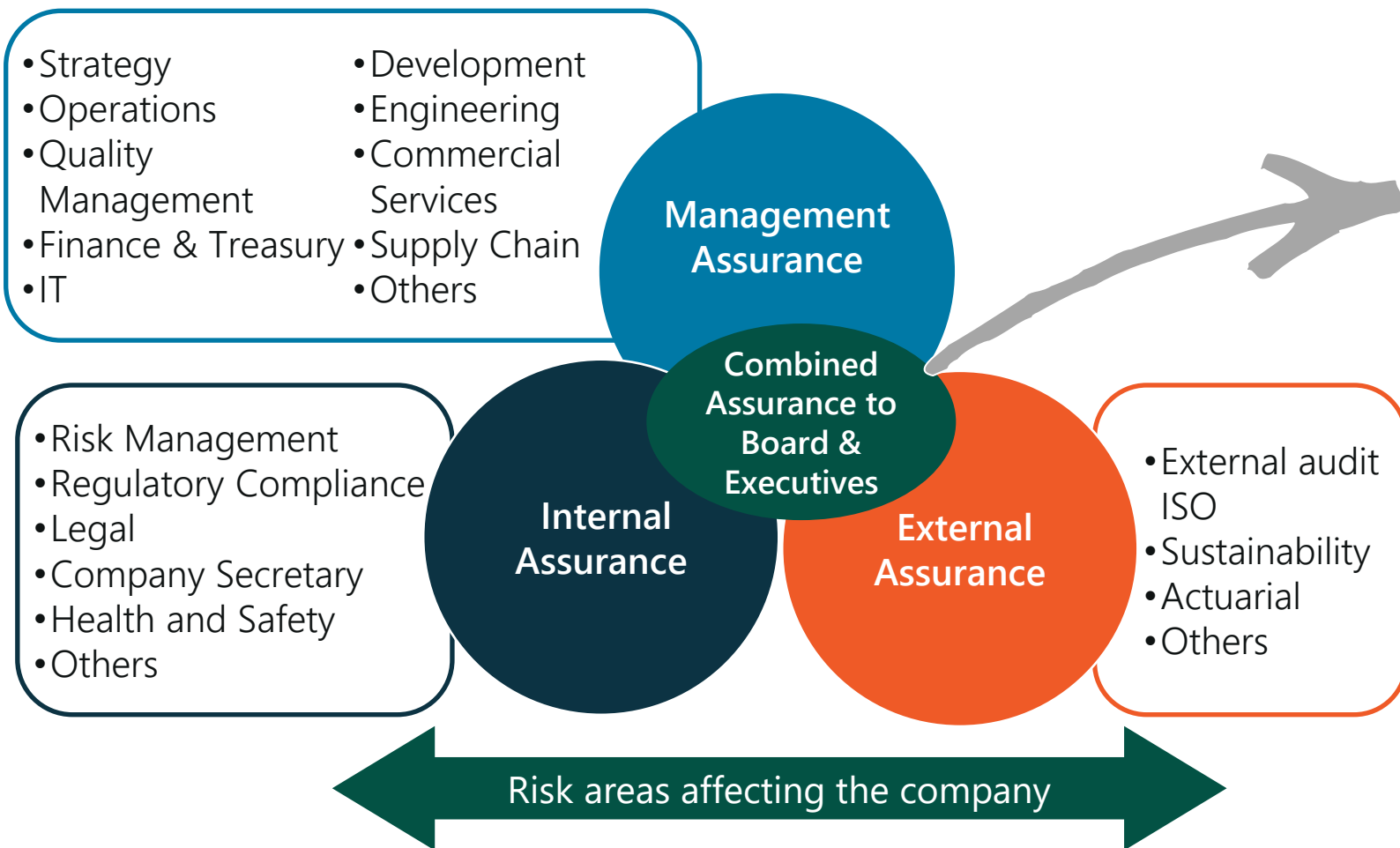
The IIA's Three Lines Model (Interactive Governance)



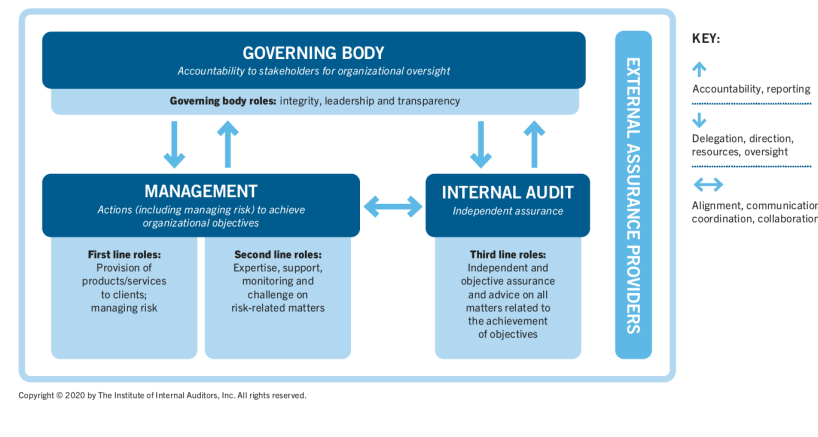
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Internal Audit Leading Practices

Integrated Assurance and Advisory

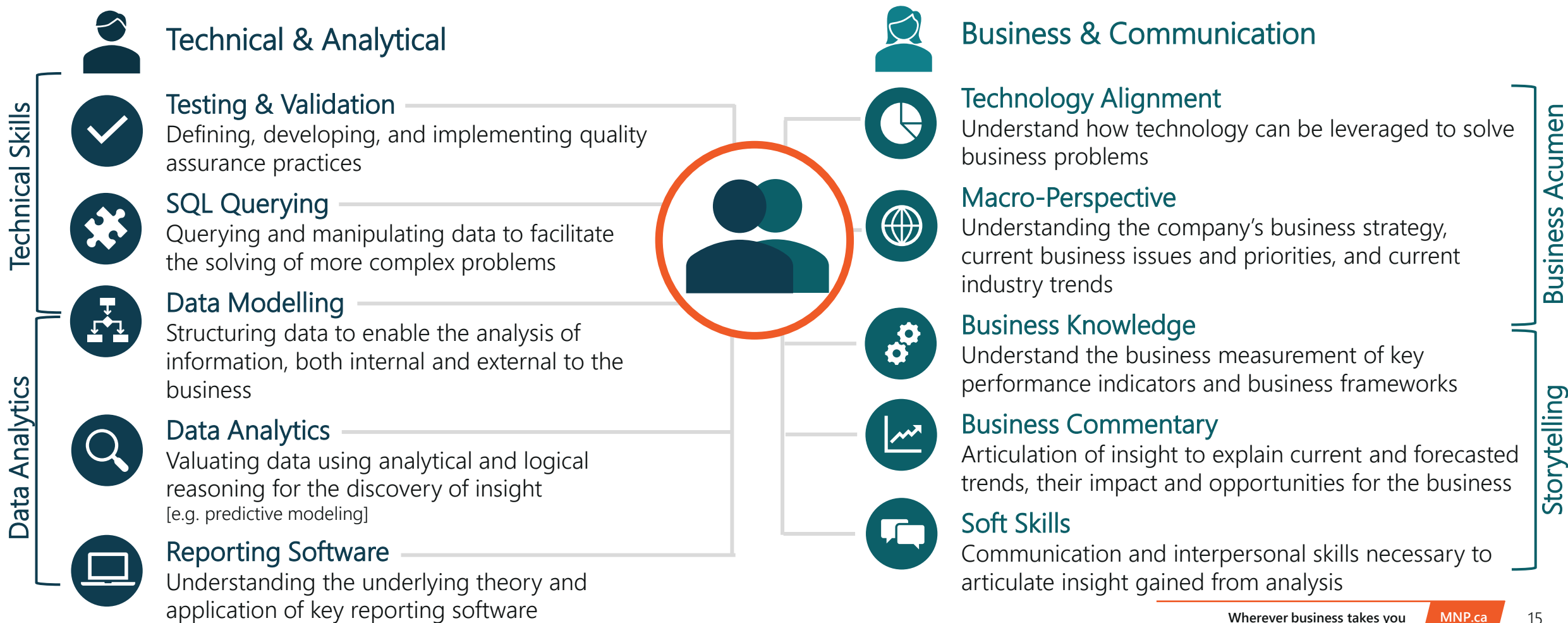


Profiling assurance providers
 Combined assurance will leverage an existing model - such as the three lines model - to help clarify roles and responsibilities for assurance providers



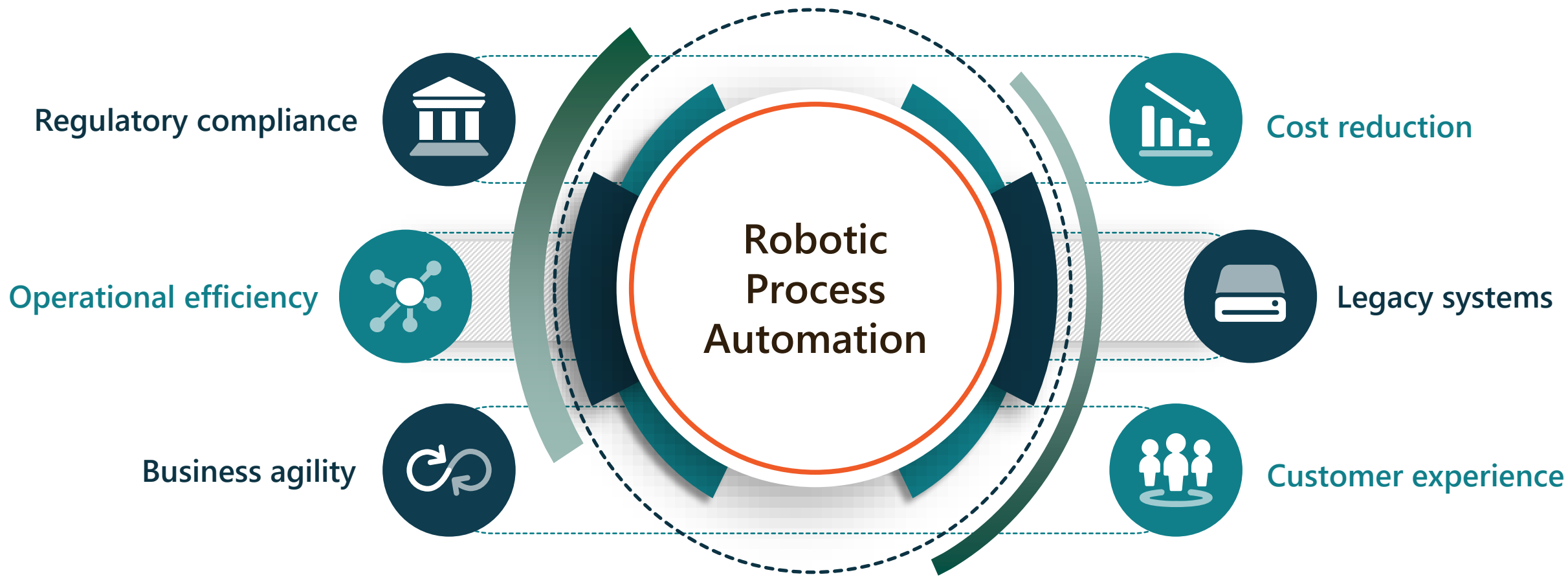
Internal Audit Leading Practices

Critical Risk Analytics Capabilities



Internal Audit Leading Practices

RPA



Agile Internal Audit

Methodology

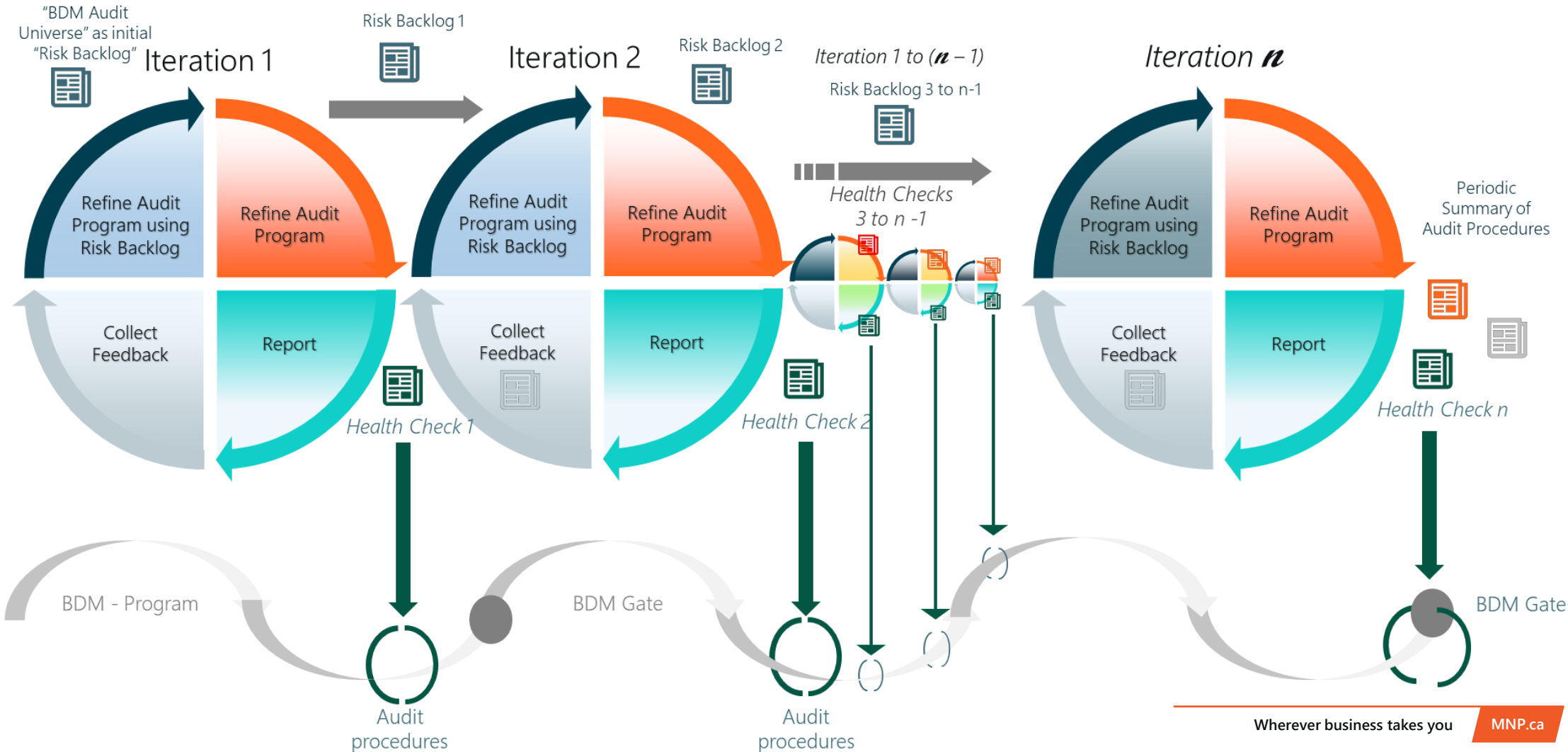
Big **A** Agility:

- Agility methodology was created by the IT profession
- Optimizing the value and efficiency related to new system implementations

Small **a** Agility:

- Relates to defining value, continuously being willing to change, and the effectiveness and efficiency of IA work
- Can be applied to all key areas of IA methodology
[e.g. risk assessment, planning, execution, reporting, and follow up]

Agile Internal Audit



Agile Internal Audit

Agile IA Implementation Spectrum

Agile Lean

- Focus on reducing waste in the audit process
- Emphasize **mindset** shift toward Agile values and principles

Agile Lite

- Socialize with staff
- Experiment with Agile methods and tools during audit engagements:
 - Daily stand-up meetings
 - Working in sprints
 - Agile wall/Kanban board
- Provide formal Agile training

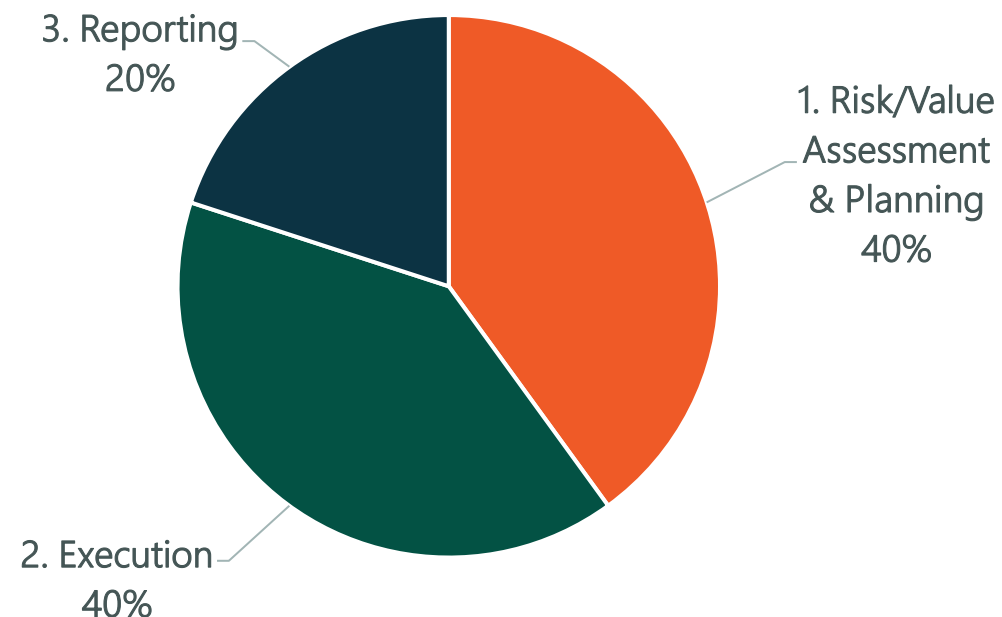
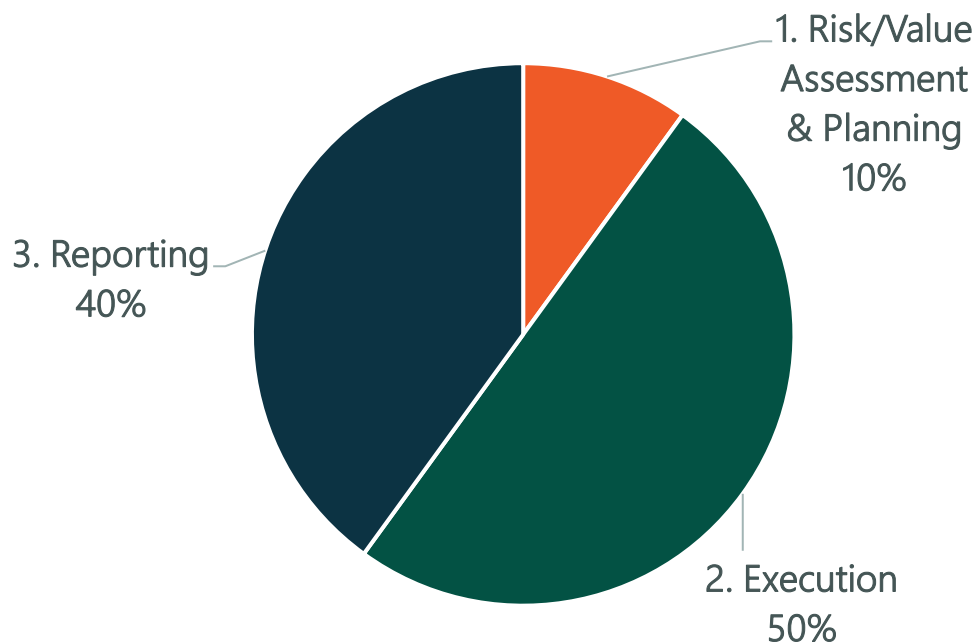
Full Agile

- Commitment to Agile IA:
 - Socialize with stakeholders
 - Develop change management plan
 - Select methodology [e.g. scrum, Kanban, etc.]
 - Formalize roles

Source: Agile Internal Audit, R. Wright Jr.

Old School to New School (Agile)

Agile Requires High Quality Planning



Q&A



Please contact Richard Arthurs for more information

richard.arthurs@mnp.ca

587-583-9155

