

FROM THE CHAIR

A Blog by Richard Arthurs

Preparing For the Future: The Emerging Talent War for Canadian Internal Audit Resources

There are a number of indicators showing the demand for internal audit resources in Canada is far exceeding supply. Today, that demand looks vastly different from the way it did years ago. New open internal audit positions, many of which now require advanced technical skills to address risk created by technological advancement and change, have become difficult to fill.

Canadian Audit Committee members find themselves continuously needing to upgrade their skills and training to advance their learning. Over the last decade, the Institute of Corporate Directors (ICD) and the Directors College (DC) - two professional associations focused on director education - have been teaching thousands of board members the value proposition of a progressive internal audit function. Both the ICD and the DC utilize The Institute of Internal Auditors Canada (IIAC) as a source for education and training and for providing instructors to teach what high value Internal Audit functions look like and how critical this support function is for Audit Committees.

Running parallel to the need for skill and learning enhancement is the growing expectations of Audit Committees and the pace with which these expectations need to be met - driven by a world of new risks such as disruption, technology, climate change and new regulation. Audit Committees not only need more support, they also have growing expectations of Internal Audit, and increasingly of their Chief Audit Executive (CAE).

Being a CAE has never before been this challenging and has fast become a role requiring highly skilled leadership abilities. As high-quality CAEs are promoted out of Internal Audit or head into retirement, they leave behind some very big shoes which organizations need to fill. Over the last year, I have personally received numerous referral requests from companies looking to engage a CAE. Often the expectations for filling these positions far exceed the experience or capabilities of potential candidates. The laundry list of requirements not only includes a relevant post-secondary undergraduate degree but usually lists the need for multiple professional designations - and that's just the starting point. Recruiters are also looking for accumulated years of boardroom experience and demonstrated experience working with Executive Leadership Teams. The wish list continues to lengthen by requiring candidates to possess a wealth of knowledge and experience in leading numerous internal audits and advisories, and itemizing certain critical soft skill requirements such as being an exceptional communicator, having executive presence, being an active listener and a professional skeptic, while displaying significant EQ and being great at managing expectations. Often, these qualifications, experiences and qualities are still not enough. The perfect candidate must also be agile, possess great

strength in continuous risk assessment and diplomacy to effectively manage sensitive whistle blower investigations. Year after year, the list of qualifications grows.

CAEs must continuously learn about anything and everything which could become a material risk to their organizations. Cyber hacking, climate change related policy, block chain, robotics, and foreign trade tariffs are a few which come to mind. Choosing a career in Internal Audit or being a CAE is not the right occupation for people who are not interested in continually learning new skills and enhancing their education.

A Storm on the Horizon

In my view, there's a storm brewing on the internal audit profession's horizon. I am seeing indications of an Internal Audit talent war being waged as increased expectations drive greater demand for Internal Audit support. Today, the talent pool of qualified resources to meet this demand is simply not filling up fast enough. Much needs to be done. Changes need to be made before the supply of high-value Internal Auditors can begin to satisfy demand.

Canadian universities must be encouraged to enhance their promotion of the internal audit profession as a career. They must work on providing the right mix of academic courses for students to be able to access the many available jobs in the marketplace. Gone are the days when having a CPA Designation would allow you to land an available Internal Audit job. One needs only to browse any online search engine to find there are numerous and varied Internal Audit positions available: IT Audit; Data Analytics Analyst; Cyber Security Expert; Health & Safety Specialist; ESG Auditor (Environment, Sustainability, and Governance); to name a few.

Today's reality is almost no student enrolls themselves at a Canadian university saying "I want to be an Internal Auditor." In turn, I say: "Why Not?"

The newest skills the NEXT GENERATION of internal auditors need to learn seem to fall into three buckets: **Governance; Methodology; and Enabling Technology.** Let's take a look:



1. On Governance:

IA Strategic Vision

This should be custom designed starting with your organization's strategy. Every Internal Audit activity should have a value proposition that is easy to explain to leadership and to the Audit Committee.

IA Organizational Structure

The IA organizational structure should be agile, highly skilled and balanced between internal resources and external subject matter experts. Every IA shop has a limited budget to work within and needs to rely on a third party, co-source partner to make this work.

Resource and Talent Management

There is an emerging war being waged for internal audit talent. IA shops need to have a well thought-out strategy to be able to recruit and retain talent.

Aligned Assurance

Most organizations have several functions responsible for some form of assurance activity, such as cyber security, regulatory compliance, health and safety, environment, sustainability, governance, internal audit, internal controls over financial reporting, legal, and external audit partners. It only makes sense for these groups to work together to share risk assessment insight, and coordinate assurance plans to avoid duplication and audit fatigue, while optimizing cost efficiency.

2. On Methodology:

Dynamic Risk Assessment

Internal Audit teams need to continuously assess risk and be able to define the most critical scope items on an ongoing basis. Constant change and risk assessment are the only certainty.

Agile Audit Approach

With the emergence of disruption and new technology, it is not surprising that Internal Audit is being challenged on its agility. Gone are the days of thinking that annual internal audit plans or Internal Audit engagement scopes should not change.

High Impact Reporting

Reports must be fact-based and have a high-impact; meaning, they need to be succinct and written to meet the needs of a very busy executive and audit committee.

Continuous Monitoring

When it is obvious that there is a key performance indicator or key risk indicator that has a high probability factor of continuously providing valuable insight (such as an early warning indicator), it may bring great value when monitored on a continuous basis.

3. On Enabling Technology:

Advanced Analytics

Eventually, everyone in Internal Audit will be required to have a certain level of advanced analytics capability. Nothing compares to testing 100% of the data or unlocking the true power of data analytics insight. Also, many Internal Audit shops will have expert advanced data analytics teams just to meet basic expectations, such as Internal Audit shops in most financial institutions today.

Robotic Process Automation (RPA)

The Internal Audit function must become comfortable to work with and even audit robots. RPA has the ability to automate extremely complex processes and reduce the need for human involvement.

Process Mining

As you know, not all processes have been designed or implemented to be effective and efficient. Process mining uses advanced analytics to analyze the data related to a process to determine what can be improved.

Machine Learning (ML) and Artificial Intelligence (AI)

As ML and AI advances, the world will continuously experience benefits and sometimes related risk. The benefits will exist when this technology makes our lives easier and more accurate. The associated risk is when ML/AI is not prepared to deal with making a critical decision or judgement.

As we move forward, we must consider the many and varying impacts on Internal Audit functions: the necessity for dealing with change and for continuous improvement; and the need for optimizing value. Success for Internal Audit will be contingent upon attracting and retaining the best talent available. According to Robert Half International – a global human resource consulting firm - *Internal Audit jobs will continuously increase at a high single digit percentage into the 2020's and the skill sets required for these jobs will require many areas of technology capability and experience.*

Canadian universities need to help prepare their graduates to seek and fill the growing number of open roles within the Internal Audit profession. In the meantime, Internal Audit shops, industry and service providers will need to take a leadership role to provide both on-the-job and continuous training, learning enhancement and professional development. Rest assured, IIA Canada will constantly look for ways to help train and educate the current and future leaders of Internal Audit.

I look forward to seeing all of you at IIA Canada's National Conference in Calgary – September 13-16, 2020. It will offer world class training for you and your internal audit team.