

## INTERNAL AUDIT PERSPECTIVES

# THE ROLE OF INTERNAL AUDIT IN ADDRESSING GEOPOLITICAL RISKS



L'Institut des auditeurs internes  
The Institute of Internal Auditors  
Montréal, Québec, Canada

**80**  
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# Introduction

In a global context marked by increasing instability, internal audit plays a crucial role in assessing and mitigating geopolitical risks. These risks can have significant repercussions on operations, supply chains, and business strategies. Faced with unpredictable events such as international conflicts, trade tensions, or economic sanctions, organizations must demonstrate agility and resilience. Internal audit, working closely with management and key stakeholders, not only identifies these emerging risks but also ensures the implementation of effective management mechanisms. This article explores how the SAQ adapts to these challenges and highlights the essential role that internal audit plays in protecting and sustaining their business model.

# BIOGRAPHY



## **Benoit T. Durivage**

Manager  
Internal Audit  
SAQ and SQDC

Benoit is a CPA by training and holds the CIA designation. With 17 years of experience, he began his career in an accounting firm, where he worked in external audit. In 2012, he joined the SAQ, starting his journey in the sales division. In this role, he collaborated with sales teams on the development of performance indicators, budget analysis, and financial controls. Subsequently, he joined the internal audit department, where he held the position of internal auditor for about three years, carrying out various assignments mainly with the sales, procurement, and finance divisions. He then worked in the supply chain as a manager responsible for warehouse inventories. For the past four years, Benoit has held the position of Manager of Internal Audit. In this role, he leads a team of six auditors with diverse profiles and oversees the internal audit function for the SQDC.

# Interview

## 01 How does geopolitics impact the operational, financial, and strategic objectives of the SAQ?

At its core, the foundation of the SAQ is based on a law, which means that a political or geopolitical event could potentially impact the very existence of the business model. More specifically, the mission of the SAQ includes the responsible trade of alcoholic beverages and providing an unparalleled customer experience to Quebecers. To achieve this, the SAQ imports products from 6,000 suppliers in 79 countries. The main impact of geopolitical risks is therefore directly related to the supply chain.

For example, significant fluctuations in transportation costs observed following the pandemic and the war in Ukraine had a direct impact. The war in Ukraine also led to the closure of several glass factories, causing a global glass shortage. Such events create logistical challenges that affect the nature of the supply, the availability of stock in stores, and can increase price pressures.

The SAQ must also comply with the demands of both federal and provincial governments. For instance, in response to the war in Ukraine, the SAQ removed all Russian products from its stores at the request of the Quebec government. This withdrawal process can be long and complex as it is difficult to halt operations overnight. Stocks may be in transit on ships or in warehouses, and there are numerous products to manage. Cannabis, like alcohol, is a product whose nature is not trivial and is subject to regulations that may change. The SQDC and the SAQ, whose mission is to responsibly trade these products, must follow and adapt to regulatory changes.

The pace of these political and geopolitical changes is accelerating. This means that our organizations must be even more agile to adjust quickly, both strategically and operationally.

## 02 There is a recent striking example of trade issues between Canada and the United States. The provincial government asked the SAQ to remove American products from its shelves. What was the impact on the SAQ, and how did you manage the manifestation of such a risk?

Indeed, at the request of the government, all products from the United States were removed from stores and the saq.com website. Supply also ceased to agencies, grocery stores, and restaurants. At the same time, the SAQ stopped its import activities of American products. This represents a large-scale operation given the size of the sales network and the fact that American products account for about 8% of sales volume. In my opinion, it is especially important not to deviate from the organization's mission. In the case of the SAQ, all decisions aim to serve the customer for the benefit of Quebecers. When there are risks, whether geopolitical or otherwise, there are also opportunities related to this mission. For example, the threat of tariffs led to discussions about products that could replace those from the United States on the shelves. This offers an opportunity to expand the range of Canadian and Quebec products.

Moreover, such events can challenge certain complex processes that hinder the organization's agility. By reassessing and simplifying these processes, the SAQ can become more responsive and better prepared to manage similar future risks. In this case, the return process to warehouses was activated and required significant coordination in terms of execution to maintain stock traceability. Methods were reviewed and planned to ensure effective execution under the circumstances.

On the store network side, several procedures were simplified or even removed over time, freeing up time. Sometimes we hear that something is done for the auditors, but no process should be done exclusively for the auditors.

### 03 How does the SAQ's internal audit team interact with other internal stakeholders to ensure that its efforts regarding geopolitical risks are well aligned with those of the rest of the company?

Precisely, we were talking about agility, and internal audit has a role to play in helping companies become more agile and adapt quickly to changes.

First, in our planning process, we regularly meet with the audit committee chairs and the organization's presidents. We ensure that we have a presence in key committees, especially on major projects. It is essential to leverage the strategic positioning of internal audit within our organizations. We have access to senior management and stay connected with those who directly manage significant risks. This helps us understand where internal audit can ultimately create value.

In addition, we must work closely with those responsible for risk assessment and management, including geopolitical risks. Through these interactions, we have the opportunity to align with the risk scenarios already established by the organization, particularly by the risk management function or management. For example, if the organization has already identified geopolitical risk scenarios and implemented controls, such as business continuity plans or emergency plans, these must be considered by internal audit.

### 04 How do you see the evolution of the role of internal audit in the face of the increasing complexity of geopolitical risks?

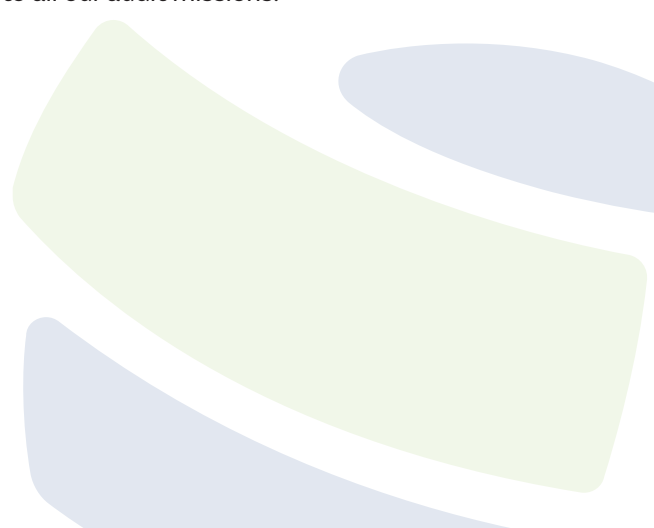
The current context implies a shift towards more of an advisory role. It is important to increase our visibility within the organization. Making ourselves known can be a challenge in itself. We must clearly explain our role and show how we can support teams in managing geopolitical risks. In an ideal world, different stakeholders would immediately think of us when a collaboration could be relevant. This would help mitigate not only geopolitical risks but also all the risks the organization faces. The main challenge, in my opinion, is to be perceived as a true partner within the organization. We are actively working on the perception of audit, and although the function has evolved significantly, there is still work to be done. It is essential to demonstrate to stakeholders that collaboration with internal audit can generate real added value.

We also need to evolve the composition of our internal audit function to achieve this role we seek of becoming a business partner. We need diversity within teams to better identify opportunities and be more effective in responding to changes. In my team, for example, although we have a predominance of accounting backgrounds, we also have an auditor specialized in IT audit and an auditor specialized in data analysis. There is no limit to the diversity of profiles in our profession. Ultimately, the internal audit function is interested in all functions of an organization, and there are as many relevant profiles as there are functions to audit. The organization's strategy can also dictate which internal auditor profiles to recruit. Even if the accounting profile is

versatile and generally relevant, a lawyer wishing to bring a different perspective could very well be an excellent internal auditor.

There are also opportunities to evolve our functions in terms of planning our work. With the speed of change, we too must be agile. In my group, we always keep time for an ad hoc assignment. This is integrated into our planning and gives us the flexibility to start certain assignments more quickly, as needed. If an emerging or pressing risk appears, we can assess it and see if the organization is responding adequately.

Finally, and specifically for geopolitical risks, it seems essential to integrate a geopolitical risk analysis into all our assignments, in collaboration with our colleagues in the first and second lines of defense. Rather than conducting a specific audit on a process particularly exposed to geopolitical risks, such as the supply chain, it is often more relevant to integrate these risks into all our audit missions.



## 05 Do you have any final advice for internal auditors to remain relevant in a constantly evolving environment?

On an individual level, it is important to stay curious and informed, as geopolitical news is constantly evolving. It is also crucial to engage with people with different perspectives to develop critical thinking essential to our work.

Additionally, it is essential to pursue training and take charge of one's own development. Varied experiences, such as cross-functional movements within the same organization, are very enriching. They have been for me throughout my career.

**Interview conducted by**  
Maelle Gillet and Sabrina Rioux

## About The IIA Montreal

Founded in March 1945, the Montreal Chapter of The Institute of Internal Auditors (IIA Montréal), is a non-profit organization incorporated under the Quebec Companies Act. It brings together nearly 900 members and is governed by a board of directors supported by committees. Our chapter's mission is to support and develop internal audit professionals throughout their careers, as well as promote the role and value of the profession. Our vision is to be recognized as a preferred partner by the business community, ensuring relevance and innovation within the profession. Our slogan? The ultimate partner for the growth of our members!



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