

June 14, 2024
Place de la Cité, tour PwC
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

RE: Issues and Discussion Paper: Best Practices for the Responsible Use of AI in the Financial Sector

Dear Sir/Ma'am,

On behalf of The Institute of Internal Auditors (The IIA), the international professional association representing over 245,000 internal auditors, I appreciate the opportunity to comment on the Autorité des marchés financiers' (AMF) discussion paper entitled, "[Best Practices for the Responsible Use of AI in the Financial Sector](#)."

For over 80 years, The IIA and its more than 8,000 members in Canada, including two chapters in Quebec (IIA Quebec and IIA Montreal), have aided sound governance and risk management in public- and private-sector organizations by encouraging strong internal controls and an enterprise-wide approach.

According to a recent survey of Chief Audit Executives published by The IIA, 78% of respondents acknowledged that cybersecurity constituted a "high" or "very high" risk to their organization.¹ The proliferation of artificial intelligence (AI) represents one of the most significant cybersecurity risks confronting the modern global economy.

As companies from all industries and sectors, including the financial sector, race to harness the potential power of this emerging technology, it is evident that the development of a coordinated strategy for regulated institutions is necessary to accomplish three primary objectives:

- Promote responsible innovation
- Institute processes for effectively identifying and mitigating potential AI-related organizational risks
- Establish appropriate internal controls and independent oversight frameworks

Due to the internal audit profession's central role in evaluating risk and executing oversight, The IIA believes it is imperative for organizations – specifically those utilizing AI to process consumer and financial data – to possess a robust internal audit function. The presence of an expert internal audit function – operating in conformity with the [International Professional Practices Framework](#) – ensures objective assurance over AI-related risk management and internal control processes.²

The existence of an internal audit function is widely considered a corporate governance essential practice for promoting organizational transparency and accountability. This role is consistent with the responsibilities articulated in *Section 3.5(16)* of the AMF discussion draft which states: "A governance structure should be put in place to ensure oversight of a financial player's use of AI. [...] It should be possible to adjust these standards based on the [artificial intelligence system] AIS's impact on consumers and the risks associated with its use, and to cover all stages of its life cycle."³

¹ "2023 North American Pulse of Internal Audit: Benchmarks for Internal Audit Leaders," The Institute of Internal Auditors, March 2023

² The Institute of Internal Auditors (IIA). (2024, January 9). International Professional Practices Framework (IPPF).

³ Issues and Discussion Paper - Autorité des marchés financiers

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Internal audit functions are increasingly responsible for evaluating organizational AI governance frameworks. Through engagements with various internal and external stakeholders, internal audit provides objective assurance on AI-related risks and offers recommendations concerning the enhancement of appropriate internal controls.

In addition, The IIA supports the recommendations and principles outlined in *Sections 3.5* and *3.6* governing the practices related to managing AI-associated risks. Establishing a practical governance framework, clear organizational roles and responsibilities, and an ethical framework are important methods for mitigating risk. With these clear frameworks and guardrails in place, an internal audit function is better positioned to support an organization by providing assurance over internal controls and evaluating risk mitigation efforts.

As AI systems evolve and become more sophisticated, internal auditors must remain at the vanguard in assessing risk and internal controls designed to protect the public interest. Consequently, The IIA encourages AMF to utilize internal audit expertise as a resource for developing a comprehensive AI strategy for regulated institutions and financial sectors.

The IIA welcomes further engagement with the AMF regarding AI and looks forward to collaborating with the AMF to promote sound governance practices that benefit the public, consumers, investors, and regulated institutions or sectors.

If you have any questions regarding this letter or issues related to internal audit or organizational governance, please contact me directly at Jillian.Fernandez@TheIIA.org.

Sincerely,



Jillian Fernandez
Director, Advocacy (Canada)
The Institute of Internal Auditors Canada

cc: Marylène Roy, President of IIA Québec
Amélie Vidal, President of IIA Montréal
