



# Cracking the code: emerging risks

March 2022

---

KPMG Lower Gulf Limited



# With you today



**Firas Haddad**

Partner

Governance, Risk and  
Compliance Services

*UAE*



**Mohammad Abudalo**

Partner

Governance, Risk and  
Compliance Services

*KSA*

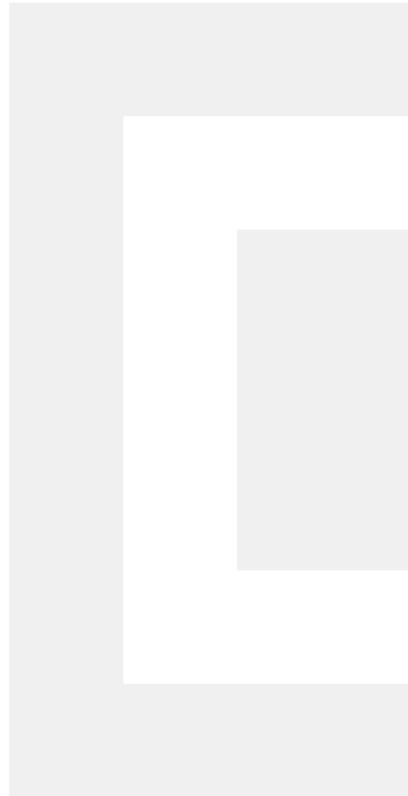
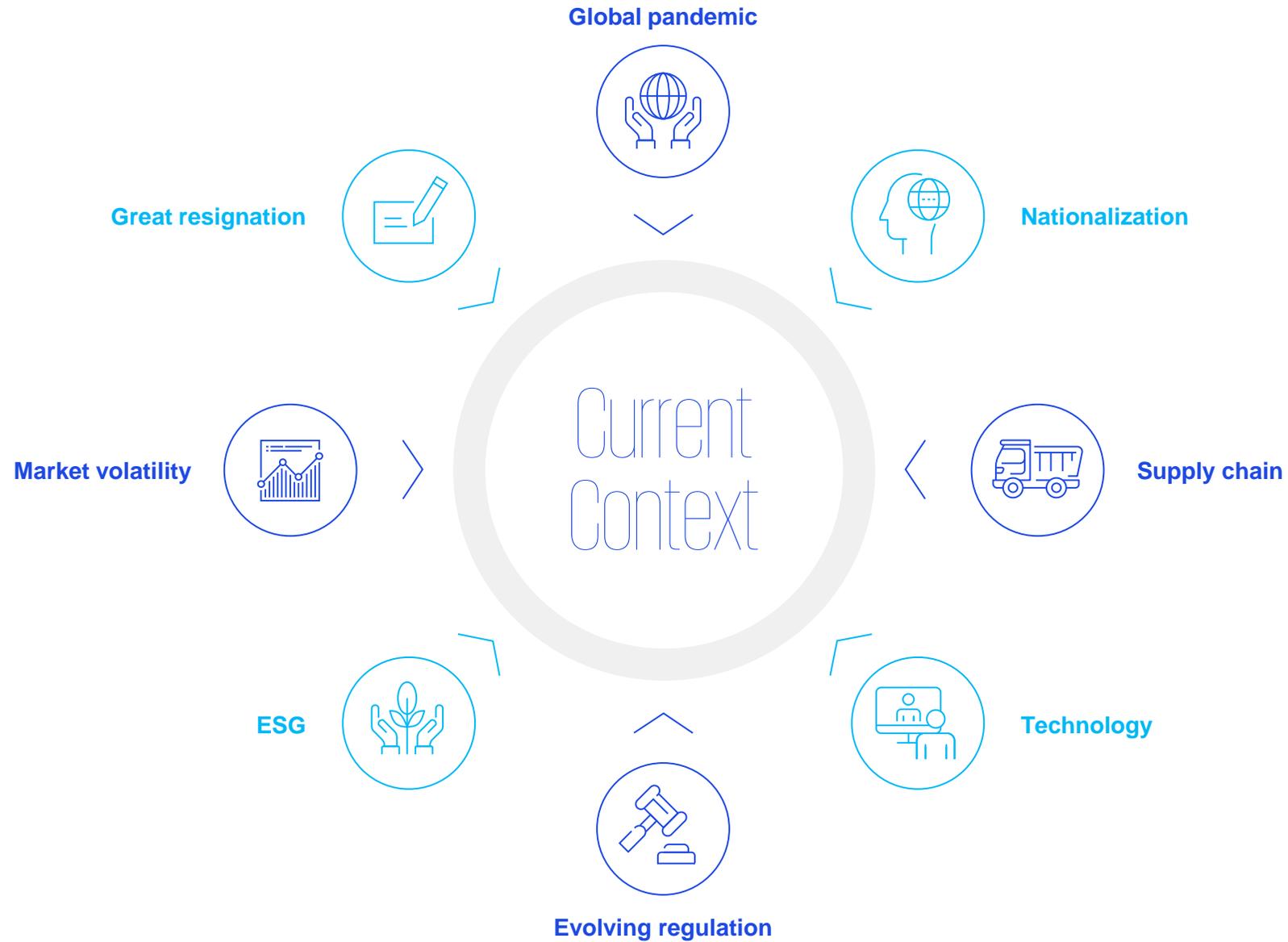


**Harris Anwar Matin**

Director

Governance, Risk and  
Compliance Services

*Oman*



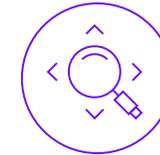


# Setting the context

## About this thought leadership

- Co-developed with our regional network of member firms and by way of secondary research;
- Explores current risks, themes and trends in the business environment;
- Identification and analysis of key risk areas that audit activities expect to focus;
- Provides a view on what skills and capabilities may be required;

## Expected outcomes



Assessment of key risks;



Benchmark audit plan coverage;



Drive discussion and awareness; and



Capabilities / Skillset requirement.



# Quick Survey

What are the key risks that have emerged for your business post-pandemic?





# Why we're here today

- **Business Resilience**
- **Evolving Compliance & Regulation**
- **Liquidity Management**
- **Talent Management & Succession Planning**
- **Changes in the GCC Tax Landscape**
- **Environment, social, governance (ESG)**
- **Digital & Cyber Risk**
- **Outsourcing & Managing Third-party Relationships**
- **Supply Chain Volatility**



# Business resilience

## ■ Key themes & risks Emerging in the current context

- Resilience ‘fatigue’;
- Operational disruptions;
- Ineffective business resilience plan; and
- Dynamic response planning.

## ■ Key considerations for CAE’s

- Crisis management;
- Readiness for emergency; and
- Crisis response plans.

## ■ Skills and Experience required

- Expertise in Crisis management and Business Continuity good practices;
- Knowledge of Emerging Risks and Crises;
- Expertise in conducting workshops based on crisis scenarios; and
- Ability to critically analyze crisis business continuity plans.



# Evolving Compliance and Regulation

## Key themes & risks Emerging in the current context

- Constant and rapid evolution in compliance;
- Pressure on corporates to demonstrate good governance, robust controls, and effective compliance with local regulations;
- Centralization of compliance; and
- Growing cost burden.

## Key considerations for CAE's

- Structural aspect of compliance program;
- Compliance Framework;
- Response to notable issues of non-compliance;
- Review of discrete 'at risk' compliance activities at a micro level; and
- Effectiveness of Compliance training programs.

## Skills and Experience required

- Understanding of regulatory bodies' requirements;
- Ability to identify and quantify the impact of non-compliance;
- Audit scope to be in line with compliance risk registers; and
- Ensure compliance functions are established.



# Liquidity management



## Key themes & risks Emerging in the current context

- Unprecedented period of stress on liquidity in the region;
- Reduced demand and uncertainty driving emphasis on Cashflow and Working Capital Management (CWCM); and
- Traditional approach to Cash Management has proved to be ineffective.



## Key considerations for CAE's

- Policies & Processes around CWCM;
- Systems ability to provide timely, accurate, and insightful data;
- Culture: Does the strategy and KPI drive suboptimal behavior?
- People: Do we have the right skills, awareness and discipline?



## Skills and Experience required

- Ability to Interpret, Recalculate and Develop Financial Models;
- Understanding of financial factors, Industry good practices, etc.;
- Conduct Ratio Analysis, Data Analysis, Visualization, etc.



# Questions / Discussion



# Talent management & succession planning



## Key themes & risks Emerging in the current context

- Diversity and Equality;
- Digital labour advancement;
- Nationalisation;
- Hybrid work environments;
- Employee Retention; and
- Performance Management.



## Key considerations for CAE's

- Evaluate Hire to Retire process;
- Efficiency of learning and training programs;
- Succession planning; and
- Local content program/ Nationalisation agenda.



## Skills and Experience required

- Ability to evaluate Talent Management Strategy;
- Evaluate organization's talent metrics;
- Ability to assess Organizational Goals; and
- Ability to benchmark corporate talent management system.



# Changes in the GCC tax landscape

## Key themes & risks Emerging in the current context

- Evolving Regional Tax Landscape – VAT, Corporate, Withholding, Base Erosion and Profit Sharing (BEPS) and Excise Tax;
- Varying legislation across the region;
- Heavily monitored and subject to penalties and reputational damage; and
- Increased focus on the development of a framework for tax compliance.

## Key considerations for CAE's

- Assess organizational tax compliance and governance framework;
- Response to changes in tax legislation in the region;
- Controls related to tax determination and reporting of taxes; and
- Assess organization's response to changes in legislation.

## Skills and Experience required

- Well versed with tax laws and deadlines;
- Ability to interpret tax laws and regulations;
- Access to relevant resources, tax specialists, etc.
- Access to tools/automated calculation templates in line with tax laws and regulations.



# Environment, social, governance (ESG)



## Key themes & risks Emerging in the current context

- Investor Commitment to ESG;
- Access to capital tied to ESG performance; and
- ESG a clear focus of global regulation – emphasis on disclosure.



## Key considerations for CAE's

- KPI monitoring and reporting;
- Appropriateness of ESG strategy;
- Regular updates on legislation; and
- Compliance monitoring.



## Skills and Experience required

- Conduct materiality or risk assessments;
- Ability to incorporate ESG into well-structured audit plans and programs;
- Build ESG control environment; and
- Understanding of international standards and leading practices.



# Digital & cyber risk



## Key themes & risks Emerging in the current context

- Remote / Hybrid Working Environments;
- Increased adoption of RPA, Cloud Technologies;
- Increased cyber events/breaches; and
- Increased regulation/guidance and disclosure requirements.



## Key considerations for CAE's

- Organisation cyber resilience strategy;
- Process of new technology adoption;
- Penetration testing; and
- Third party resilience alignment.



## Skills and Experience required

- Expertise in auditing IT systems from a security perspective;
- Understanding Third-party IT dependencies and Expertise;
- Ability to conduct penetration testing of critical systems; and
- Identify potential IT control weaknesses.



# Questions / Discussion



# Outsourcing & managing third-party relationships

## Key themes & risks Emerging in the current context

- Cost & Process Optimization;
- Increased adoption of Shared Service Centers / Business Process Outsourcing;
- Third-party incidents are disrupting the business and damaging reputation; and
- Businesses underestimate the need for a sound TPRM program, resulting in insufficient budgets.

## Key considerations for CAE's

- Third Party Risk Management (TPRM) program;
- Nth party risk management;
- Perform audits commensurate with 'right-to-audit' clauses;
- Beyond governance - assess and evaluate tax, regulation, accounting, technology, etc; and
- Technology fit for purpose.

## Skills and Experience required

- Understanding of Organization third-party relationships;
- Capability to benchmark SLA agreement; and
- Capability to perform third-party audits (i.e. visits).



# Supply chain volatility

## Key themes & risks Emerging in the current context

- Global economic slowdown has been succeeded by a volatile economy;
- Forecasting supply / demand difficulty during and after lockdowns;
- Material and Labor constraints globally are driving supply constraints;
- Rapid inflation / Increasing costs; and
- Overreliance on a limited number of third parties.

## Key considerations for CAE's

- End to end supply chain reviews:
  - Strategy;
  - Planning;
  - Prequalification & Performance Management; and
  - Vendor Management.
- Sourcing strategy (Diversification, Nearshoring, or reshoring); and
- Supply Chain Risk Management process.

## Skills and Experience required

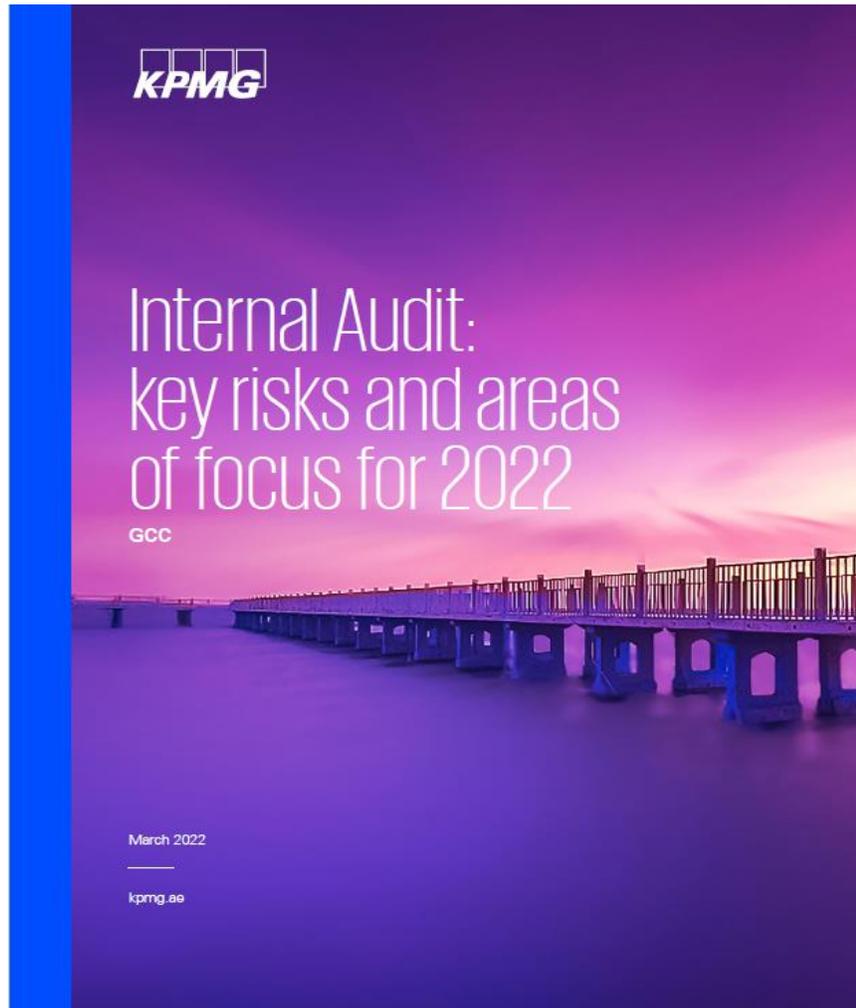
- Experience in enterprise resource planning cycles, costing methodologies, etc.
- Understanding business process analysis and modeling.



# Survey Results



# Thought Leadership



Download our thought leadership now:



# Thank you



**Firas Haddad**

Partner, GRCS – [UAE]

KPMG Lower Gulf Limited  
T: +971 565018293  
E: fhaddad@kpmg.com



**Mohammad Abudalo**

Senior Director, GRCS – [KSA]

KPMG Lower Gulf Limited  
T: +966118748500  
E: mabudalo@kpmg.com



**Harris Matin**

Director, GRCS – [Oman]

KPMG Lower Gulf Limited  
T: +96891247220  
E: hmatin1@kpmg.com

[www.kpmg.com/ae](http://www.kpmg.com/ae)  
[www.kpmg.com/om](http://www.kpmg.com/om)

Follow us on:



@kpmg\_lowergulf

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.