



# Cracking the code: emerging risks

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KPMG Lower Gulf Limited



# With you today



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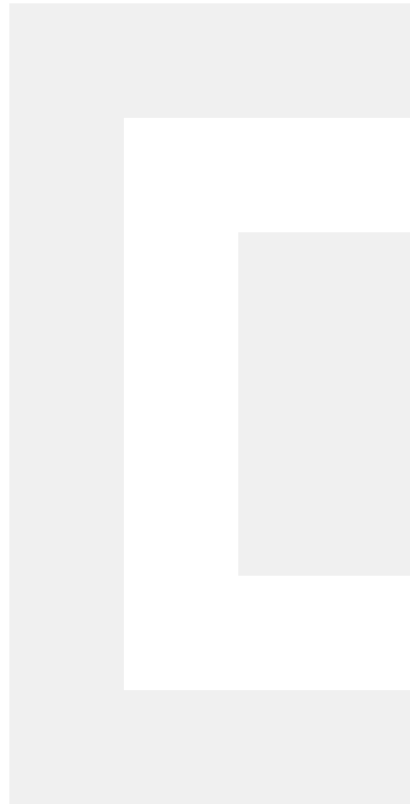
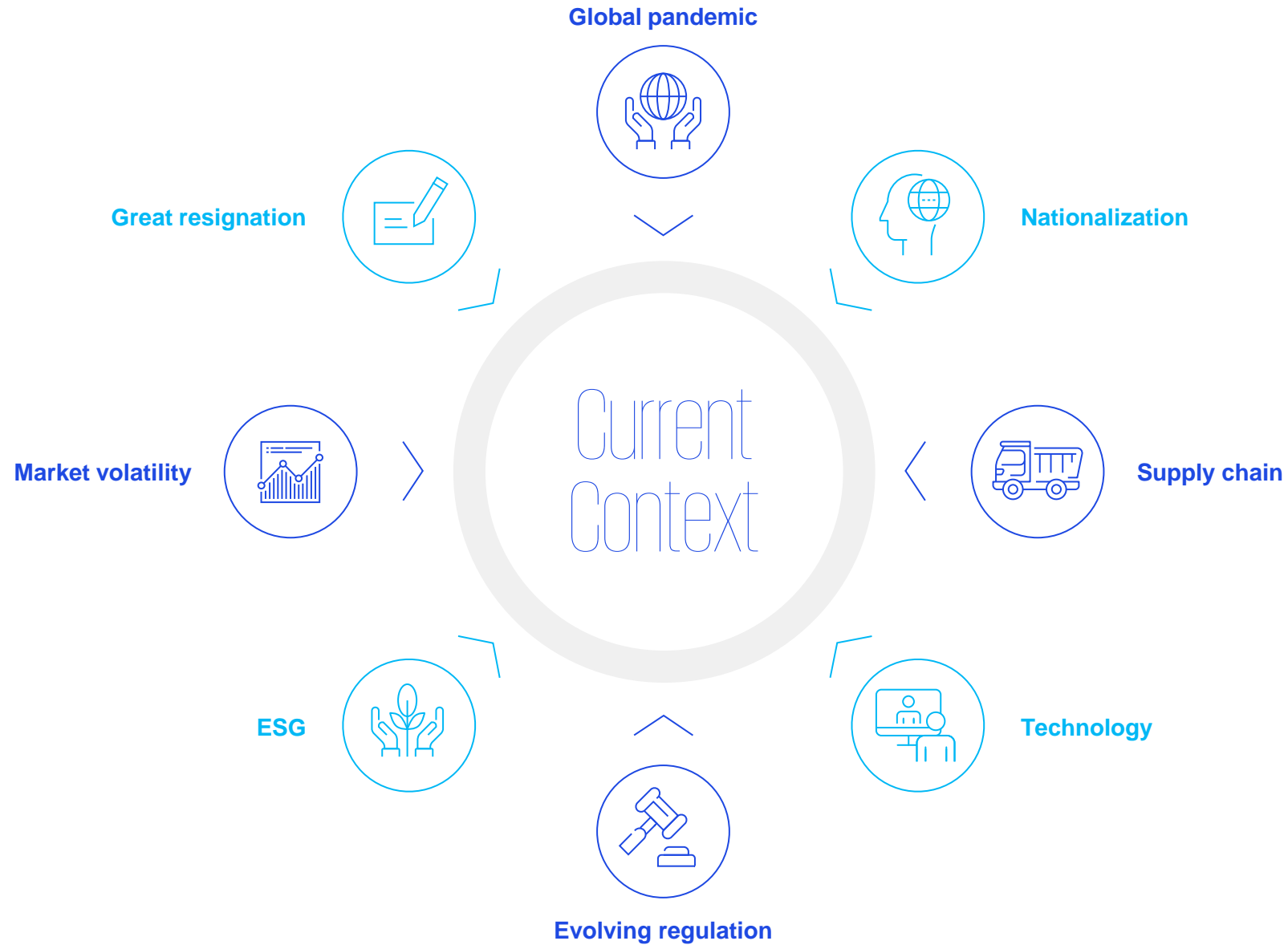


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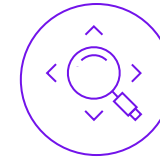


# Setting the context

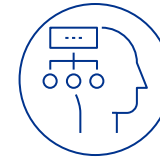
## About this thought leadership

- 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;

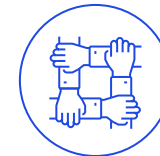
## Expected outcomes



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

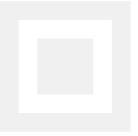
- End to end supply chain reviews:
  - Strategy;
  - Planning;
  - Prequalification & Performance Management; and
  - Vendor Management.
- Sourcing strategy (Diversification, Nearshoring, or reshoring); and
- Supply Chain Risk Management process.

## Skills and Experience required

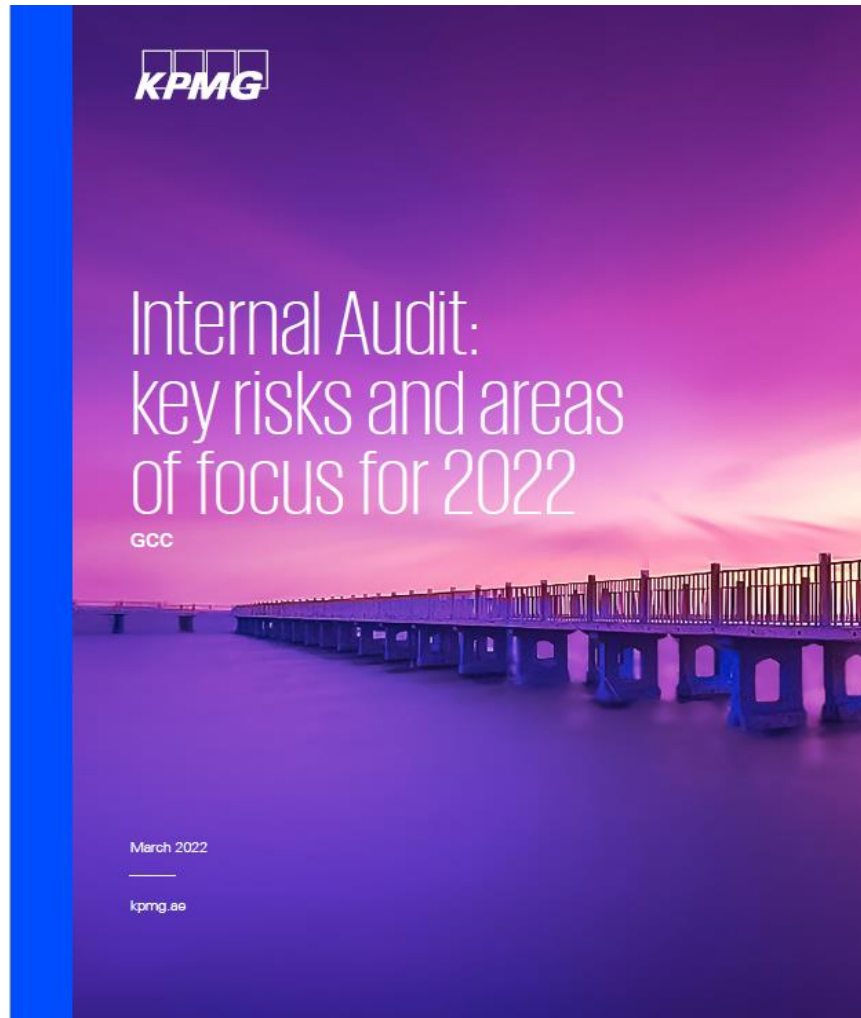
- Experience in enterprise resource planning cycles, costing methodologies, etc.
- Understanding business process analysis and modeling.



# Survey Results



# Thought Leadership



Download our thought leadership now:



# Thank you



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