GRC - New Audit Approach Within Open Government Partnership Aspirations & Challenges

Sherif Fakhry Younes
Director of Internal Audit and Risk Management

Challenges
of
Audit function

Thankless position. ❑

Limited qualified resources. ❑

Raising issues instead of finding solutions. ❑

Lake of Corporate Governance awareness. ❑

No clear description of Conflicts of interest. ❑

Value-added is not measurable and not clear. ❑

Classic Audit approach facing New Technology. ❑

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Classic Audit Approach (GRC)

Corporate Governance. ❑
Risk Management. ❑
Control. ❑

Corporate Governance Definition

ï   In the U.S., After Enron Corporation collapsed auditors role have changed. the U.S. federal government passing the Sarbanes-Oxley Act in 2002, intending to restore public confidence in corporate governance system.

ï   "**Corporate governance** refers to the system by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation ."

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IIA Corporate Governance Definition

ï The International Standards for the Professional of Internal Auditing and Practice Advisories PA 21101, defines Corporate Governance as "The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives."

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Corporate Governance Activities

ï Reviewing Organization Structure. within Competency Framework.

ï Reviewing Matrix of Authorities.

ï Reviewing Segregation of duties and Delegation of Authorities.

ï Reviewing job description, balanced tasks and responsibilities.

ï Reviewing Non-Conflict of interest declarations and mechanism.

Classic Audit Approach (GRC)

Corporate Governance. ❑
Risk Management. ❑
Control. ❑

The Risk Management Process

ï Defining Common types of enterprise risk.

ï Aligning risk assessment process.

ï Continuous observations:
- ✓Assessment.
- ✓Mitigation.
- ✓Control.

The Risk Management Process

ï **Defining Common types of enterprise risk:**

ï Governance risk.
ï Strategic risk.
ï Operational risk.
ï Infrastructure risk.
ï External risk.

Assessment

Mitigation

Control

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The Risk Management Process

ï   Defining Common types of enterprise risk.

ï   Aligning risk assessment process by :

✓Assessing The inherent risk
  before mitigation and Control.

✓Determining the residual risk that remains.

✓Assessing the effectiveness of existing ERM.

✓Providing reasonable assurance about Control.

✓Determining the exposure within risk appetite.

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Classic Audit Approach (GRC)

Corporate Governance. ❏

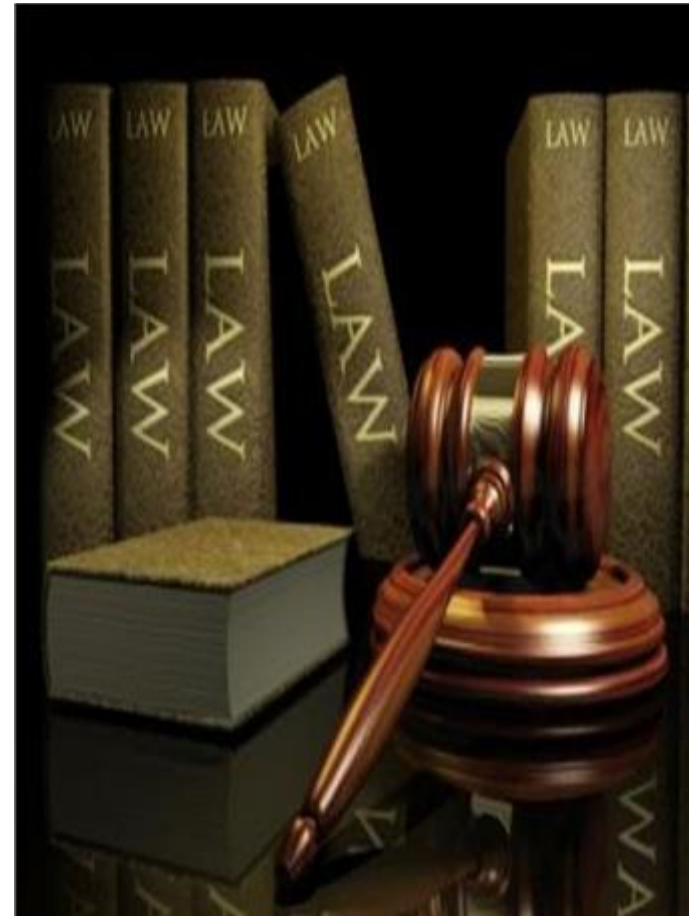Risk Management. ❏

Control. ❏

Control

ï The role of internal audit is not limited to the Risk management process but i extends to verify whether the other risk control function including compliance is operating effectively to mitigate risks providing their findings and observations to the board of directors.
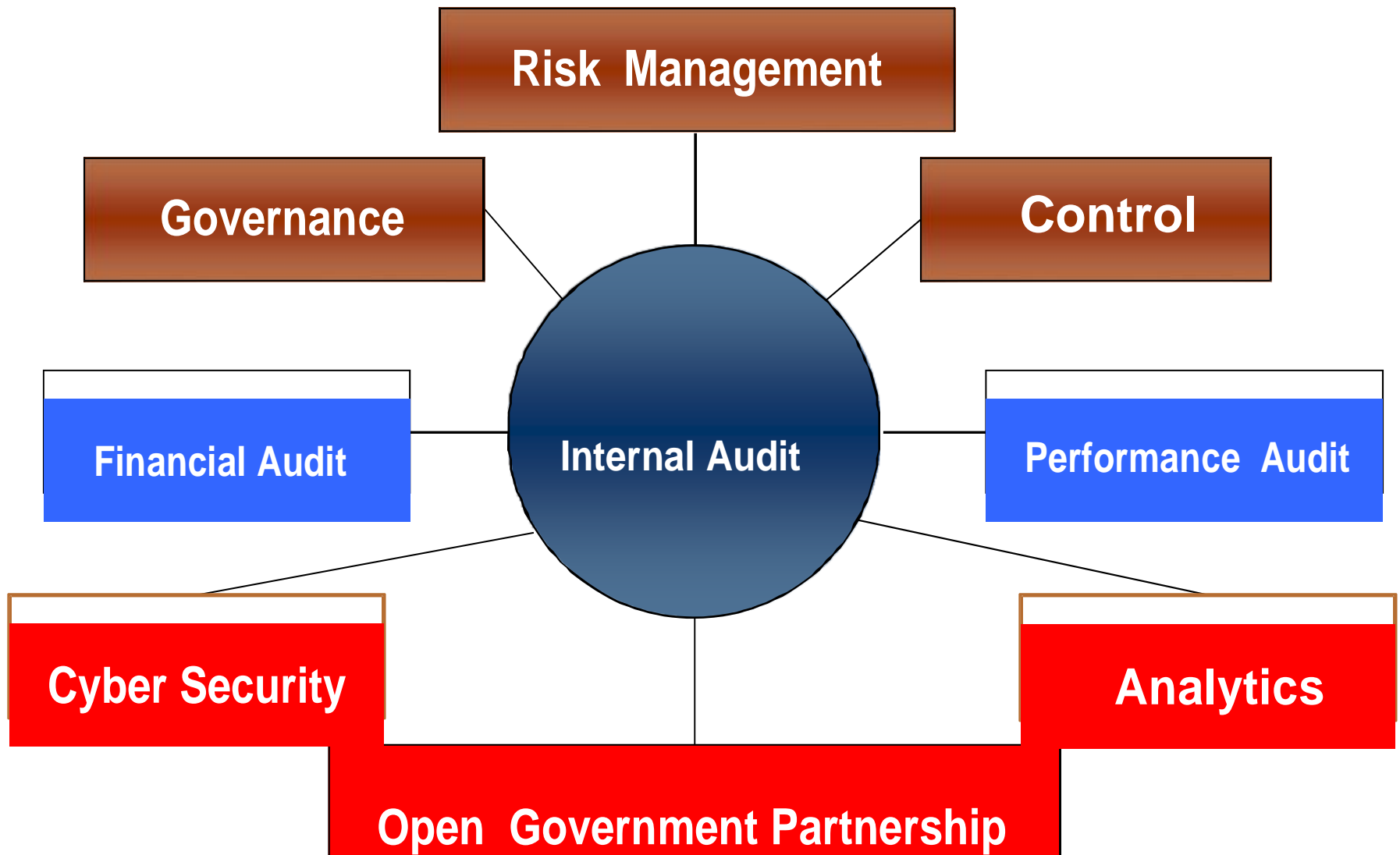
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Compliance
as a part of Corporation Strategy

ï Compliance is the first business risk for any Corporation or Government.

ï It should be important part of the Corporation or the Government strategy.

ï The compliance officer should act and coordinate with other control and risk functions.

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New Audit Matrix

Risk Management

Governance

Control

Financial Audit

Internal Audit

Performance Audit

Cyber Security

Analytics

Open Government Partnership

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Global Economic Crime Survey

ï Global Economic Crime Survey in the Arab World conducted by **(PWC)** - 3877 response from senior executive in 78 countries refers to: Cyber Security crimes and Fraud is the most growing threat in the Middle East.

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The Most Common Types of Fraud

ï   **Bribery** .

ï   **Corruption**.

ï   **False information** .

ï   **Cyber security Fraud.**

ï   **Asset misappropriation.**

ï   **Misuse of insider information**.

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Cyber security Concept
What is Cyber Security all about?

ï **In this age of new technology and communication , you are impacted by technologies and innovations that center on computers, cell phones and the Internet as we revolve our daily lives with these technologies .**

ï **Cyber Security** Cyber security is all about keeping your data safe, it is in fact about how to protect your personal information or any form of digital information stored in your computer, your mobile or in any digital memory device.

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Cyber security Importance

Why it is important:

ï With proper protection installed, you will be able to keep your files and data safe.

ï It's very important that you keep in mind Cyber Security all the time.

ï Cyber Security is an important

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Cyber Security & Audit Approach

ï The first thing that you'll have to realize is the forms of threats that you could encounter in Cyber Space.

ï There are different forms of threats each one has its own level of Risk.

ï Risk Management Process should be totally reconsidered and changed.

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Cyber Security & Risk Management

key Questions:

- ✓ Are you on track, speaking the same language of management.
- ✓ Are you assessing risk in isolation or with the corporate core business people.
- ✓ Do you periodically measure the residual risk within the risk appetite and do the existing risk assessment is reliable and adequate.
- ✓ Did you update your Risk Management Module strategy as per Cyber Security requirement.

Open Government Partnership Advantages

Data is the oil of 21 century. ❑

It worse $40 billion as per ❑
Guardian and Economist.

Positive impacts on economy. ❑

More open Government. ❑

More accountable. ❑

More effective. ❑
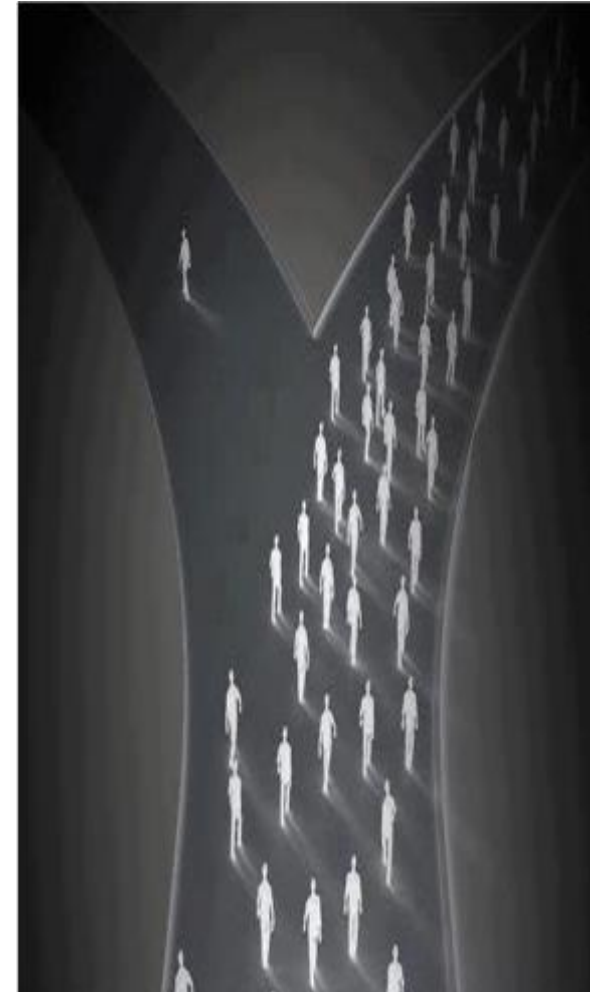
Fast response. ❑

Less Fraud. ❑

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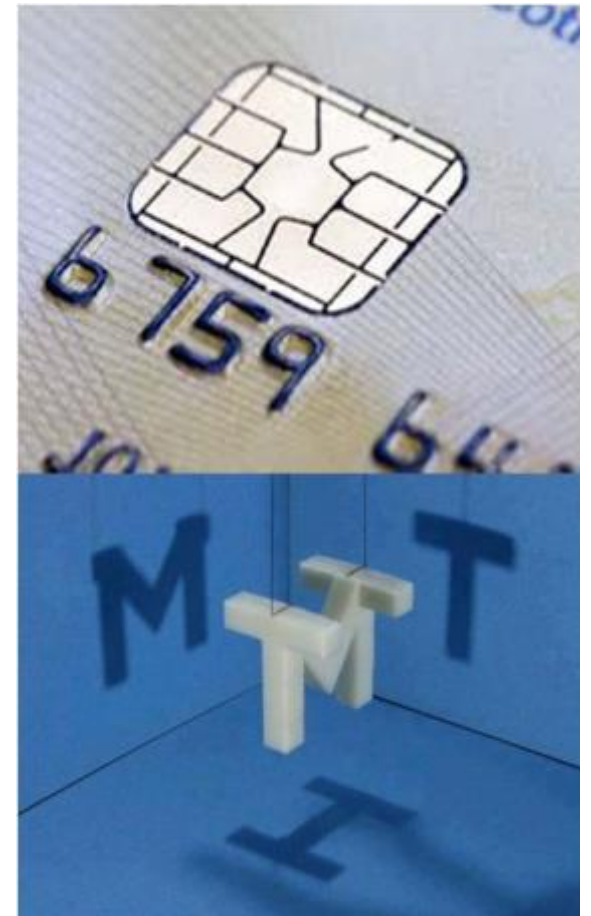
Open Government Partnership

The Vision:

Building Government that sustainably become more transparent, accountable and responsive to its own citizens and residents.

The Mission:

Sharing data to enhance high performance and improve the Corporate Governance.

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H.H Sheikh Mohamed Bin Rashid AL Maktoum Concepts
**for**
Mobile Government
Government Summit
Feb. 2013

Government that works 24/7. ❑

Government that never sleeps. ❑

Government which responds quickly. ❑

High standards of hospitality like hotels. ❑

Very powerful in its process and procedures. ❑

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Open Government Partnership Fraud prevention and detection

ï Open Government can play an important role in Fraud detection and prevention.

ï Open Government should allow better understanding for **Risk Management** process.

ï Open Government will allow more **Corporate Governance** and more **Compliance**.

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Challenges of Open Government Partnership
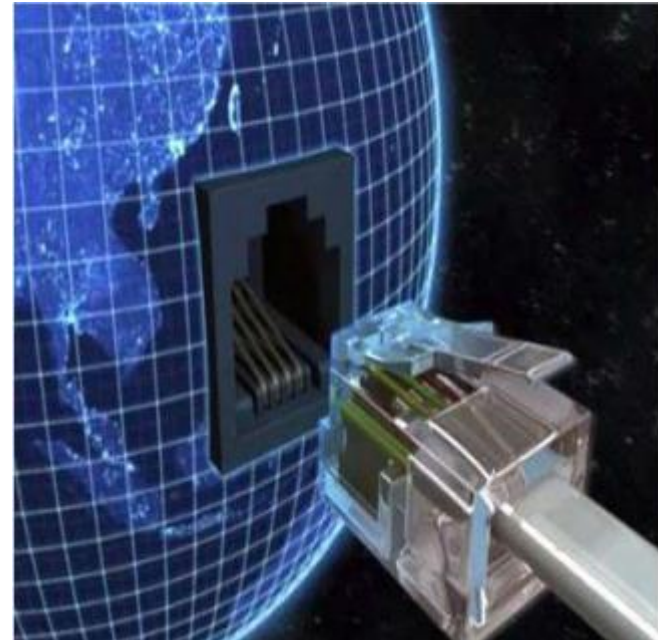
Political challenges. ❑

Government infrastructure. ❑

National security and privacy protection. ❑

Data integration and analysis mechanism. ❑

Society Cultural and Social environment. ❑

Legal challenges (IP, Copy right - left right etc..). ❑

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Internal Challenges For OGP

People

Old Process

Regulations

OGP and National Security

Not all the Big data should be shared or declared.

National security requirements should be also considered like:

Military expenses. ❑

Military infrastructure. ❑

State security expenses. ❑

Nuclear programs expenses. ❑

Don't open up for others to benefit, you have to benefit too.

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Open Government Partnership Implementation Requirements

OPG National Strategy. ☐
Risk-Benefits Analysis. ☐
Empowering citizens. ☐
Transitional stage. ☐
Clear action plan. ☐
Data Integration and Analysis mechanism. ☐

from Defense ...

... to Scoring

Success Factors

Political decision. ❑

Gov. leaders support. ❑

Gov. Management style. ❑

Civil Community influence. ❑

Accountability environment. ❑

Clear independent reporting. ❑

Highly qualified Gov. staff. ❑

Government infrastructure. ❑

"Only leaders can change dreams into

"with great power
come s great responsibilities"
(Franklin Delano Roosevelt, 1882- 1945)

" **With great power comes great responsibility...**

(Frankli **,n** *82-1945}*

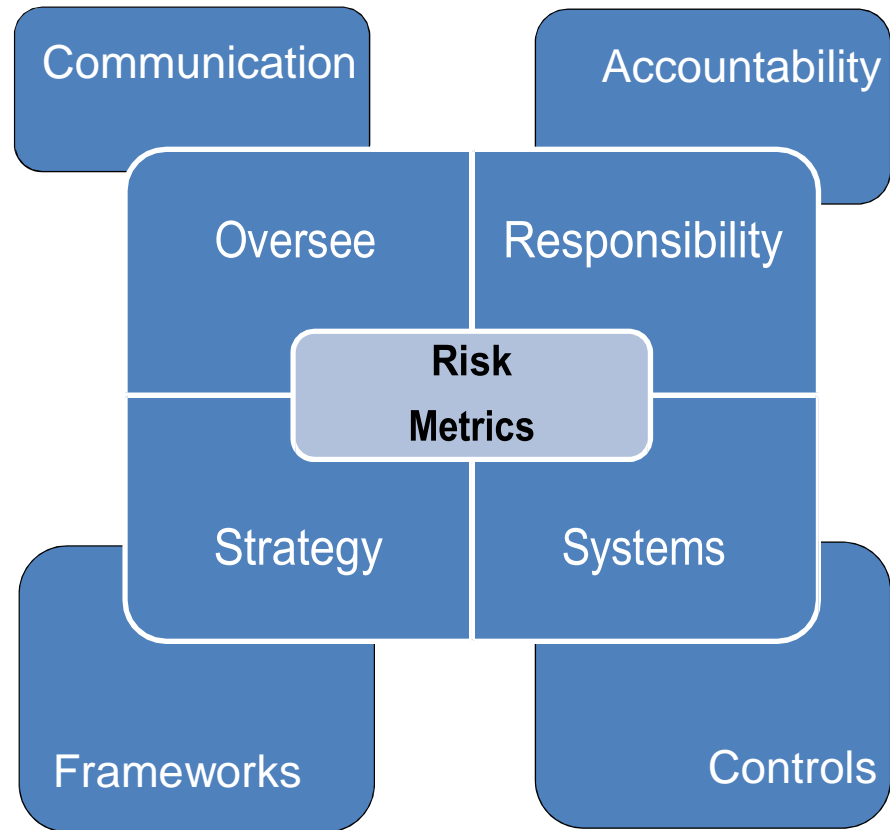Sherif.fakhry@tra.gov.ae

sfakhry64@gmail.com

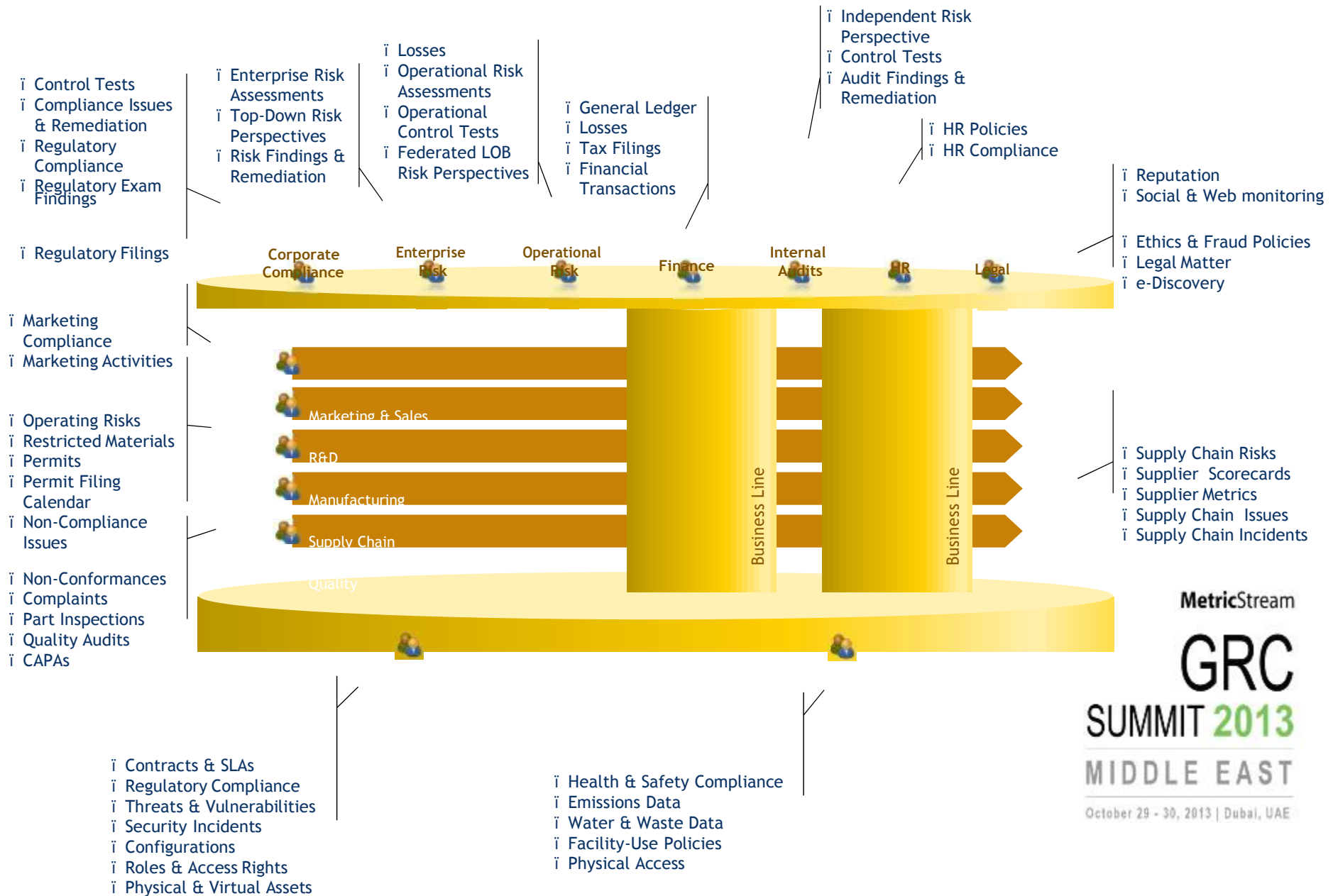# Effective Corporate Governance – How Technology Can Help

Manu Gopeendran
Senior Manager
MetricStream

MetricStream

Corporate Governance: What it can mean

ï Board of directors and senior management oversight

ï Clear Communication to stakeholders

ï Discussion frameworks to decide on risk culture, appetite and tolerance

ï Risk-driven strategic decisions

ï Clear lines of responsibility and accountability

ï Strong system of internal controls and effective risk management

ï Metrics to monitor continuous performance

Communication

Accountability

Oversee

Responsibility

Risk

Metrics

Strategy

Systems

Frameworks

Controls

Gather Metrics from Across the Enterprise

- Control Tests
- Compliance Issues & Remediation
- Regulatory Compliance
- Regulatory Exam Findings

- Regulatory Filings

- Enterprise Risk Assessments
- Top-Down Risk Perspectives
- Risk Findings & Remediation

- Losses
- Operational Risk Assessments
- Operational Control Tests
- Federated LOB Risk Perspectives

- General Ledger
- Losses
- Tax Filings
- Financial Transactions

- Independent Risk Perspective
- Control Tests
- Audit Findings & Remediation

- HR Policies
- HR Compliance

- Reputation
- Social & Web monitoring

- Ethics & Fraud Policies
- Legal Matter
- e-Discovery

Corporate Compliance   **Enterprise Risk**   **Operational Risk**   **Finance**   **Internal Audits**   **HR**   **Legal**

- Marketing Compliance
- Marketing Activities

- Operating Risks
- Restricted Materials
- Permits
- Permit Filing Calendar
- Non-Compliance Issues

- Non-Conformances
- Complaints
- Part Inspections
- Quality Audits
- CAPAs

Marketing & Sales

R&D

Manufacturing

Supply Chain

Quality

Business Line

Business Line

- Supply Chain Risks
- Supplier Scorecards
- Supplier Metrics
- Supply Chain Issues
- Supply Chain Incidents

- Contracts & SLAs
- Regulatory Compliance
- Threats & Vulnerabilities
- Security Incidents
- Configurations
- Roles & Access Rights
- Physical & Virtual Assets

- Health & Safety Compliance
- Emissions Data
- Water & Waste Data
- Facility-Use Policies
- Physical Access

Adopt Integrated Platform based Approach

Drive Governance Analytics

Reporting & Analytics

Report & Dash boarding

Advanced Data

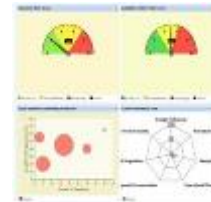**Severity** **Frequency**
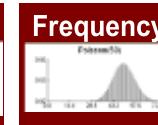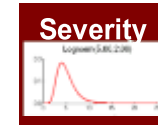
Plug 'n Play
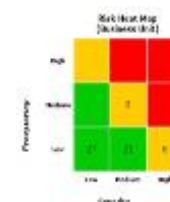
Visualizations

Analytics

Risk Metrics, KRIs / KPIs & Business Objectives

KRIs, KPIs

Business Objectives

Heat Maps

GRC Processes

Risk Assessments	Control Tests	Self Assessments	Audits
Policy Management	Surveys	Monitoring	Issue Management

Internal & External Data

Organizational Data

Loss Data

Threats & Vulnerabilities
(Servers/Computers /Mobile/Cloud Assets)

Content

External Feeds
(Regulatory Updates, Social Monitoring, etc.)

Achieve Quality Control of Data

Approaches

- Adopt Models, frameworks, tools, and methodologies
- Establish consistent terminology and vocabulary
- Institute qualitative and quantitative metrics
- Adopt methods to effectively aggregate data across dimensions
- Avoid Information Silos
- Provide incentive mechanism to drive ownership
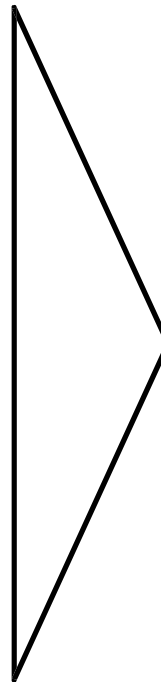
Benefits

- Drive an analytic decision making culture
- Effectively establish risk profile, appetite and tolerance
- Incorporate risk information into management decision making and strategic planning
- Prioritize Strategies and Plans
- Facilitate effective Risk Modeling & Scenario Analysis

Achieve Risk-adjusted Business Performance

Thank You

MetricStream